Good afternoon and welcome to TripAdvisor's third quarter 2015 earnings conference call. As a reminder, today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Will Lyons, TripAdvisor's Senior Director of Investor Relations. Please go ahead.

Will Lyons - TripAdvisor Inc - Senior Director of IR

Thanks, Blair. Good afternoon, everyone, and welcome to TripAdvisor's third quarter 2015 earnings conference call. Joining me today are Steve Kaufer, CEO, and Julie Bradley, CFO. After the market closed today, we distributed our Q3 earnings release on our Investor Relations website located at ir.tripadvisor.com. In the release you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also on our Investor Relations website you will find supplemental financial information, which includes certain non-GAAP financial measures discussed on this call, as well as other performance metrics.

Before we begin, I'd like to remind you that estimates and other forward-looking statements included in this call represent the Company’s views as of today: November 5, 2015. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to today's earnings release and TripAdvisor's filings with the SEC for information concerning factors that could cause actual results to differ materially from those expressed or implied by such statements. Finally, unless otherwise stated, all comparisons on this call will be against our results for the comparable period of 2014. And now, I'll turn the call over to Steve.

Steve Kaufer - TripAdvisor Inc - President & CEO

Thank you, Will, and thank you, everyone, for joining the call. I'm going to update you on our progress on how we're developing the best products for users, expanding our strong global platform to more partners, and building a bigger and better business over the long term. Our Q2 results clearly show the major impact currency headwinds are having on the business. Total revenue grew 17%, and adjusted EBITDA grew 9%, or 25%
and 26% growth, respectively, in constant currency. As I'll describe in more detail later my remarks, our results and business outlook also highlight that we're moving quickly in pursuit of our long-term goals to make TripAdvisor a great place to discover and book the things that make a trip memorable.

First, we'll talk about how TripAdvisor's consumer value proposition continues to strengthen in content, community and mobile. In content, with 290 million reviews and opinions on 5.3 million businesses around the world, TripAdvisor products are indispensable travel planning tools. Member growth has accelerated this year, and those members are contributing content at a record pace of 190 per minute, the fastest growth in our history. This puts us on track to add another 100 million reviews and opinions over the next 12 months, making our travel planning products and tools fresher, richer, and better for every user on every device, in every geography.

Our global travel community also continues to grow, as evidenced by unique monthly visitor growth of 23%, and hotel shopper growth of 16%. Travelers can find information on more than 3.6 million restaurants and attractions, so it's no surprise that unique visitors to these pages continues to grow quickly. We attribute much of this growth and engagement to mobile, where TripAdvisor's helpful reviews, tips, photos and guides are the perfect travel companion. Mobile usage makes up more than half of our traffic, and this quarter we reached more than 230 million app downloads across our brands, including 215 million downloads of our top-ranked TripAdvisor app.

We're monetizing better on the platform as well, as this quarter's hotel shoppers on phone monetized at 25% the rate of those on desktop, which is up nearly 40% since two years ago. Perhaps more importantly, this speaks to the large mobile monetization opportunity in front of us. Mobile gives us yet another powerful way to connect directly with consumers. Continuous iteration and innovation here is key, and every TripAdvisor team is actively engaged in delivering more value to users and partners on these devices.

On any device, TripAdvisor users are close to making a purchase. In fact, a recent Oxford economic study estimates that TripAdvisor influenced more than 10% of global travel transactions in 2014; whether it's a hotel stay for long weekend, a reservation for two at a hot new restaurant, or tickets for a hop-on, hop-off city tour, these are extremely powerful moments for advertisers, since travel purchases tend to be extremely nuanced, contextual and episodic. TripAdvisor delivers the right ad with the right reservation opportunity, to the right user at just the right moment, at massive global scale. As proud as we are of this growing influence, we believe that our revenue share represents only a small percentage of the transaction value we're driving for our partners. We are in year one of a multi-year voyage to plug this monetization leak, and we continue to make excellent progress.

In hotels, Wyndham Hotel Group and The Priceline Group are the latest of a growing list of more than 70 hotel chains, groups, and OTA partners who want to power bookings on our platform, including 7 of the top 10 hotel brands in the world. In addition -- in particular, adding The Priceline Group to the platform is a huge win for our travelers, as their high-quality descriptions in many languages, multi-currency payment capabilities, great room pricing, and stellar customer service, enables us to accelerate our international rollout in Instant Booking over the coming year. We expected to launch the Booking.com a brand first, with the Priceline and [Egoda] brands to follow next year. Integration work has already begun, and I can tell you that I love what I am seeing. And once we are fully live, we expect users will be able to seamlessly book more than 400,000 properties on our platform, in more than a dozen languages.

We're also helping independent hoteliers drive more bookings on our platform. We're working with more than 130 Internet booking engine partners, and we expected to connect many of their hotel clients over time. Regardless of a partner's size or global reach, Instant Booking can drive reservations at a fair cost, solve the media attribution issues that have persisted on the Internet for years, and enable our hotelier clients to develop a more direct relationship with more travelers.

