



## Q1 2021 Letter to Shareholders

This time last year, we were navigating our industry's darkest days and the future was decidedly uncertain. Today, thanks to expanded availability of vaccinations throughout Q1 2021, the clouds have started to part and our business is in an improved position. The evidence is manifold:

- We saw rising consumer demand on our platform led by the U.S. market and driven by accelerated vaccination trends. We are optimistic that the U.S. can further improve and serve as a leading indicator for leisure travel recovery in international markets in the periods to come.
- Two of our key offerings – our hotel metasearch auction and experiences – are showing encouraging recovery signs so far this year, particularly in the U.S.
- We completed an opportunistic convertible debt capital raise in Q1. This further fortifies our solid balance sheet and potentially pre-funds the refinance of some of our higher-priced debt issued last summer amidst much greater uncertainty.
- We are leveraging our competitive strengths in numerous areas – B2B, Display, Experiences, Dining, and our new direct-to-consumer subscription offering, Tripadvisor Plus. Through these diverse offerings we aim to capitalize on Tripadvisor's unique, influential position and value proposition, drive more value for Tripadvisor customers, and enhance our platform's long-term monetization potential.

Our Q1 results reflect ongoing unevenness in leisure travel's recovery path. Revenue of \$123 million, a net loss of \$80 million, and adjusted EBITDA of negative \$26 million were slightly better than our expectations. Sequential monthly progress was U.S.-driven, as vaccinations led consumers back to planning leisure travel. Europe lagged due to lockdowns, but demand picked up in April, and we are optimistic for broadened, international recovery as vaccination rates improve.

We believe we are advantageously positioned for the rebound and beyond. We will continue to focus on factors within our control – serving customers, leveraging competitive advantages, and laying the foundation for long-term, diverse growth.

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### Q1 2021 Business Update

**Consumer demand environment, and revenue, improved throughout the quarter.** The first quarter really had two distinct periods. The first month or so exhibited choppiness similar to what we saw in Q4 2020, with January as a percent of 2019 at lower levels than Q4 2020. However, demand and revenue trends improved as the quarter progressed.

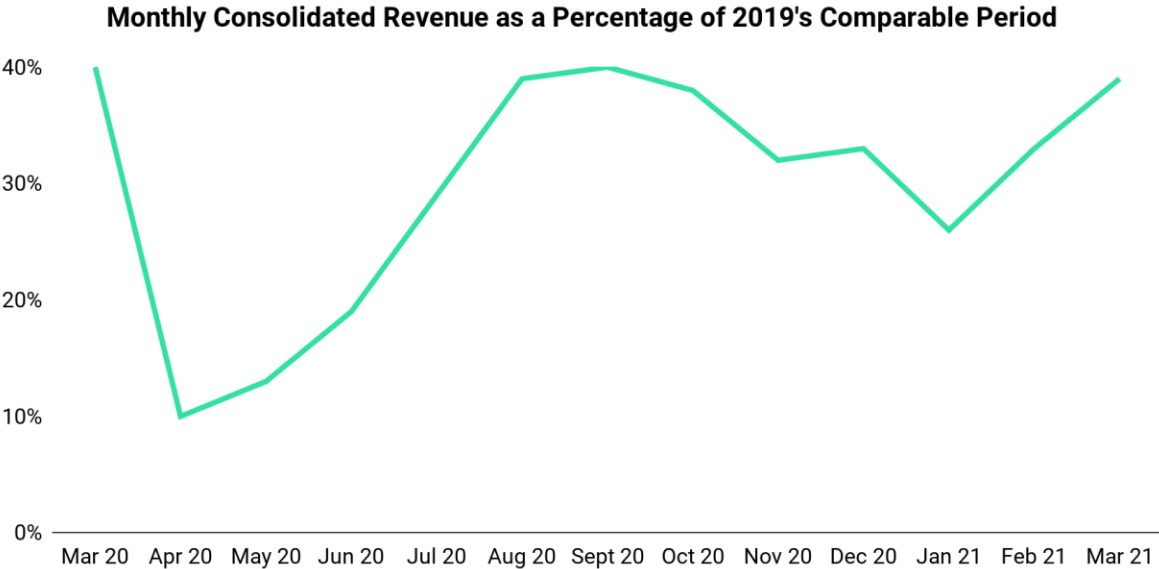


Monthly unique users on Tripadvisor-branded websites improved sequentially during the quarter, as January, February, and March were approximately 53%, 56% and 58% of 2019's comparable period, respectively. In our key markets of the U.S. and U.K., we have seen a close correlation between improved vaccination rates and rising travel intent, including searches for hotels, restaurants, and things to do.

Improvement throughout Q1 was driven almost entirely by the U.S., where the first phase of leisure travel recovery seems well underway. In March, U.S. monthly unique users approached 80% of 2019 levels, while traffic outside the U.S. was approximately half of 2019 levels. The CDC recently officially relaxed travel guidance for fully vaccinated people, which we see as an incremental positive for consumer willingness to travel. With more than 100 million U.S. citizens fully vaccinated, consumer confidence rising, and summer vacation months approaching, we believe there is more improvement to come. We also remain optimistic that a more powerful leisure travel recovery can take shape when vaccinations become more widespread internationally.

**As leisure travel demand trends improved, so too did revenue performance.** At \$123 million, Q1 revenue was down 56% year-over-year and, at approximately 33% of 2019's comparable period, was roughly in line with Q4 2020 performance. Similar to demand, the U.S. drove sequential revenue improvements during the quarter. March consolidated revenue was approximately 39% of 2019 levels, notably better than 26% in January and 33% in February.

As a percentage of 2019's comparable period, March 2021 returned to levels last seen during last summer's reopening period:



Some Q1 updates related to our diverse offerings:

- Our hotel auction is tracking in line with the overall demand environment. Traffic on hotel pages reached 80% of 2019 levels in the U.S. and approximately 50% outside the U.S. in March.

U.S. auction revenue improved in the second half of Q1 and reached approximately 67% of 2019 levels in March, and nearly 80% in April. We have observed more muted trends internationally due to lockdowns, but the U.S. exemplifies rising consumer interest in hotel stays once vaccines arrive. Also, CPC prices in the U.S. recently approached 2019 levels, demonstrating ongoing partner bidding engagement as demand recovers.

