Q3 2018 Results

November 2018
Forward-Looking Statements. Our presentation today, including the slides contained herein, contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts or guarantees of future performance and are based on management’s assumptions and expectations, which are inherently subject to difficult to predict uncertainties, risks and changes in circumstances. The use of words such as "intends," "expects," "may," "believes," "should," "seeks," "intends," "plans," "potential," "will," "projects," "estimates," "anticipates" or similar expressions generally identify forward-looking statements. However, these words are not the exclusive means of identifying such statements, and any statements that refer to expectations, beliefs, plans, predictions, projections, forecasts, objectives, assumptions, models, illustrations, profiles or other characterizations of future events or circumstances are forward-looking statements, including without limitation statements relating to future revenues, expenses, margins, performance, profitability, cash flows, net income/(loss), earnings per share, growth rates and other measures of results of operations (such as adjusted EBITDA) and future growth prospects for TripAdvisor’s business. Actual results and the timing and outcome of events may differ materially from those expressed or implied in the forward-looking statements for a variety of reasons, including, among others, those discussed in the “Risk Factors” section of our Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update any forward-looking or other statements in this presentation, whether as a result of new information, future events or otherwise. Investors are cautioned not to place undue reliance on forward-looking statements.

Non-GAAP Measures. This presentation also includes discussion of both GAAP and non-GAAP financial measures. Important information regarding TripAdvisor’s definitions and use of these measures, as well as reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure are included in the earnings release reporting our third quarter 2018 financial results and supplemental financial information, which are available on the Investor Relations section of our website: www.tripadvisor.com, and in the “Non-GAAP Reconciliations” section of this document. These non-GAAP measures are intended to supplement, and are not a substitute for comparable GAAP measures. Investors are urged to consider carefully the comparable GAAP measures and reconciliations.

Industry / Market Data. Industry and market data used in this presentation have been obtained from industry publications and sources as well as from research reports prepared for other purposes. We have not independently verified the data obtained from these sources and cannot assure you of the data’s accuracy or completeness.
We help travelers unleash the full potential of every trip.
TripAdvisor by the numbers (1)

Rich travel content

702M
Reviews and opinions

Largest travel audience

490M
avg. monthly unique visitors

Financial strength

$1.6B (2)
2017 Revenue

$331M (3)
2017 Adjusted EBITDA

Accommodations

2.1M
Accommodations (4)

Experiences

1.0M
Travel activities and experiences

Restaurants

4.9M
Restaurant Listings

(1) TripAdvisor internal log files
(2) Full year 2017 Revenue was $1.556M on a consolidated basis
(3) Adjusted EBITDA is our segment profit measure and is defined as net income (loss) plus: (1) provision for income taxes (2) other income (expense), net (3) depreciation of property and equipment, including amortization of internal use software and website development (4) amortization of intangible assets (5) stock-based compensation and other stock-settled obligations (6) goodwill, long-lived asset and intangible asset impairments, and (7) other non-recurring expenses and income
(4) Includes approximately 1.2M hotels, inns, B&Bs, and specialty lodging, as well as 880K rental listings
Addressing huge, underpenetrated travel market opportunity that is shifting online

TOTAL WORLDWIDE TRAVEL SPEND\(^{(1)}\): $1.6T

- Global travel market is large and growing
- Low online penetration at 43\(^{(2)}\), growing rapidly; less than half of all travel is booked online

TRIPADVISOR 2017 REVENUE: $1.6B \(^{(3)}\)

- Strong brand loyalty lends to growing influence on travel commerce
- Offering users a comprehensive experience, especially on mobile and in-destination

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\(^{(1)}\) Estimated 2017 total travel market size, according to Phocuswright Research’s “The State of Digital Travel 2017”
\(^{(2)}\) Estimated 2017 online penetration, according to Phocuswright Global Online Travel overview, Fourth Edition (November 2016)
\(^{(3)}\) Full year 2017 Revenue was $1,556M on a consolidated basis
The world’s largest and most influential travel platform (1)

Massive Global Demand for Differentiated Travel Content (1)

- **490M** avg. monthly unique visitors
- **60%+** % of users on mobile
- **702M** reviews and opinions
- **153M** candid traveler photos
- **49** markets

TripAdvisor’s Global Travel Platform

- **Audience drives leads to travel partners**
- **TripAdvisor content drives audience**
- **TripAdvisor community drives content**

Significant Supply Footprint Across a Spectrum of Travel Products (1)

- **2.1M** Accommodations (2)
- **1.0M** Travel activities and experiences listings
- **4.9M** Restaurant listings
- **500+** Airlines
- **70K+** Cruises

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(1) TripAdvisor internal log files
(2) Includes approximately 1.2M hotels, inns, B&Bs, and specialty lodging, as well as 880K vacation rental listings
Global audience, content and listings (1) continue to grow rapidly

<table>
<thead>
<tr>
<th></th>
<th>Q3 2016</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>TripAdvisor unique visitors (in millions, except percentages)</td>
<td>390</td>
<td>455</td>
<td>490</td>
</tr>
<tr>
<td>TripAdvisor reviews &amp; opinions (in millions, except percentages)</td>
<td>435</td>
<td>570</td>
<td>702</td>
</tr>
<tr>
<td>TripAdvisor listings (in thousands, except percentages)</td>
<td>6,810</td>
<td>830</td>
<td>8% CAGR</td>
</tr>
<tr>
<td></td>
<td>730</td>
<td>4,200</td>
<td>1,015</td>
</tr>
<tr>
<td></td>
<td>4,430</td>
<td>875</td>
<td>1,015</td>
</tr>
<tr>
<td></td>
<td>4,870</td>
<td>1,150</td>
<td>1,240</td>
</tr>
</tbody>
</table>