Our Marriott integration serves as a perfect example. After signing the contract in June, we completed the rollout in less than two months, and we have seen great early results, including improved conversion and more bookings for Marriott through our platform. As we add more globally recognized partners, we are further optimizing the booking experience on our site as well. This includes developing our own content management system for hotels, and saving users credit card information to make bookings faster and easier. I tip my hat to the entire Instant Booking team, who has met this challenge head-on for the meaningful conversion improvements over the past year.
Based upon these improvements, and given how important Instant Booking is to our long-term goals, we accelerated at rollout to our users in two of our largest markets in September. We believe this accelerated rollout schedule contributed headwinds of approximately $10 million to revenue and $8 million to EBITDA during Q3. We expect to be live in more major markets in the next year, and will continue to carefully monitor the opportunity costs associated with this faster international rollout. We know the Instant Book experience is working for users and partners.

The third piece of the puzzle is monetization for TripAdvisor. While not yet accretive, we believe that the faster we transition and teach travelers that they can book on TripAdvisor, the quicker we can plug the monetization leak. Fortunately, we have extremely smart and motivated teams who are up to the challenge. We have successfully transitioned away from pop-up windows, we successfully transitioned to metasearch, and I know that we will tackle this transition just as well.

On the marketing side, we're continuing to more deeply integrate the plan, compare and book message into our online and off-line channels. A big channel for us this past year has been TV. While we've seen success in many countries, and we're pleased with our TV efforts over the past couple years, we have decided to put this marketing channel on pause for 2016, while we focus more on the global rollout of Instant Booking. Instead, we expect to increase our investment in some of our other global brand-building efforts, while we also better leverage our community, both on the consumer and B2B side, to fuel our book on TripAdvisor initiatives.

In addition to our opportunity in hotels, we're matching more consumers and businesses in our fast-growing attractions, restaurants and vacation rentals categories. Our content and community gives a unique understanding of travelers, especially in attractions and restaurants, and we can delight more users at the exact moment that they're looking to find a book a great place to eat or a memorable thing to do. These businesses constitute our Other segment, which generated revenues of $75 million in the third quarter, and $217 million on a trailing 12-month basis. Over that timeframe, we have been aggressively reinvesting profits to drive market share gains. We are just in the first year of what we have outlined as a three-to-five-year your growth initiative.

Shifting gears, as we announced a couple weeks ago, the team and I are looking forward to welcoming Ernst Teunissen to TripAdvisor. Ernst brings significant financial and operational expertise as a global CFO and corporate strategist, and I look forward to collaborating with him as we pursue the significant growth opportunities ahead. He officially starts next week, and Julie will be with us through November 20 to ensure a smooth transition.

Before I close, 2015 has obviously been a tremendous year for our Book on TripAdvisor initiatives. While still in the early days of this evolution, we continue to make tremendous strides towards our long-term growth objectives. In closing, this is Julie's finding earnings call with us, and I want to thank again for all of her contributions over the past four years. I'd also like to thank all of our employees around the globe that build the products that users love, and a more valuable platform for advertisers, positioning TripAdvisor for long-term success. And now, here’s Julie.

Julie Bradley - TripAdvisor Inc - CFO

Thank you, Steve, and good afternoon, everyone. Results were very healthy, despite significant year-over-year currency headwinds. This quarter, total revenue grew 17%, Q3 Adjusted EBITDA grew 9%. In constant currency, Q3 total revenue and EBITDA growth would have been 25% and 26%, respectively. Our core hotel segment posted 8% revenue growth, or 15% in constant currency, and EBITDA margins held stable at 36%. Digging in, Q3 click-based revenue grew 6%, or 14% in constant currency, driven by 16% hotel shopper growth, and offset by continued pricing pressure, which includes impacts from currency translation, lower CPC pricing, and product changes we’ve made, such as the decision to accelerate our Instant Booking rollout in the US and UK, our two largest markets.

Revenue per hotel shopper growth reflects these headwinds, as it decelerated to negative 10%. Normalizing for the significant year-over-year currency translation headwinds, revenue per hotel shopper growth would have been better, though still slightly negative for the quarter, due to a lower CPC pricing, and the accelerated Instant Book rollout. As a housekeeping item, note that during the third quarter, we improved our accounting methodology for unique users and hotel shoppers, and have provided the figures back through 2014 in the supplemental financial information tables which are available on our IR site.
Our display-based business performed very well, as revenue growth reaccelerated to 20%. These strong results were driven by 22% growth in ad impressions sold, and we saw strength in the US and EMEA markets, with hotel, destination marketing organizations, and OTA customers in particular. Our display team continues to innovate this product offering, delivering great value to clients. As the currency environments stabilize, we expect that more clients will be in a position to leverage our scale, and robust data management platform, in their global ad campaign.

Other segment revenue grew 92% in Q3, primarily driven by attraction and restaurant acquisitions, and partially offset by currency translation headwinds and lower average order value for international travelers. Other segment adjusted EBITDA margins improved to positive 12% for the quarter, driven by high revenue seasonality in our attraction and vacation rental businesses. We’ve operated this segment at EBITDA break-even over the trailing 12 months, and continue to reinvest aggressively in our products and sales efforts, to drive long-term market share gains. We expect to see the typical seasonal stepdown in Q4; and Q3 results, while strong, should not be taken as a new run rate in the near term. Over the long term, we believe margins will expand as we gain greater global scale.