- B2B, which is primarily comprised of subscription-based revenue, remains a steady performer. This year, we are helping partners navigate what remains a fluid environment. We are excited to introduce more partners to our newer solutions, Spotlight, Menu Connect, and Reputation Pro, and we have been optimizing our Management Center and self-service tools to help partners leverage our platform to drive insights and value.
- Our Display advertising offering has shown nice early signs that advertisers are coming back to impression-based advertising. Sales traction improved in the back half of Q1 and throughout April, with both travel-endemic clients, such as Destination Marketing Organizations that are looking to bring travelers back to their geographies, as well as a diverse set of advertisers spanning consumer packaged goods, auto, entertainment, finance, and spirits, who are looking to access our global audience and brand-safe platform.
- In our Experiences offering, Q1 activity was largely limited to U.S. consumers making domestic bookings, and U.S. trends improved as the quarter progressed. In March, our U.S. point-of-sale reached 50% of 2019 levels, up from 30% levels in January and February. Also, as a destination, the U.S. exceeded 2019 levels in March.
- Dining's Q1 recovery was flat to Q4, as restaurants in most of the European countries in which TheFork operates were ordered to remain closed for in-restaurant dining. However, we saw in 2020 how resilient our restaurant offerings can be, as a few key markets achieved year-over-year growth during summer months and TheFork regained 2019 levels in September. We expect a similar pattern this year, with the added potential for a stronger recovery when vaccinations progress in Europe.

We note that April's revenue performance improved versus March. Visibility remains significantly challenged due to case spikes and lockdowns in major regions, but we currently expect that Q2 performance will exceed Q1. We also remain optimistic about the second half of 2021 as the number of people vaccinated increases, countries reopen, and the leisure travel recovery broadens.

***Executing with cost discipline towards increased operating leverage.*** (Estimated cost savings levels referenced below do not consider depreciation, amortization, restructuring, and other related reorganization costs, or stock-based compensation.)

At \$207 million, operating expenses were 32% lower than the same period a year ago. This was driven by two factors that we have outlined since the pandemic took hold last year. First, significantly reduced discretionary and workforce-related fixed expenses we enacted to align with our new reality. Second, significantly lower variable costs (such as performance-based marketing and the transaction-based cost of revenue) that move generally in line with travel demand.

During Q1, we maintained our rigorous cost controls in terms of workforce-related and discretionary fixed expense areas. Our ending headcount was 2,579, or 34% lower year-over-year. We continue to expect the majority of the 2020 fixed cost savings will persist in 2021.

Performance-based marketing and the transaction-based portion of cost of revenue remained significantly lower than pre-pandemic levels, reflecting the overall travel environment. These costs increased modestly compared to Q4 2020 driven by a typical, seasonal uplift as well as improved demand trends, and we continue to expect variable expenses will track generally in line with demand trends moving forward.

In terms of profitability, our Q1 consolidated net loss was \$80 million. Q1 adjusted EBITDA of negative \$26 million was better than Q4 2020, driven primarily by the sequential step-up in revenue, coupled with ongoing, disciplined, cost controls.

**Further strengthened our liquidity position.** Our Q1 ending cash and cash equivalents balance grew to \$674 million, up \$256 million from our ending balance on December 31, 2020. This increase was primarily driven by an opportunistic capital raise that we executed in late March, during which we sold \$345 million of 0.250% convertible notes due 2026. We used a portion of the proceeds to enter into a hedge transaction that effectively increases the equity conversion strike to 100% above the \$53.68 closing price at issuance, and we intend to use the balance for general corporate purposes, which may include repaying prior to maturity a portion of our 7.000% Senior Notes due 2025.

Our liquidity position reaches nearly \$1.2 billion when considering that we remain essentially undrawn on our \$500 million revolving credit facility.

Moving to cash flow, we note that we had a \$19 million operating cash outflow in Q1, driven primarily by our net loss in the period, though significantly offset by changes in working capital. This outflow compares very favorably to the \$70 million outflow experienced in Q1 2020 as the pandemic set in and consumers canceled their experiences and rentals bookings at historically high rates. Cancellation rates have moderated considerably since then. This positive swing is reflected in the \$122 million year-over-year improvement in deferred merchant payables, which turned from an \$86 million outflow to a \$36 million inflow. We are pleased that travelers seem to be booking with increased confidence.

In sum, our solid liquidity position keeps the business adequately capitalized to navigate near-term uncertainty and numerous recovery scenarios.

**Building Tripadvisor Plus.** As outlined in our [Q4 2020 and Full Year Shareholder Letter](#), we are in the initial phase of building our exciting direct-to-consumer subscription service, Tripadvisor Plus.

We are in phase one, our U.S. beta. When presented with the “no-brainer” moment of hotel savings equal to or greater than the \$99 subscription fee, consumers have demonstrated they will sign up. In fact, in these early days, Plus subscribers are saving an average of more than \$300 per booking. Once subscribed, travelers receive discounts on subsequent hotel bookings and bookable experiences available on Tripadvisor.

We are relentlessly striving towards our vision of the optimal experience for both supply partners and consumers. In Q1, we launched a hotel supplier-direct sales effort leveraging our existing hospitality services sales teams and have already contracted and brought live many properties in dozens of

countries. We have been doing extensive testing related to how we merchandise Plus offers to drive conversion. We are also exploring a number of potential partnership opportunities across car rentals, digital services, and credit cards, among others, laying the groundwork to deliver more value for more consumers and partners through a broadened offering and wider distribution. We expect to move towards phase two, a full U.S. launch, within the next few months.

In short, we are making good early progress. We realize that building strong subscription businesses takes time, but we believe Tripadvisor is uniquely positioned to bring the consumer-direct subscription business model to a global travel audience. Near-term, our expectations for 2021 remain measured in acknowledgment of the fact we are early days and we launched during a pandemic. Over the long-term, we believe Plus can drive value for consumers, suppliers, and our business, monetizing Tripadvisor's influence and creating long-term value for shareholders.

## **Outlook**

*(As a reminder, we endeavor to be as accurate as possible with our forward-looking commentary; however, a number of factors outside of our control can limit our visibility into future financial performance and can cause our results to vary materially from our current expectations.)*

The pandemic continues to be a major headwind to the travel industry and to our business. We believe travel's recovery path will be defined by rising consumer confidence and traveler safety, both of which are directly related to the speed of vaccine distribution. As such:

- We currently expect Q2 revenue and adjusted EBITDA to improve versus Q1, both in absolute terms, and as a percentage of 2019, despite impacts from Europe's lagging recovery.
- We also maintain our previously communicated view that leisure travel, and our business, could experience a more robust second-half rebound. This would be driven by continued U.S. progress as well as a broader recovery that includes Europe and other international markets.
- Lastly, we reiterate our commitment to operating a fundamentally leaner cost structure and continue to expect the majority of the 2020 fixed cost savings will persist in 2021.

## **Conference Call and Webcast**

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Tripadvisor, Inc. management will host a conference call to discuss results as well as forward-looking information about Tripadvisor's business tomorrow morning at 8:30 a.m. Eastern Time. 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> for a live webcast of the conference call.

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Tripadvisor, Inc.'s first quarter 2021 earnings press release and supplemental financials are available on the Investor Relations section of Tripadvisor, Inc.'s website at [ir.tripadvisor.com](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 U.S. Securities

Exchange Commission, or SEC, on May 6, 2021, which is available on the Investor Relations section of our website at [ir.tripadvisor.com](http://ir.tripadvisor.com) 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, and Section 21E of the Securities Exchange Act of 1934, as amended. The following words, when used, are intended to identify forward-looking statements: "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "target," "should," "will," and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in these prepared remarks, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements are more fully described in Part I. Item 1A. "Risk Factors" of our Annual Report on Form 10-K. Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.

Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC and to other materials we may furnish to the public from time to time through current reports on Form 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements.

### **Use of Non-GAAP Financial Measures**

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

We encourage investors to review our earnings press release as it contains important information about our financial results, including tabular reconciliations to the most directly comparable GAAP financial measure, definitions, limitations and other related information about these non-GAAP financial measures. We have not reconciled consolidated adjusted EBITDA guidance to projected consolidated GAAP net income (loss) because we do not provide guidance on GAAP net income (loss) or the reconciling items between adjusted EBITDA and GAAP net income (loss), as a result of the uncertainty regarding, and the potential variability of, certain of these items. Accordingly, a reconciliation of the

non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

The earnings press release in addition to other supplemental financial information is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on May 6, 2021, which is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/> and the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Key Business Metrics**

We review a number of metrics, including unique visitors, hotel shoppers, and other metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, a single user may have multiple member accounts or browse the internet on multiple browsers or devices, some users may restrict our ability to accurately identify them across visits, and we are not always able to capture user information on all of our platforms. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform. Our metrics are also affected by applications that automatically contact our servers for regular updates with no discernible user action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. As such, the calculation of some of the metrics presented may be affected as a result of this activity. We regularly review our process and may adjust how we calculate our internal metrics to improve their accuracy.

07-May-2021

# TripAdvisor, Inc. (TRIP)

Q1 2021 Earnings Call



## CORPORATE PARTICIPANTS

### Will Lyons

*Vice President, Investor Relations, TripAdvisor, Inc.*

### Stephen Kaufer

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

### Ernst J. Teunissen

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

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## OTHER PARTICIPANTS

### Lloyd Walmsley

*Analyst, Deutsche Bank Securities, Inc.*

### Jason B. Bazinet

*Analyst, Citigroup Global Markets, Inc.*

### Richard J. Clarke

*Analyst, Sanford C. Bernstein & Co. LLC*

### Naved Khan

*Analyst, Truist Securities, Inc.*

### Deepak Mathivanan

*Analyst, Wolfe Research, LLC*

### Shweta Khajuria

*Analyst, Evercore*

### Tom White

*Analyst, D.A. Davidson & Co.*

### James Lee

*Analyst, Mizuho Securities USA LLC*

### Vince Ciepiel

*Analyst, Cleveland Research Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to Tripadvisor's first quarter 2021 earnings conference call. As a reminder, today's conference call is being recorded.

At this time, I would like to turn the conference over to Tripadvisor's Vice President of Investor Relations, Mr. Will Lyons. Please go ahead.

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### Will Lyons

*Vice President, Investor Relations, TripAdvisor, Inc.*

Thanks, Lily. Good morning, everyone, and welcome to our call. Joining me today are Tripadvisor's CEO, Steve Kaufer, and our CFO, Ernst Teunissen.

Last night, after market closed, we distributed and filed our first quarter 2021 earnings release, and made available our shareholder letter on our Investor Relations website. In the release, you will find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call.

On our IR site, you will find supplemental financial information, which includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics. I also note that comments we will make regarding cost savings levels referenced on this call, do not consider depreciation, amortization, restructuring and other related reorganization costs or stock-based compensation.

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 7, 2021. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward-looking statements.

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

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## Stephen Kaufer

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

Thank you, Will, and good morning, everyone. Thanks for joining us today. As covered in our shareholder letter last night, I'm pleased to say that consumer demand and revenue performance as a percentage of 2019 levels improved sequentially on our platform in both February and March. This was led by the US market, where vaccination trends accelerated during the period.

Traffic to our US hotel pages approached 80% of our 2019 levels in March. Two of our key offerings that lagged last year, our hotel metasearch auction and Experiences are showing nice improvement so far this year, again, due to increased US activity. Europe lagged due to lockdowns, but demand picked up in April, and we're optimistic for a broad international recovery as vaccination rates improve.

Positive Q1 trends in the US and some other countries contrast greatly to challenges in many other parts of the world like in India. And I just want to say that our thoughts are with all of our colleagues in India as well as their families, and of course, everyone who is struggling so hard with this terrible situation.

These contrasting trends that we are seeing support our overall view that the road to recovery is, in fact, uneven. So, travel is certainly not out of the woods, but we have a positive start to the year. We remain quite optimistic about the second half of 2021 as the number of people vaccinated increases; countries reopen, and the leisure travel recovery broadens.

People want to travel, and we are certain that when they feel safe to do so, they will travel. But the Tripadvisor story is more than just the recovery. We have and will continue to position the business for future growth by leveraging our platform's breadth and our competitive strengths and executing on our strategic initiatives.

Pre-pandemic we grew many offerings by double digits, including our B2B business, display advertising, Experiences and dining. We've been actively improving these products as well as our tech and our go-to-market strategies in order to deliver customers the best experience possible and drive diverse growth. Add to that, the innovation that we're bringing into travel in terms of our new subscription product, Tripadvisor Plus.

As many of you know from our last quarterly remarks, we see a huge opportunity ahead, and fully expect that Plus is going to be a very exciting part of our future. We remain in beta in the US today, but are pleased with our progress as we work to improve the product for consumers and work closely with partners to build out the offering.

Converting even a small percentage of engaged Tripadvisor traffic, not to mention the hundreds of millions of visitors per month that are searching on Tripadvisor for hotels and Experiences, implies a potential long-term growth opportunity of tens of millions of subscribers and a multibillion-dollar recurring revenue stream.

I'll note that absolutely, none of this is possible without the team, and I want to thank everyone at Tripadvisor for their ongoing commitment to helping millions of consumers and partners get back to travel. We've grown accustomed to executing through tremendous unpredictability, and I've been very proud of your continued resilience and remain very optimistic about what's ahead.

And with that, Ernst, let me turn it over to you for some additional thoughts.

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## Ernst J. Teunissen

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

Thank you, Steve, and good morning, everyone. I first just want to echo some of Steve's comments uneven trends and uncertainty persists, but improvements have been encouraging. I remain pleased and impressed with our team's continued operational focus and how they rally together to strengthen Tripadvisor, not for only a strong recovery, but for the long run.

Q1 demand and revenue trends indeed reflected our commentary back in February with varied stories by geography and by offering. Progress in the US almost single-handedly drove sequential revenue improvements in our business in February, March and in April.