As for expenses, selling and marketing delevered, primarily due to top line impacts from our accelerated Instant Booking rollout, and increased investment in our other segment businesses. We also had a full quarter of expenses related to our 2014 Attraction acquisition last year. And we continue to invest heavily in sales and marketing resources to pursue our long-term growth objectives in our newer categories.

I’ll note that the quarter also contained approximately $20 million in television advertising spend, which was consistent with both our Q2 investment as well as the year-ago quarter. As Steve mentioned, we’ve decided to put this investment on pause in 2016, and intend to expand our investment in other brand marketing channels as we roll out Instant Book more broadly. On the other expense line, General & Administrative expenses levered slightly, and Tech and Content grew in line with revenue, as we continue to actively seek talent to pursue our growth initiatives.

On the bottom line, GAAP net income per diluted share was $0.51, which included the sale of one of our Chinese subsidiaries, which contributed $0.12 to our GAAP diluted EPS at this quarter. This gain on sale was not included in our non-GAAP net income results of $0.53 per diluted share, as the gain is not considered indicative of our ongoing operational results.

Moving to headcount, we ended Q3 with approximately 3,000 employees, up 9%, driven primarily by the investments we are making to grow our attraction and restaurant businesses. As for taxes, our Q3 GAAP effective tax rate of 25% decreased, primarily due to the changes in full-year forecasted geographical mix, including a non-taxable gain related to the sale of Kuxun, one of our Chinese subsidiaries. We continue to expect GAAP effective tax rate for the full year to be approximately 27% to 28%.

We generated $8 million of cash from operations during the quarter, or 2% of revenue. This line continues to highlight the growth and seasonality of our transaction businesses, where we collect cash at the time of booking and pay out to suppliers at the time of stay or when the ticket is used. CapEx for the quarter was $39 million or 9% of revenue, driven primarily by leasehold improvements, capitalized website development, and data center expansion to support our traffic growth.

CapEx should step down significantly as a percentage of revenue moving forward, now that we have taken occupancy of our new corporate headquarters. We now expect 2015 capital expenditures to be 7% of revenue. We continue to run a very capital-efficient business.

Liquidity remains strong as well, with a cash, cash equivalents, and short-term and long-term marketable securities balance of $730 million. We also have an undrawn balance of $708 million from our $1 billion credit facility, and just over $100 million remaining under our existing share repurchase plan. Our capital allocation philosophy remains unchanged, as we look to be opportunistic when it comes to making organic and inorganic discretionary growth investments. Online travel remains competitive, and we tend to view investments through a long-term lens versus near-term payback.

Looking forward, Q4 will have a full quarter impact from our accelerated Instant Booking rollout, and we expect to begin onboarding Booking.com later this quarter. As such, we now expect 2015 revenue growth in the high teens, and slightly negative EBITDA growth. This revised outlook attempts to be appropriately conservative to reflect these changes, as well as foreign exchange rates as of today. This outlook does not assume future positive or negative FX movements, conversion, or monetization improvements.
We expect to roll out Instant Booking faster over the coming period, which is great for our travelers and our long-term business prospects, as we begin to plug the monetization leak. Over the near-term, it poses some forecasting challenges, as we enable more properties, roll out to many more users around the globe, and continue to improve the monetization of the products. As Ernst settles in over the coming months, the team will determine how to evolve communications on future expectations, as well as the metrics by which progress will be measured.

The business is heading in the right direction, and I've enjoyed being part of the journey. I want to personally thank Steve and the entire TripAdvisor team for a great four years. We will now open the call up to your questions.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions)

Lloyd Walmsley, Deutsche Bank.

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**Lloyd Walmsley - Deutsche Bank - Analyst**

Thanks, Steve, you mentioned, I think part of the reason for the accelerated international rollout of Instant Book was meaningful improvements you are making. I think in conversion or monetization, or maybe just a product. But can you give us kind of a sense for how fast the arc is in terms of improvements of conversion and what you need to get fixed to get the revenue per user of Instant Book up? Can you map that arc versus the pace of the rollout in the new markets and when you think this might be accretive? If or when you think this might be accretive to revenue per hotel shopper?

And then second question, if I can, when you talk about pausing the TV ad campaign to reinvest, in part, in other brand advertising, should we reassume similar levels of overall marketing spend just shifted to other forms, like is it outdoor? Can you give us some color on the plan there? That would be great. Thanks.

**Steve Kaufer - TripAdvisor Inc - President & CEO**

Thanks, Lloyd. Excellent question. So arc of conversion improvement, I would say, has been fairly steady since we launched over a year ago. Month in, month out, sometimes a week in, week out, we're just making a constant improvement. I note heads up, coming up, is a step change because we're adding Priceline. Super excited about this deal with The Priceline Group, because they offered a great brand, global inventory, tremendous content, rich, and I've talked about this several times in the past, very rich room descriptions, and a lot of the information that our travelers are telling us they want to see on our site before they hit the book button. And at times they have to leave our site, even when they've gone into the Instant Booking flow because we haven't been able to provide everything that the customer is looking for. Booking.com, or Expedia for that matter, have tremendous content have been able to provide that information, that's why the conversion rates on their sites are as good as they are. This deal allows us to bring in that rich information into our Instant Booking flow, and so, I -- we don't know the impact on the conversion rate. And we'll know shortly as we roll it out, but that's really going to be a big difference maker in terms of the slow and steady improvement that we've made, up come potential step change when we launch with Priceline Group.