On the other hand, persistent lockdowns across Europe and challenges throughout international markets as well as the absence of international travel remains significant drags on our results. The good news is that there is a lot of room for continued improvement in the periods to come in the US, but especially in Europe and beyond, as the number of people vaccinated increases, countries reopen, and the leisure travel recovery broadens.

I want to quickly highlight three financial themes that remain within our control, driving significant cost savings, ensuring a solid liquidity position, and laying the groundwork for compelling and profitable growth when the pandemic subsides.

Firstly, regarding cost. We continue operating effectively and efficiently as a leaner company. Operating expenses in Q1 were 32% lower year-on-year. We expect the majority of the fixed cost savings that we generated in 2020 to persist, positioning us for operating leverage as the travel environment normalizes.

On the liquidity front, in Q1, we completed an opportunistic convertible debt capital raise, which further fortifies our balance sheet. With \$674 million of cash on our balance sheet at the end of the last quarter, plus an undrawn credit facility for which covenant flexibility was achieved last year as well as enhanced operating leverage as revenues comes back, we believe we are in a strong liquidity position.

And finally, throughout the pandemic we have been focused on driving improvements across our platform. We expect that these efforts will pay dividends as faster growth and more efficiency across our various revenue lines as the market recovers.

So in summary, much uncertainty remains, but green shoots have definitely started to emerge. We remain optimistic that leisure travel will come roaring back as early as the second half of the year, and are pleased with the ongoing work that will enhance our positioning well into the future.

With that, we will now open the call for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] And our first question comes from the line of Lloyd Walmsley of Deutsche Bank. Your line is open.

**Lloyd Walmsley**

*Analyst, Deutsche Bank Securities, Inc.*

Q

All right, thanks. Two questions, if I can. First, just in the shareholder letter, you mentioned kind of credit card partnerships with Tripadvisor Plus. Can you just help us understand conceptually how something like that might work? Is that a credit card company paying some, full freight, half freight? Like how would that work in terms of paying for Plus benefits for their members? Would it be their cardholders would have to activate it? Would they just pay kind of in blanket? How do those deals work? And what kind of like bounties come with those if you guys can sign up credit cards for them? If you can, flesh that out a little bit.

And then the second one just on the US auctions, it seems like it's clearly coming back at 80% of April levels or 80% of 2019 levels in April. But that's a little bit behind at least some of the OTA commentary on US booking levels. So wondering if you can help us kind of bridge the timing differences and how you guys think about the category of meta catching up relative to I guess OTA bookings and revenue. Thanks.

**Stephen Kaufer**

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

A

Sure. Thanks, Lloyd. This is Steve. Maybe I'll take the first question, and Ernst will take the second. There are a couple of different ways that we're looking to work with credit card companies. The first could be on the part of a more higher-end credit card that carries some interesting travel benefits already, or maybe a particular financial institution wants to break into that pretty lucrative category of travel. And so the travel reward or one of the travel rewards with the credit card would be a subscription to Tripadvisor Plus. That type of model would generally have the credit card or the financial institution paying Tripadvisor on behalf of the customer, perhaps a somewhat discounted off of list price rate. But that every credit card company would – I mean every credit card customer would automatically become a Tripadvisor Plus subscription. That's a great deal for Tripadvisor. It's a way to enhance a credit card in a very meaningful and differentiated way for a financial institution. But obviously, those deals take a little while to put together. I have to find the right partner, and we're still in beta as a product.

Another option certainly being explored with other financial institutions just simply includes a discount perhaps or a free trial, so a way to get started with a Tripadvisor Plus subscription, reaching an interesting audience. And again, it's something that the consumer would likely activate themselves, auto renew on. We get someone to actually try the product, and we are completely convinced that once someone sees what Tripadvisor Plus offers by way of discounts on all the hotels and all the experiences, the additional value propositions that we're bundling with the product, we think that renewal will come rather simply. Ernst?

**Ernst J. Teunissen**

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

A

So hello, Lloyd. With regards to the auction, particularly the US auction, seen significant improvement throughout the start of the year. We said in our shareholder letter that in March, we reached in the US about 67% of 2019. In April, that was nearly 80%. And right now, we're above 90% in the US compared to 2019. So rapidly increasing performance, a lot of domestic US travel that is helping us here, and we're pretty excited about that. The auction

seems to be performing very nicely. CPCs are recently roughly at 2019 levels. So the auction is very healthy indeed. And the OTAs obviously are actively participating in that. So we're very pleased with how that's going and a good sign for what may happen with our European business, which is now very suppressed in the second half of the year.

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**Lloyd Walmsley**

*Analyst, Deutsche Bank Securities, Inc.*

Q

All right, guys. Thank you.

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**Operator:** And our next question comes from the line of Jason Bazinet of Citi. Your line is open.

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**Jason B. Bazinet**

*Analyst, Citigroup Global Markets, Inc.*

Q

I just had a quick question on Plus. As you've had discussions with sort of your hotel partners, are there any sort of broad parameters of things they're excited about or concerned about as they sort of contemplate putting some of their inventory into the program? Thanks.

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**Stephen Kaufer**

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

A

Sure, Jason. Thanks much. We've certainly had quite a few discussions with hotel chains, independent hotels, and we feel we're making good progress. But look, let me just kind of back up and just remind everyone that we're at super early days about bringing this whole new subscription model to travel. And hotel discounts are obviously a core part of that consumer value proposition. And in doing so, we're actively engaging with chains and independent hoteliers, and listening closely for what they like, areas that we can improve upon, and ultimately how we get everyone to join the program. We're absolutely dedicated to making a win for hoteliers just as much as it's a win for the travelers.

So what we've learned over the past couple of months is that a number of chains and independent hoteliers really like what we're doing. They're perfectly comfortable with how we're displaying the Plus, how we're merchandising, how we require a traveler to buy a Plus subscription in order to book a discounted rate. And that's what we call a hard gate. And frankly, that's what makes Plus so different from the legacy hotel discount sites.

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**Jason B. Bazinet**

*Analyst, Citigroup Global Markets, Inc.*

Q

So, if you – go ahead, sorry.

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**Stephen Kaufer**

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

A

Go ahead.

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**Jason B. Bazinet**

*Analyst, Citigroup Global Markets, Inc.*

Q

I was just going to ask. If you had to sort of rank order the risk of this not achieving your expectations, what would sort of be at the top of the list and what's at the bottom? It sounds like the value proposition to the consumer is easy. So that one doesn't seem to be a constraint. What would be towards the top of your list of the things that you're more nervous about?

**Stephen Kaufer**

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

A

It's a great question. I do think a lot about it because I love trying to kind of punch holes in our thesis going forward and like we have the traffic on the site. We shouted about the 160 million shots on goal of people that are clicking on our meta links in 2019. It's a great opportunity. We're signing up independent hoteliers, and they're comfortable with the product. We've had some pushback from some chains, but they really don't speak with just one voice. So a number are coming forward saying hey, it's exciting. Let enter negotiations. We see this as a great channel for Tripadvisor – for themselves. And they want to make sure their properties essentially get their fair share of bookings from this product.

Other chains are a little bit more nervous about how we're showing the rate. And we've taken that as great sort of constructive feedback, and we're addressing it. So we're in conversations with – I don't want to say, every single chain about what it will take to make them feel very comfortable about joining the program. You asked me about concerns, and I just kind of want to make the point that we don't need universal coverage for this product because we have travelers going to say, Cancun, and they want to see some amazing deals. And we want to present dozens of deals, but we don't need to display hundreds of deals. And if you think all the way back to Instant Book, it was kind of different back then.

But here, we're able to promote the deals that we're getting from chains or independents, wherever we get them and the kind of the better the deal, the more we're interested in promoting it to the traveler. And we've seen over the past several months, travelers saving literally more than a – our best savings is more than \$1,000 every single day since we launched the product, and like pretty compelling numbers there. And so, when we talk about the demand we already have on the site, I believe, and partnerships, which I'm happy to go into more.

On the supply side, we have independents joining. We have good progress on negotiations with the chains. And some with the chain – and we want to make sure that we have participation from as many as we can because some of those chains have the absolute best properties around. So, we want every property to be able to join the program. But the point I was trying to make is, we don't need every property. We just need a few dozen in all the geographies that people are traveling to. So, it may take a little longer than others for some of the chains to hop on board to see the benefit. But we want to make sure all of their properties, again, get the share of bookings that Plus will be driving.

**Jason B. Bazinet**

*Analyst, Citigroup Global Markets, Inc.*

Q

That's great color. Thank you.

**Operator:** And our next question comes from the line of Richard Clarke of Bernstein. Your line is open.

**Richard J. Clarke**

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hi, there. Thanks for taking my questions. A couple if I may. You provided some very helpful color there on where we are in terms of US bookings, both for the auction product and Experiences. Would it be possible to get kind of the similar commentary for the rest of the world in aggregate or broken it down? Are we seeing any progress as we kind of exited the quarter outside the US?

And then maybe just a quick follow-up on the Plus product. I think, we've seen a few comments that supply has come down a little bit over the last month, and there isn't as much into Memorial Day as there was a couple of



months ago. Is that just a natural result of the shift from wholesale supply to direct partnership supply? And where are you in that process of shifting to that direct partnership supply?

**Ernst J. Teunissen**

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

A

Yes. Thank you, Richard. I'll start with the commentary about outside the US. Much more muted, more like Q4, throughout Q1. More green shoots more recently, starting in Q2, in April and in May, but more depressed in the US because of the lack of the rollout of the vaccine in Europe and the lockdowns, many lockdowns by countries. But it is starting to change.

We see that the UK is very much ahead with the vaccines, and travel intent is increasing there. We see a thawing in our restaurant business. And a reminder, last year, as soon as the restaurants opened in Europe, our Fork business bounced back to 2019 levels very quickly in last Q3. We're starting to see restaurants open. There is a timetable for restaurants to open in Europe now, which is in the next few weeks in most countries. Italy is partially open; Spain is partially open. And in those markets where we're partially – UK has just opened, in those markets where we're partially opened, we immediately see revenues jump back. So recent green shoots across Europe and we anticipate that Europe is, although behind the US, is going to catch up with the US in the back half of the year.

**Stephen Kaufer**

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

A

Thanks, Richard, for the Plus question as well. I'd give a short answer by saying simply we're in discussions with a number of different aggregators, once we've brought on originally that helped us deliver such a comprehensive amount of supply right out the gate, as well as independents and chains through our direct supply effort. That's caused some variation, as you noted on the site.

I'd say it's less seasonally related and more an aspect of how we're going to market with our direct connectivity, direct supply, and how we're working with different set of aggregators. I'd say, expect more change going forward. We're a test-and-learn company. This is a brand-new product. We're innovating about the best ways that we can display inventory – display great discounts for travelers. While at the same time, respecting the wishes of hotels, who want to make sure their inventory, their prices are displayed in the way that they're comfortable with. So, as you continue to look at the site, you'll see some more tests coming, some more changes coming in the next weeks and months, and that's part of the reason why we're still in beta, as we hone in on what makes for a great consumer experience with a nice breadth of inventory coverage.

**Richard J. Clarke**

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Wonderful. Thanks for the color.

**Stephen Kaufer**

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

A

Thanks.

**Operator:** And our next question comes from the line of Naved Khan of Truist Securities. Your line is open.

**Naved Khan**

*Analyst, Truist Securities, Inc.*



Yeah. Thanks a lot. Maybe first, on Trip Plus. Maybe can you give us a sense of the scope of the beta, how much traffic was exposed to it? And has the beta so far caused you to recalibrate your expectations up or down? Any color on that would be great. And then on the Plus profit still – I think last time you disclosed more than 100,000 properties. Do you have an updated number you can share? Has that number grown versus where it was previously?

**Stephen Kaufer**

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



Sure. Thanks, Naved. So, we have been, since we rolled out in beta earlier in the year, which was on a very small percent of our traffic. We rolled it up to north of 75% in the US in terms of chances of seeing Tripadvisor. Because we want to get as kind of as much experimental data as we can for how consumers are interacting on any sort of given day, you might have four or five different Plus-related tests running as we again hone in on kind of what makes the best style of merchandising, how the checkout flow works, how we're sorting different properties to the top of our list. Lots of different things that are all part of the equation.

Would I've been – you asked, hey, calibrating up or down, I'm getting more bullish on the opportunity, because I see the types of savings that consumers are achieving. And they're pretty compelling. Our average savings is north of \$300, and there's several times every day when someone is saving more than \$1,000. And that's a meaningful number for changing the type of the trip that, that traveler can have. And as word spreads that, hey, all of this is available with this new Tripadvisor Plus subscription product, I look 3 to 5 years out. And I say, of course, somebody – and darn it, that's going to be us, is going to have a travel subscription product with tens of millions of subscribers because it's such a logical fit into the ecosystem.

Subscriptions clearly proven in so many different categories now, and we've priced this we feel appropriately, so that a lot of people can afford to subscribe. I mean do the math, at \$100 a year, it's less than \$9 a month. What a great deal to be able to get the type of discounts on hotels, 10% off all the bookable Experiences on Tripadvisor. You'll soon see some of the other things that we're adding into the package. And it's just a great notion and frankly, great business model for us.