Having said that, we faced a choice last year in looking -- or this past year in looking at the international rollout because it's been a challenge for us to figure out how to get the content that we need in all the languages and support all the currency types. All of a sudden, that challenge is addressed for us in this Priceline deal, and so it makes it just technically or practically feasible to roll it out. It adds additional uncertainty in our forecasting because, while we have a decent amount of experience now in the US and UK, we don't quite know how Instant Book is going to be flowing in France, in Japan, all throughout Asia, all throughout all the other markets that we look to roll it out in. Priceline has great content, we -- the partnership will work in all the countries, but we don't know the conversion impact relative to the meta prices that we have.
Coming back up another level, we’re really excited about what this does for the business. We’ve always said that we’re ready to go it alone without an OTA partner because it was the right thing for the business. That was true, having Priceline in the fold now just allows us to be able to go faster on the path that we were headed down anyway. And that faster has always been pretty important to us. It is a big transition as we’ve gone through several in the past. And we’re looking forward to, not only the week by week improvement, but the step change functions that we hope that this Priceline deal will deliver.

To the second part of your question, television, I -- one of the reasons that we wanted to talk about television in this call is that TV is often a long-term -- it’s an advance buy, it’s something that you need to plan in advance. And so while we’re telling folks that we’ve decided to pull back for 2016 at least, we don’t want anyone to think that, hey, we’re just taking all that money and hanging onto it. We will be attempting -- we will be spending some of the money in other channels, and so we don’t want anyone’s model to just drop it to the bottom line. We haven’t decided how much and of course, all throughout the year, we will be evaluating opportunities as they come up, but since TV was such a long-commitment, I don’t think we had enough visibility into that specific decision.

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**Operator**

Mark Mahaney, RBC Capital Markets.

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**Mark Mahaney - RBC Capital Markets - Analyst**

Yes. I wanted to follow up a little bit more on the TV campaign and the thought behind putting that on pause. You’ve had pretty long-term orientation in your thinking, so could you spend a little bit more time -- have there been any shortfalls in the ROI that you expected to see in the TV campaign and therefore, you want to do a revamp of it? Or is it just a matter of making sure resources are correctly allocated to the IB accelerated rollout?

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**Steve Kaufer - TripAdvisor Inc - President & CEO**

I have been pleased with what we’ve seen on TV. I just think it’s a -- I’d consider it a pause for 2016, redirection into some other channels that I know we will look at. Because the IB rollout, or the success in plugging the leak, doesn’t actually require more traffic to come into our site.

We already have a 350 million users in our peak months. With all of that traffic, and still think half of which being hotel traffic, that’s such a great opportunity to plug the leak. And if we can do that, and if we can monetize those hotel shoppers to the degree that any other OTA monetizes the hotel shoppers, that’s a really big win for us. And while TV was meant to help that, we feel we actually already have the traveler on our site and by doing other things on our site, we can also affect that, plug the leak. We also have been entire global world to look at, and so an extremely global TV educational campaign is hundreds of millions of dollars, but we already have the traffic that’s live and with the Priceline Group and our ability to rollout Instant Book globally. We want to sort of concentrate our firepower on delivering that plan, compare, and book message and plugging that leak after a traveler is already on our site.

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**Mark Mahaney - RBC Capital Markets - Analyst**

Okay. Thank you, Steve.

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**Steve Kaufer - TripAdvisor Inc - President & CEO**

Thanks.
Eric Sheridan - UBS - Analyst

Thanks for taking the question. Maybe just two. One, Steve, you mentioned with Priceline coming on board that that allows you to accelerate your plans. Maybe just give us a little bit of color on what you'll see from Priceline that allows you to accelerate those plans, is it the depth of inventory, is it the brand name that Priceline brings to the table that consumers will recognize more? I want to understand a little bit more color about that. And then as you face some of the headwinds, as you push faster into IB, how should we be thinking about the incremental leverage or deleverage in the business? You gave us a little bit of color around Q4, but how should we be thinking about that as you move through the transition? Thanks.

Steve Kaufer - TripAdvisor Inc - President & CEO

Sure. Excellent questions, Eric. We do think about those questions ourselves quite a bit, of course. The reason Priceline enables us to accelerate our Instant Book rollout globally is because of the rich content that they have on 400,000-plus properties all around the globe. And by that, I mean they are able to successfully take bookings on 400,000-plus properties in multiple, multiple different languages, processing payments for multiple different credit cards issued by multiple different banks. All sorts of things because they are such a strong global hotel reservation player. Like Expedia, and so I'm not saying that they're different there. I'm simply saying they already have the ability for someone that lives in France or in Japan to come to their site, to see the inventory that the traveler wants to stay in, see all the room descriptions in the local language, make the bookings, using the local credit cards. And we didn't have any of that for that customer in Japan, for instance, on TripAdvisor today.

If I were to rollout TripAdvisor today, I would be showing an Instant Book experience in English to that Japanese traveler. I would be showing a room description for a Marriott property in English for that -- Marriott might be a bad example because we might have Japanese content, but an independent hotel or a different brand. We would be showing content in the wrong language to make it a highly converting experience. Priceline gives us all of that, one fell swoop, and it's highly -- its strong curated content, payments and breadth of inventory.