So, I'm getting more bullish on the opportunity as I've seen more of the customer reaction. And frankly, I'm getting – or I'm being careful myself to temper my enthusiasm about what this looks like in five years, with how quickly we can get there. Because I'm constantly reminded, there isn't another travel subscription product out there. People aren't comparing this with something else. It's a new concept that we're introducing to people. And I have to be a little bit patient about the time it takes to educate folks, the time it takes – even though we have these no-brainer moments. The time it takes to – for us to help persuade them that it's a very clear savings.

So, I'm reminded by my team, I remind everyone that this is really early days in a great new product category. And success is measured in years, not months, and that's the way we're approaching it because it's – again, I'll try to be more succinct here. I believe even more in the category. Love it. It will take us some time to get there. I'm impatient by personality, but I understand these things. It will take some time, and super excited.

To your property count question, I don't want to hang too much on specific property counts because what we found is, it's really the combination of the discount level we're getting, how that compares to other partners of the prices that we're showing, that drives a lot of the bookings. So not surprisingly, a very small discount – if we have a lot of properties with a very small discount, it doesn't move the needle for us. But when we're getting the 10%,



15%, 30%, 40% discounts, those become best sellers pretty quickly. And we're really helping those hotels fill that empty room. And that's why the whole model is so powerful.

**Naved Khan**

*Analyst, Truist Securities, Inc.*

Q

Great. Yeah. Thanks for the color. Maybe a quick question maybe on the Viator distribution deal. When can we start to see the P&L impact? Obviously, the economies are still reopening, but just maybe talk about that, maybe how the economics might be structured. And is there potential to do more distribution deals such as this?

**Stephen Kaufer**

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

A

Sure, so I'll try to answer that, and then I'll let Ernst comment. Part of Viator's business model is as a player for all the different points of sale, and so whether that be a Booking.com, an Expedia, other OTAs, including kind of the traditional offline travel agencies. So they're very good. And we are very good at distributing that type of inventory. And again, it's early days in the recovery of all Experiences. I'm thrilled with the partnership with Booking.com, a great company to work with. Obviously, we've worked with them for a long time. They're excited on the Experiences side. They have some of their own plans, and we're able to complement globally for them. And that's, from our perspective, quite exciting. Ernst, do you want to add anything?

**Ernst J. Teunissen**

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

A

I would add is the fact that we are able to do distribution deals like this is a reflection of the power of the supply aggregation that we put in place with Viator, second to none across the world. And we have very attractive connections with very attractive supply in Experiences. And that makes a partnership with players like Booking an attractive proposition for both sides. It will allow them to scale their Experiences business faster and will allow us to create even more scale in our supply aggregation.

**Naved Khan**

*Analyst, Truist Securities, Inc.*

Q

Great, thank you.

**Operator:** And our next question comes from the line of Deepak Mathivanan of Wolfe Research. Your line is open.

**Deepak Mathivanan**

*Analyst, Wolfe Research, LLC*

Q

Hey, guys. Thanks for taking the question. A couple ones. So first, can you talk about the auction participation at this time? Are you seeing more participants come in either hotels or more OTAs beyond your large partners? I'm just trying to get a sense of how various players are reacting during the rebound, and what the marketplace could potentially look like post recovery?

And then second one on Plus. I know it's a small data point, given it's in beta right now. But as you assess the ROIs based on early data, how are you thinking about currently the potential cannibalization of meta revenues because of this product? Thank you.

**Ernst J. Teunissen**

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

A

I'll start with the first one, Deepak, on the auction. Yeah, we're pleased with the increased participation. The auction, especially in the US, is going back to live. I was describing that CPCs recently have been sort of close to 2019 levels, which is an indication also of the health that you see emerging. I said that our revenue very recently has been above 90% in the US versus 2019. And so the auction is regaining health sequentially, and we're very pleased with that.

**Stephen Kaufer**

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

A

And I'll jump in on the Plus question. So we certainly keep a very close eye on cannibalization. And when we put a Plus offer at the top of the sort order, while one still can click on a meta link for that Plus offer and many people do, we're obviously trying and succeeding at driving a bunch of traffic into the Plus flow. Too hard to say what the complete ROI is going to be because we really don't have data on renewal rates. But if we make reasonable assumptions, and we clean up a few of the loose ends on the conversion path to make them more effective, I'm quite confident that we'll get to a positive – a clearly positive draw on the dilution for the auction in place of the subscription revenue.

The other thing that clearly helps the cause is that folks who become subscribers of Plus come back more frequently. And whether they're coming back to book another Plus hotel or a hotel that's not Plus, but in fact is a regular auction meta click, they believe and they are much more loyal to Tripadvisor. And so we're also looking at that repeat behavior and seeing how that boosts our domain direct traffic, which in turn boosts our overall auction revenue outside of Plus. As you point out, very early days, pretty hard for us to measure right now those kind of medium- to long-term benefits. But what we're seeing so far looks positive.

**Deepak Mathivanan**

*Analyst, Wolfe Research, LLC*

Q

Got it, okay. Thanks, guys.

**Operator:** Our next question comes from the line of Shweta Khajuria of Evercore ISI. Your line is open. Shweta Khajuria, your line is open.

**Shweta Khajuria**

*Analyst, Evercore*

Q

I'm sorry. I was muted. Can you hear me?

**Stephen Kaufer**

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

A

Yes.

**Shweta Khajuria**

*Analyst, Evercore*

Q

Okay, sorry about that. So could you please remind us how the pricing will work with Tip Plus so there's – I know there was a question asked, there's wholesale pricing. There's consumer pricing, but how are you thinking about that? So it's \$100 night. You just pass that discount through to the subscriber, and you get the subscription fee, but the subscriber sees \$85, or something like that. And would it be different in terms of how much you pass

through, whether it's a chain or an independent hotelier? Just could you please remind us how you're thinking about that?

And then the second is, what are you looking for in terms of supply on the platform in terms of engagement that will trigger a full launch out of beta? So what are some of the metrics that you think will let you launch the product fully, whether in the US or globally? Thanks.

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**Stephen Kaufer**

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

**A**

Great. Thanks, Shweta, excellent two-part question there. So the basic model we're working with and there perhaps are some exceptions is that we're encouraging hotels of all types to identify a discount that we are able to pass along to the traveler. And we're in fact passing along the entire discount, whatever they're able to offer to be kind of the most beneficial to the consumer to get that consumer to book the property. So if an independent hotel, ABC, says look, we're really interested in demand for these dates, we'll offer a 25% discount. That 25% discount flows straight through to the consumer. That means when someone is looking for a couple of nights day at 25% off at a decent average daily rate that might now be a \$300 savings for that trip. And the consumer sees, wow, that's a great savings. Love this hotel, highly ranked, in the location I want. And consumer saves \$300. We charge them \$99. Net savings of \$200, and it's a win-win-win all around.