That allows us to push faster in IB. We hope for an improved conversion rate, travelers on our site going through that funnel because the experience is better. And so when we look, we will know shortly enough whether or not that yields a higher net revenue, all the way to be accretive for us as we roll out Instant Book. I'm not sure being plus or minus slightly accretive or slightly negative is going to influence the timing of the rollout per my earlier comments of, we know this is the right thing to do for the traveler. We know this is the right thing to do for long-term direction of TripAdvisor. We're always stated we're willing to take some short-term hits along the way if it gets us to where we want to be. And we have 18 months of history where we have improved our conversion quarter after quarter after quarter so that we are confident, hey, we're always going to be making progress. It may not always be as fast -- or it may not always be instantly, but we'll get there, and that's what gives us confidence to do a quick rollout, even if it's not instantly accretive. Hope that helps.

Ken Sena - Evercore ISI - Analyst

Hi. Thank you. Maybe you could just go into a little bit more on the improved counting methodology in terms of the hotel shopper growth. And it looks as though the UVs also might've been restated. And then last quarter you had mentioned weakness in Europe. That didn't seem to be mentioned on this call, so was recovery seen there, or was the softness just attributed to other factors? Thank you.
Steve Kaufer - TripAdvisor Inc - President & CEO

Sure. The counting on hotel shoppers, boy, if you could understand the challenge that us and every other web company goes through to figure out who, when visiting the site, is the real user versus a robot of type. And we do our best job, and we're always looking at the algorithm. And from time to time, we find that there's something that we missed. And in this particular case, we revamped the algorithm to cut out some of the traffic that we didn't think at the end of the day was real, so we're always trying to present you the most accurate metrics that we have. We recast them to see the year on year over the past period. Obviously has no impact on revenue if we're scraping out or filtering out traffic that wasn't real. As a housekeeping footnote, you will see the stuff has changed. I personally didn't pay any attention to it when I learned about it.

In terms of last quarter, citing some weakness in Europe, I think we had a thesis at the time, based upon some of the evidence in front of us on cross-border traffic and weakness in the dollar. When we look at the macro issues in our past Q3, we're really pointing out Instant Book, the accelerated rollout, right long-term decisions, short-term, a small amount of pain that we are certainly willing to take. And then we're looking at, as we go forward, there is some pricing headwind that we see in our standard meta business and it's a meta-business -- it's an auction, we don't set the price. Our clients bid up, bid down. There's more consolidation in the global space. There's a ton of different trends, not to mention currency going on. And at the end of the day, we believe our leads are just as qualified, so even if there's a bit of a pricing hit, it's not something that we can influence. What we can influence and really what we're focused on is making IB as successful as it can be going forward. And that's why to double down, we're even more excited about the Priceline deal and our ability to roll it out even quicker.

Ken Sena - Evercore ISI - Analyst

Thank you and just maybe a follow-up. On the hotel shopper growth in terms of the restatement, you did pull out some traffic, but is there anything we should infer from the slower shopper growth that you'd want to highlight?

Steve Kaufer - TripAdvisor Inc - President & CEO

No. I don't think so. As I've said in more than a few calls, we're at a pretty big scale. If you now -- so we touch an awful lot of travelers at some point. When I look at the business, I don't really look at dramatically improving hotel shoppers as much -- and those are measured on monthly unique, so I look more on, how do we improve the revenue per shopper? How are we closing the monetization gap, as well as giving our shoppers more of what they're looking for? And I think that'll be a much stronger factor in our revenue growth in the coming months. Hotel shoppers you can certainly expect to continue to grow, but at 16% or not, not terribly disappointed at that.

Operator

Robert Peck, SunTrust.

Robert Peck - SunTrust Robinson Humphrey - Analyst

Yes. Just two quick questions, please. The first one is on the Priceline deal, the economics. I know you can't tell us exact economics behind it, but directionally, can you give us a feel for if that's profitable to the Company and maybe the magnitude versus other deals on IB? And then, Steve, and Julie, we talked about 2015 EBITDA for growth expectations, how should we think about 2016 for investors? Is there a range of growth we could be thinking about as we come out of this period of investment? Thanks so much.

Steve Kaufer - TripAdvisor Inc - President & CEO

Sure. I'll take the first one. On the economics of the Priceline deal, I -- it was certainly a long time coming. We believe it's a really good deal for Priceline. Is a really good deal for TripAdvisor. The economics are such that I am telling everyone we're going full force, rolling this thing out. We don't disclose the specifics, but you can judge by my actions of accelerating our rollout that is something I think is going to work for the Company.
economically. And, hey, Priceline’s a really big company. They are not a short-term vision company either, so they are doing something -- well, you should ask them, but I would believe they’re doing something that is in their best long-term interests as well.

Julie Bradley - TripAdvisor Inc - CFO

I’ll take the 2016. As this time of year, we are always in the process of putting together our plans, evaluating, messaging and expectation setting for the following year. We -- Ernst will be here next week, and I will dive right into that exercise. And I’m sure we’ll enlighten you on a February call. We have given a couple of nuggets on 2016. One, that we’re pulling down -- we’re pausing TV, but we do expect to invest that into other channels. Q4, we’re also seeing the full year of Instant Booking headwinds. Which, as the team is working actively to optimize and make that accretive, with every expectation that that would continue into 2016. And in addition to the monetization headwinds, there is a slight shift in the way revenue is recognized.

So, with the majority of our click-based revenue today, we recognize revenue on click immediately. As Instant Book becomes a more meaningful amount of revenue, we’ll be experiencing a shift because with Instant Book, the majority of our large partners, including The Priceline Group, we will be recognizing revenue on stay. So there’s -- there’ll be some seasonality and a shift in revenue as that becomes a more meaningful number. So that’s something else to take into consideration in evaluating 2016. We’re the process of doing that ourselves, looking at booking windows and consumer behavior. And will make an estimate into our 2015 plan.

Robert Peck - SunTrust Robinson Humphrey - Analyst

Thanks so much.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - Oppenheimer & Co. - Analyst

Great. Thanks for taking my question. As Priceline starts to rollout the Instant Booking participants and the booking participation, is there a difference on how it’s going to participate on TripAdvisor in the US versus internationally? I mean, will booking.com be more meta-weighted in the US and obviously more booking weighted internationally? And then can you just briefly touch on what marketing channels have a driving the most efficiency?

Steve Kaufer - TripAdvisor Inc - President & CEO

I -- sure. Thanks for the question. I will know whether there are any changes in the display or the participation in meta by Priceline Group once they actually -- once everything’s actually rolled out. I am not under any impression that it being in Instant Book would change anyone’s participation in meta, let alone Priceline Group. They’ve always expressed to us, as every client has, that they’d like as many transactions through our platform as possible. I certainly would encourage you to ask The Priceline Group themselves, but my interpretation would be they are eager for all the traffic that they can get in meta, just like they have been all the years past. They’ve been a phenomenal partner for us over many, many years, and they’re excited about the new transactions we will be delivering to the Instant Book tab. It’s additive, and I think that’s how the discussions have always been based, that it’s additive to their thinking of how to maximize their participation in the TripAdvisor channel.

To the second part of the question, which marketing channels are most efficient? We tend to look for as many marketing channels as we can find that deliver quality traffic and, for the most part, we operate them on a breakeven basis. We view it as acquiring trial. What I’m talking about, ROI generating online channels, be it search or retargeting or CPM or any of the other methods of acquiring traffic. Other marketing channels that we’ll be working on offline, so many of them it’s nearly impossible to measure.
We do have quite a bit amount of PR. We do a fair amount of content licensing. We do a fair amount of other -- of engaging in various markets in -- by leveraging our B2B or B2C community. None of those have a direct ROI, but we spend serious dollars in them, and I think that's one of the reasons why, if you are ever traveling, you're likely to see something branded TripAdvisor along the way and the TripAdvisor rating. And we love all that. We don't even try to measure the marketing efficiency of those campaigns.

Jed Kelly - Oppenheimer & Co. - Analyst
Thank you.

Steve Kaufer - TripAdvisor Inc - President & CEO
Certainly.

Operator
Chris Merwin, Barclays.

Chris Merwin - Oppenheimer & Co. - Analyst
Great. Thank you. I just had a couple quick ones. I terms of the mechanics around Instant Book, my understanding is that currently your partners pay a fixed commission and get a certain share of page views based on that commission. Over time, can you talk about the potential for Instant Book to evolve into an auction process, similar to how meta works today? I know you can’t talk about the length of any deals or the terms, but how long might that take for an auction to eventually become a reality?

And then, just secondly, I think maybe one of the reasons why your partners got comfortable with Instant Book, and correct me if I’m wrong, is because they get to feature their brand in the actual booking process. I assume because it can lend itself to repeat customer economics over time. Obviously, that booking is still being made through Trip, so we can you tell so far about which part might be recurring the benefit of those repeat economics over time? Thanks.

Steve Kaufer - TripAdvisor Inc - President & CEO
Certainly. As part of the sign-up process for an independent hotel on the website, there's two commission rates, a 12% and 15%. And we offer the hotel a guaranteed share of either 25% or 50% share of their, what we call eligible impressions. So, of the folks visiting their page, basically. It's part of our sales pitch that, if you sign up, this is what we promise you. It can -- will be a lot more than that, depending on a lot of different factors. And so going forward, that independent who has signed up, even at a 15% commission, TripAdvisor has -- once the booking.com deal is live, as of -- even today, with our current OTA partners, we make a choice at runtime that says beyond the share guarantee, do I wish to show -- get a room as an OTA for that hotel, or the hotel itself, or Tingo as an OTA for the hotel. For any particular property, I might already have three or more participants in Instant Book. We make the decision based on who to show, once the share guarantees have been met, we make the decision based upon what we think is going to be the best answer for the consumer, because that's usually going to be the best answer for TripAdvisor.