A different hotel may only choose to offer a 10% off, which is something we would still offer, but it's not as compelling to the traveler for an existing Plus subscriber, hey, that's still nice for a brand-new Plus subscriber for one night stay, that's probably not or perhaps isn't going to trigger a subscription purchase. But that same hotel, 10% off for 7 night stay probably does add up to quite a bit of savings. So, we leave that up to the hotel. I mean, there's a minimum discount when we sign up the hotels. But that is something that they can kind of toggle up and down depending on their demand needs at particular points in time.

And then, I hope that kind of answered the – how we kind of deal with discounts. Of course, down the road, we could always choose to not pass along the full discount to the consumer, but that's not our plans at the moment. As we want this to kind of catch fire with consumers as quickly as possible, maximizing the discount is one way to do that. And we're still making our money on the subscription and growing that recurring revenue stream.

In terms of the Plus supply/ launch criteria. Supply is one aspect of it. We're looking to kind of hone the consumer experience, kind of make the conversion flow as straightforward as possible, make sure that all the ticks and ties, the nuts and bolts of building this and making sure it's working on all of our devices is kind of is up to snuff. We don't have, and we don't feel it's necessary, a hard and fast, we must have X number of properties at a Y discount level.

But we do look around at, obviously, our major geographies. We look and say, are we offering a set of hotels that are compelling in terms of discount, and compelling properties themselves. And we know we'll never get it right or we're not waiting to have every city looking great before we launch. But again, the product is available to most of – the clear majority of our traffic right now. We simply haven't launched it to our members and started up our PR machine, and the rest of the ways one goes about launching a product. But as I say, that will come soon. And we'll just put the finishing touches on is how I'd phrase it.

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**Shweta Khajuria**

*Analyst, Evercore*

**Q**

Okay, very helpful. Thanks, Steve.

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**Stephen Kaufer**

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

A

Thanks.

**Operator:** And our next question comes from the line of Tom White of D.A. Davidson. Your line is open.

**Tom White**

*Analyst, D.A. Davidson & Co.*

Q

Great, thanks for taking my questions. I guess firstly, I was hoping you could give us an update on your progress around leveraging the massive amount of customer data that you guys have and making it more actionable. Any way you can kind of quantify the potential benefit to the business? Maybe you hope to see from that, be it more repeat rates, higher conversion? And also, where does this rank kind of on your priorities? Maybe it's kind of fallen down the pecking order, just given the focus on Plus and making sure you optimize around the recovery?

And then just a quick follow up on Plus. Steve, you remarked no other online travel platform has kind of launched a subscription offering for consumers. Just curious on that. I mean is that just because you – because maybe the OTAs from day one have sort of been set up to kind of optimize around transactions and kind of e-commerce conversion? Or do you think there are other reasons why no one else has done something like this?

**Stephen Kaufer**

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

A

Sure. A couple part question there. So, I'll try to do the first ones first, data to make it more actionable. We certainly have – I've talked about it a lot, but we have been continuously doing that in our CPM or display ad business, helping to target with – in segmentation, not only by geography, but lots of different aspects. And that's what enables us to command a premium CPM in most of our display business. So, we are doing that and have been making progress.

When it comes to Tripadvisor Plus, certainly, our go-to-market plans do involve looking at a lot of our internal historical data, the travelers who we think would be great Plus customers. How we approach them with an offer or something different than how we're mass marketing to all of our visitor audience. So, I'd say the data and analytics part is in service to that Plus subscription priority as we launch when I look at a bunch of the activity that's going on.

We aren't doing a lot, as you haven't seen on the site in terms of pure recommendation-type capabilities. We're adding a bunch – you'll see some of it in Experiences going forward. But again, it's a matter of priorities. We have a bit more focus on Plus than the hotel auction in that regard at the moment. But suffice to say, we do have teams working on bringing that data to life. I just haven't given it a lot of airtime historically.

To the second part of the question, yes, Tripadvisor Plus, we expect to be the first kind of mass market travel subscription product, and we're investing a ton behind it. And it really is a very different model than the traditional store, and so OTAs like Expedia or Booking are tremendous companies have super brand awareness, a great product offering for travelers. They're both wonderfully global, but they've built their business around a commission orientation, which, to be clear, is a great business.

We've been in the lead generation business for hotels, the transaction business just like the other OTAs for Experiences. And now we're introducing this new direct-to-consumer subscription model. So, it's not that other folks can't. It's that it's a new way to think of something in travel. And because of Tripadvisor – well, the challenge

with somebody else doing it, a start-up or a new company is that they may not have the traffic to expose to the subscription – expose the subscription product too. But that's not Tripadvisor's challenge. We already have so much of the traffic.

So, the opportunity to sell a subscription product for an occasional use, unlike a Netflix or an Amazon Prime, you're not watching a movie or buying something every week or every month, travel is more episodic. But the value that we're presenting in this form of subscription is oftentimes much higher and can offer that instant savings. Because we have the traffic, is why we think we'll be successful where others might be challenged.

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**Tom White**

*Analyst, D.A. Davidson & Co.*



Great. Thanks for the color.

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**Operator:** And our next question comes from the line of James Lee of Mizuho Securities. Your line is open.

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**James Lee**

*Analyst, Mizuho Securities USA LLC*



Great. Thanks for taking my questions. A couple of questions on Plus here. Maybe can you guys talk about the checkout process here? Is the entire signup and booking flow on your website? Or do you need to actually click out of website here? And just curious, what is your cancellation policy for membership? And lastly, I think, Steve, we talk about the deals in general. That's great saving about 30% to 40%. I'm just curious, are these hotel deals you're able to negotiate are they exclusive to Tripadvisor? Thanks.

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**Stephen Kaufer**

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



Great. Thanks, James. Excellent questions. Going forth, the checkout flow is all on Tripadvisor. We're not sending you to any other website. We are the entity that's making the reservation for you. If there's anything wrong or you want to change, you're calling us, and we're helping you through the process, whether that be for the attraction that you booked with the discount or the hotel that you booked with a discount. We're it, and that's a very deliberate choice. We're also it in terms of hoping to get that second booking for the same trip or the very next trip.

We operate on very hotel-friendly policy in terms of when someone books the hotel on Tripadvisor, we're sharing the full name, information, everything directly with the hotelier as part of the reservation. And we're encouraging the hotelier to try to upsell that client with spa treatment or whatever, room service, whatever else that they will be able to do or have them join the hotel's loyalty program, everything like that. So that's all good and in fact encouraged from us.

Cancellation policy for Trip Plus super consumer friendly now. If – essentially, if you look around, and you're not going to use the subscription, we'll let you cancel, I think it's currently 30 days, but we'll probably extend that. And then you can envision kind of going forward. It's not a monthly subscription. It's an annual subscription. So if you, for whatever reason, haven't been able to use the product, we don't feel you should be paying for it. But if you have used the product, then it's not refundable. You have it for the whole rest of the year. And frankly, if you're using it once a year, you're probably making your money and if you're using it twice a year it's clearly great savings.