What I mean is, we have to evaluate how good the content is, the quality of the room description, because a consumer wants to see that in order to hit the book button. We also care a lot about the price. And so whoever has a cheaper price is also going to have a higher conversion rate on our site. And then finally, the commission does come into play. You can imagine an extreme of somebody offering to pay the 20 -- a ridiculous 20% commission for a property while somebody else is offering to pay a 12%. If all other things are equal, then TripAdvisor is going to pick the 20% commission. That maximizes us and does no harm to the consumer because as I said, all the other aspects of the flow were equivalent
With the current OTAs, with Priceline, with the current brands that we have, with The Priceline Group, with eventually multiple brands from The Priceline Group, I think we'll have quite a choice as to who could fulfill the offer. And we'll look at it from, mostly, what's the best experience for the consumer and secondarily, who has a good commission to us. You should interpret that as at the end of the day, that combination is probably going to maximize TripAdvisor's revenue because I care the most about how many people are booking. And if I make a little bit less commission per booking, but more people convert, we're going to make more money, consumers are going to be happier and that's the win-win math we're looking for.

For the second part of the question, the -- if I understand correctly, who gets the benefit of the brand placement in the booking flow? It's a bit -- from our perspective, it's too early to tell. We just haven't been in the marketplace long enough on enough of our platforms in order to see who might get -- and I'm not even sure how carefully I could measure, but I'm not sure who's going to get that second booking. The second trip, which tends not to happen the next day or even the next week.

So, we want to be very clear with all of our partners and certainly our travelers that it's Getaroom, or that it's booking.com, or that it's Marriot that is powering this transaction. They're the folks that you are going to go to when you want to make a change. They're the -- Marriott, they're the owner of the property, they can answer the question a lot faster than we can if the traveler has one. And if it's a second time booking for a similar property, we're certainly okay if that ends up being supplier direct. Our biggest opportunity is the traveler who comes to our site, enjoys the reviews, sees the room tips, looks at a dozen different candid photos and says, yes, this is the property I'm looking for. I like the price. Maybe I go down the Instant Book flow, I select the type of room. But I'm not ready to book right now. And the next day, or later in the week, when they are sure they want to take that trip, sure they want to stay in that property, they come back to TripAdvisor to finish the booking. And if we can close that leak, just that one piece of the -- plug the leak, phenomenal huge win on TripAdvisor, even if the partner that powers the transaction, the Marriott, or the Priceline, wins the second booking, because they have a great remarketing or retargeting campaign. Getting that first booking for us is -- obviously I want both, but getting that first booking for us by changing the mindset of the traveler, that's the biggest win that we see over the next couple of years.

Chris Merwin - Oppenheimer & Co. - Analyst

Thank you.

Steve Kaufer - TripAdvisor Inc - President & CEO

You're welcome.

Operator

Tom White, Macquarie.

Tom White - Macquarie Research - Analyst

Great. Thanks for taking my question. Maybe another one on the TV marketing pause. I just want to make sure I can understand or reconcile, Steve, your comments about the benefits of educating consumers about Instant Booking and the ability to book on the site. Is what you're saying that just the sheer presence of more Instant Booking visibility, thanks to the Priceline deal and some of these other deals, that that's enough, you think, to educate consumers? Or have you done studies, or what gives you confidence that that will be enough to change travelers' booking habits that have been probably pretty well entrenched where they book over the past 10 to 15 years? Thanks.
Steve Kaufer - TripAdvisor Inc - President & CEO

I don’t -- I wouldn't claim yet that I have an answer as to how we can quickly change consumers’ mindsets. I look back and say, TripAdvisor hasn’t really had an awareness issue in most of our markets. TV does a great job growing awareness, so we see how it’s worked for so many other companies. But the other companies have tended to be at a different awareness stage, different growth stage. And so we went forward with TV, knowing that it wasn’t to move our awareness numbers, but to educate folks on that one could now book on TripAdvisor. And it’s been -- we did surveys on the TV and certainly the book message stood out. But it was harder to see the behavior change on TripAdvisor. We saw more traffic. We made more money. But it was softer to draw the conclusion that it got people to actually complete a transaction to book on TripAdvisor.

So it would be, in my mind, no harm whatsoever in continuing a TV campaign that had the same message or, I like the creative, but the same or different creative. Nothing wrong with that, couldn’t possibly hurt. But in the judgment call of, is that where we want to push on our branding and marketing for next year, we made the judgment call -- because you have to make this one in advance, that said, we’re going to pause. I use the word pause carefully, because I’m not saying we wouldn’t change our minds. We wouldn’t do something else in 2017 or maybe even late 2016, but the notion is that’s not -- it’s a big dollar bet, and that’s not what we’re going to spend those dollars on in 2016.

When we look at it from, wow, you have 100-plus million travelers on the site in a month. 150 million, 175 million. Surely, that’s a big enough sample size to work on the educational message, and recently, we’ve been doing quite a bit on that. If you go to the site, many of our devices, not all, you’ll see a much stronger you can book on TripAdvisor. And combined with the appearance of a book on TripAdvisor button, on hundreds of thousands or more properties, plus the global rollout, plus being packaged with some other brand communications, better, different/cheaper than TV, we think that there’s -- well, as I started -- a judgment call, there was nothing wrong with the TV, but we think we can achieve our goals better in terms of training book by spending our time and some of our dollars elsewhere.

Tom White - Macquarie Research - Analyst

Great. Thanks for the color, and I just wanted to say thank you to Julie, and good luck in your next chapter.

Julie Bradley - TripAdvisor Inc - CFO

Great. Thank you very much. Take care, Tom.

Operator

Heath Terry, Goldman Sachs.