Third part of the question, are the deals exclusive to Tripadvisor? They can be. That's really up to the hotel. As we contract with the hotels, we are not demanding that it be exclusive for other channels. But what's going to happen is that if a hotel offers us a 15% discount to be part of Plus, and they simultaneously give that 15% discount to an OTA, then it will never be merchandised on Tripadvisor as a Plus deal because it's not cheaper than what's showing up in our meta auction. And the reason, again, we're different is because we're requiring our travelers to buy the subscription product before they can book this discounted hotel, and that's the hard gate. That's the pay gate that enables hotels to give us a discount that they're not putting out there on their own website or through other channels, and that's what makes our deal special. So in the weeds, I guess, if the hotel is offering this discount, same discount on some other opaque discount site or packaged with an airline flight, that would be fine with us. But if it's also on a deal that's also on their own website, then it's not going to work. We're not going to merchandise their property as a Plus property on Tripadvisor because it's not a compelling value proposition.

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**James Lee***Analyst, Mizuho Securities USA LLC*

Q

Great, and just a follow-up question here on a separate topic. And this product, you guys haven't talked about in a while, which is news feed or you guys call it feed product. Any progress on that front specifically? And just a couple quarters ago, you talked about feeds are very important for you guys to drive login users. And any update on that too? Thanks.

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

A

I'm sorry, I want to make sure I understand the question. Could you reask it? I wasn't quite catching it.

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**James Lee***Analyst, Mizuho Securities USA LLC*

Q

Yes. Steve, I think a couple quarters ago, you guys introduced a very much news feed like product, very similar to Facebook, where people can put inspirational pictures, videos onto your app.

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

A

Sure, I got it. Yeah. Certainly more than a couple of quarters ago, that was what threw me. A couple years ago, we had a social feed to the product. A lot of that is still live on the site. You can still post, you can still follow. It was a great way to engage more users. It generated a lot more sort of content and guides for us. That was all very helpful, and we had been investing in it.

Then the pandemic and Tripadvisor Plus came along, and we realized that this opportunity is kind of far more interesting, far more sustainable, and kind of didn't have, I want to call it, a perceived competitive threat from other social networks. And we were not at all trying to be a social network. But the short answer is yes, that's still live on the site. We're adding – I think, the numbers we're adding more than 100,000 new members every day just as part of people joining Tripadvisor because it's a great site to join, and so we're able to market to those people. So growing membership is something that we're already I think quite good at. Engaging those members in our newer offerings like Tripadvisor Plus and our focus on Experiences, I think, is the fun part of the game right now.

So at the end of the day, we look at how can we best deliver an amazing vacation, amazing travel experience to consumers. And we're doing that with the content on Tripadvisor, the content you're used to in terms of reviews and photos, the new content, the guides and the new ways we're educating users about destinations, the COVID information that we're adding, as well as obviously Trip Plus, the ability to save a ton and have a much better



vacation because of your ability to stay an extra night or to take that extra special tour to otherwise see the location in a way that you hadn't been able to before.

**James Lee**

*Analyst, Mizuho Securities USA LLC*

Q

Thanks, Steve.

**Operator:** And our final question comes from Vince Ciepiel. Your line is open.

**Vince Ciepiel**

*Analyst, Cleveland Research Co. LLC*

Q

Great, thanks. You mentioned US auction coming back to life. Your peers have alluded to much stronger booking trends in the domestic market and amidst that backdrop, just kind of curious how you've seen Reco and the insurance product progress, which was a direct-to-consumer offering that you rolled out? And then a second part, a different product B2B. I think, it was Reputation Pro and Spotlight. Curious how those are progressing as well as demand is improving?

**Stephen Kaufer**

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

A

Thanks. Excellent questions there. So, Reco, really fun product, but definitely aimed at the bigger, usually more international trip. That's where you get to connect with a travel agent, that's really an expert or trip designer we call them, really an expert in the field that you're interested, the type of trip that you're taking. And people have not been taking those types of big trips over the past couple of quarters.

We launched the product right as the pandemic was starting. And we did not – we chose not to put the product on ice and wait. We chose to continue to iterate and improve, even though we didn't have a lot of usage. And so, now as travel comes back, as Europe says they're open up to US travelers this summer, we look forward to being able to really give the product a great test run out there with tons of users connecting and looking at – and hopefully, the NPS scores that we're seeing continue to shine and let that product sort of gain some organic traction.

For the second part of your question, on the B2B side, Spotlight, Reputation Pro, excellent products, again, launched revamped in the middle of a pandemic when it's both tough to reach hoteliers as well as tough to sell something new to them. So, I think the – 2021, certainly, the back half here, will be a great time to – for us to be looking and saying, how are these doing? We're able – hotels are clearly opening up. Demand is growing here in the US. We're getting some stronger upticks of interest now, at least in the US. But it is a worldwide product set. And so, it will be a great question for us to update you on in another quarter or two. It's been slow over the pandemic time, but we're not discouraged because we actually think these products – or we know these products are really quite valuable to the hotels that we're selling to.

**Ernst J. Teunissen**

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

A

And Vince, as we are sort of filling out the tour of all the different revenue lines, I also want to highlight Experiences, which we haven't talked about. We talked a bit about the Viator deal. But Experiences is really a highlight in this past quarter. And right now, Experiences is very much lagging in 2020 – during 2020, but really coming to life in the US this quarter. We said in our prepared remarks that US point-of-sale booking levels reached 50% of 2019 in March. That was substantially up from early in the quarter and from before and has

moved further up in April and now into May. And US as a destination has been very powerful for us, and a good driver of the business. So, Experiences coming back to life, and we're looking with enthusiasm, what we can do for the rest of the year there.

**Vince Ciepiel**

*Analyst, Cleveland Research Co. LLC*

Thanks for all the detail.

Q

**Stephen Kaufer**

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

Thank you.

A

**Operator:** And there are no other questions at this time. I will now turn the call over back to Steve Kaufer.

**Stephen Kaufer**

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

Super. Thank you, everyone, for joining the call. Time and time again, travel has rebounded, and travelers have come back to Tripadvisor. We'll continue executing our strategy, and ensure Tripadvisor plays an influential role in travels recovery. Again, I want to thank all of our employees globally as well as all of our Tripadvisor customers worldwide. I also want to thank our shareholders for their shared belief that Tripadvisor can play a key role in shaping travel in the years ahead. Please get your vaccines and stay safe. I look forward to updating everyone on our progress next quarter.

**Operator:** And this concludes today's Tripadvisor's first quarter 2021 earnings conference. You may now disconnect.

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