Heath Terry - Goldman Sachs - Analyst

Great, thank you. On the topic of the hotel shopper data restatement, is it fair to say based on your comments, Steve, that this is largely restatement around bot-related traffic and not any sort of change to the way that de-duping existing users? And then also, if you could give us a sense, with the numbers changing, what the underlying numbers look like? What percentage of your traffic still is hotel shoppers and is that -- how much did that change? Was the bot traffic overly related to hotel shoppers versus everything else?

Steve Kaufer - TripAdvisor Inc - President & CEO

Sure. I -- yes. To the best of my knowledge, the restatement of the hotel shoppers was entirely bot or fake user related. I do not believe it changed at all the -- whether it was a hotel bot or a restaurant bot, they’re all hitting us all the time. I look at the percentage of visitors to TripAdvisor and I still put it at roughly half in the somewhere in the hotel half, some were looking at hotels. It’s a rough approximation. It is different by device, but I’m trying to give some color on the average. And there was no change in any de-duping. There was nothing else under the covers there.
Heath Terry - Goldman Sachs - Analyst

Great. Thank you.

Steve Kaufer - TripAdvisor Inc - President & CEO

Sure thing.

Operator

Douglas Anmuth, JPMorgan.

Dae K Lee - JP Morgan - Associate

Hi. This is Dae Lee on for Douglas Anmuth. Going back to Priceline real fast, other than price, what kept your change in your ability to have Priceline join IB? And what has the impact of reaction been on the other hotel or OTAs that are considering joining? Thank you.

Steve Kaufer - TripAdvisor Inc - President & CEO

I -- so we -- Priceline’s been a great partner. We’ve been talking to them and every other OTA for quite some time about joining Instant Book. Many of them have. Priceline and Expedia were the two notable ones that had declined, and I think Priceline -- again, feel free to ask them, but in ongoing discussions, we each made some compromises and we found a common ground that allows them to get obviously what they’re looking for out of the relationship, which is a branded experience that makes sure customers know that Priceline is powering the booking. We are perfectly happy with that. They get to grow in transactions from our platform. And we, of course, we get the Instant Book rolling out globally. We get the improved content from our display and hopefully the improved conversion that comes with it.

We can continue to show other OTAs and other suppliers in our store. We look forward to the remaining hotel brands joining in Instant Book. We look forward to having more Instant Book options across the board. We continue to sign up independent hotels at a decent pace. We’re building our own content management system, as I mentioned, to make sure those properties are represented on our site with excellent content and strong pricing. And it’s like what we’ve done with meta, we’re building a really strong marketplace, globally or lots of different folks, hotels or the intermediaries. To be able to power the bookings of folks that choose to book on TripAdvisor.

I take the opportunity to talk about Instant Booking and that up and I will always refer to it as Instant Booking and meta - and I will always refer to it as Instant Booking and meta - we love our Instant Book strategy, you’ve heard me talk about it over and over. But I don’t want anyone to think that meta is going away. Our messaging of plan, compare, and book plan, the reviews, the content. That’s a great decision-support information that we have in order to help the consumer find exactly where they want to go, where they want to stay, what they want to do to have the great trip. That’s the plan message, the compare is that everyone’s looking for the best price. Showing a price on TripAdvisor and Instant Booking is one of the options and showing the price that is available elsewhere on the web from all the other players, that the traveler’s aware of is part of that core compare message. And we expect to have that compare message for the forever future.

It’s just part of our core positioning, and plan, compare and book. And we want TripAdvisor Instant Booking to offer a great price, terrific content, the trusted brand of TripAdvisor, as to why you should click in, seeing the content and the brand provided by whoever’s actually doing -- powering the booking for us, the hotel itself or the high quality travel agent, like Priceline or any of the other OTAs that are in the store, and it completes that part of the purchase. And then the rest of the TripAdvisor value proposition, which we are still very excited about, but we classify into our other businesses. The attractions and the restaurants and the other ways that are going to make a trip incredibly powerful. But it’s Instant Booking and meta as that core monetization vehicle for hotels; it’s restaurants and attractions in other services in the on the trip piece. It’s vacation rental and alternative lodging in general that helps people well. When a hotel isn’t quite what you’re looking for, we have these other options. Whether it be...
urban inventory that we're sourcing through our vacation rental, standard alternative lodging, like the traditional vacation rental, those were all part of our store. And it's our job to -- our challenge or opportunity to present them at the right time to the travelers that are on our site.

All in all, it's a pretty complete picture. Doesn't have everything, but when we look at the things that travelers are most interested, we have a real -- we would like to think the best offering in the plan space. We have a great offering in the compare space. We're learning how to have the best offering in the book space. We don't have it yet, but we're getting there. And we have best offering in the in-destination market for attractions and restaurants globally. It's a pretty good coverage of that life cycle, and I guess the question started with Priceline, and so Priceline really helps us deliver on that book component. Thanks for the question.

All right. With that, I think we're a bit out of time so let me say, thank you very much. We're moving fast. It we're making great progress on these long-term goals. And I have to say I'm really fortunate to have a great team on the job. So to all of our employees throughout the entire TripAdvisor family, thank you again and again for your terrific work, for your hard work, it's showing results. I'm really proud, and I look forward to updating everyone again on the next quarter. Thank you.