(1) TripAdvisor internal log files
Delivering users a more comprehensive, more valuable experience throughout the travel journey
Mobile engagement creates significant growth opportunities

- Mobile represents more than 60% of avg. monthly unique visitors \(^{(1)}\) and over 50% of avg. monthly unique hotel shoppers \(^{(1)}\)

- TripAdvisor is the perfect travel companion helping travelers find and book places to eat and things to do

- Large and growing monetization opportunity on this strategic platform

\(^{(1)}\) TripAdvisor internal log files
Non-Hotel offerings increase user engagement and drive more value on our platform

Experiences

San Francisco Golden Gate Bridge Bike Tour
Showing availability for:
- Sat, May 20
- 1 Traveler

10am Morning Tour
Departs 10:00 AM
1 Adult x $55.00
Total $55.00

Restaurant Information
- +1 415-775-1550
- Visit Website
- 1550 Hyde St, San Francisco, CA

Restaurants

Seven Hills
670 Reviews
Italian, Gluten Free Options, Vegetarian Friendly
$33

Hours Today: 5:00PM - 10:00PM
Closed Now

Rentals

Vacation Rentals
- 6-Star Luxury, TripAdvisor#1 F...
- 2 Bedrooms, Sleeps 6
- Payment Protection
- from $1,149
- Book now

- SF views, close to SF and airpo...
- 2 bedrooms, sleeps 6
- Payment Protection
- from $265
- Book now

- 5 Star Fairmont Heritage at Ghi...
- 2 Bedrooms, Sleeps 6
- Payment Protection
- Book now
Long-term strategic priorities

Deliver the absolute best user experience in travel
- Create holistic user experience throughout every stage of the travel journey

Be an attractive advertising platform
- Enable more partners to drive more value from our high value traffic through media and transaction products

Focus on the long-term
- Balanced investments to drive long-term profitable growth
Financial highlights

**Revenue scale**

$1.6B

Total Revenue

**Growth CAGR**

16%

Full Year 2011-2017 Revenue

**Strong profitability**

$331M

EBITDA

**Cash flow generative**

$238M

Operating Cash Flow

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(1) Full year 2017 Revenue was $1,556M on a consolidated basis.

(2) Represents full year 2017 adjusted EBITDA. Adjusted EBITDA is our segment profit measure and is defined as net income plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived asset and intangible asset impairments, and (7) other non-recurring expenses and income.

(3) Represents full year 2017 operating cash flow.
### Optimized Hotel marketing portfolio driving profitability

#### Consolidated direct sales & marketing detail:

<table>
<thead>
<tr>
<th></th>
<th>Q3’17</th>
<th>Q3’18</th>
<th>% YoY Growth</th>
<th>YTD’17</th>
<th>YTD’18</th>
<th>% YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct S&amp;M</td>
<td>$195M</td>
<td>$150M</td>
<td>-23%</td>
<td>$526M</td>
<td>$451M</td>
<td>-14%</td>
</tr>
<tr>
<td>Direct S&amp;M (excl.</td>
<td>$153M</td>
<td>$115M</td>
<td>-25%</td>
<td>$468M</td>
<td>$359M</td>
<td>-23%</td>
</tr>
<tr>
<td>Hotel Television</td>
<td>$42M</td>
<td>$35M</td>
<td>-17%</td>
<td>$58M</td>
<td>$92M</td>
<td>59%</td>
</tr>
<tr>
<td>Advertising</td>
<td>$52M</td>
<td>$56M</td>
<td>8%</td>
<td>$157M</td>
<td>$170M</td>
<td>8%</td>
</tr>
<tr>
<td>Total S&amp;M</td>
<td>$247M</td>
<td>$206M</td>
<td>-17%</td>
<td>$683M</td>
<td>$621M</td>
<td>-9%</td>
</tr>
</tbody>
</table>

### Hotel segment adjusted EBITDA growth

#### YoY Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1’17</th>
<th>Q2’17</th>
<th>Q3’17</th>
<th>Q4’17</th>
<th>Q1’18</th>
<th>Q2’18</th>
<th>Q3’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-17%</td>
<td>-20%</td>
<td>-5%</td>
<td>0%</td>
<td>6%</td>
<td>94%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Adjusted EBITDA is our segment profit measure and is defined as net income plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived asset and intangible asset impairments, and (7) other non-recurring expenses and income.
Continued strong Non-Hotel segment revenue growth

(in $millions, except percentages)

Non-Hotel segment revenue growth:
- Q3 2017: $127
- Q3 2018: $153
- YTD 2017: $283
- YTD 2018: $352

20% YoY Growth

24% YoY Growth
Quarterly financial summary

(in millions, except Earnings per Share, “EPS”)

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q3’17</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Net income</td>
<td>$69</td>
<td>$25</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$101</td>
<td>$50</td>
</tr>
<tr>
<td>GAAP Diluted EPS</td>
<td>$0.49</td>
<td>$0.18</td>
</tr>
<tr>
<td>Non-GAAP Diluted EPS</td>
<td>$0.72</td>
<td>$0.36</td>
</tr>
<tr>
<td>Cash flow provided by (used in) operations</td>
<td>$14</td>
<td>($135)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>($1)</td>
<td>($150)</td>
</tr>
<tr>
<td>Cash, cash equivalents &amp; marketable securities</td>
<td>$663</td>
<td>$769</td>
</tr>
</tbody>
</table>

(1) TripAdvisor defines "non-GAAP net income" as GAAP net income excluding, net of their related tax effects (which excludes the impact of significant one-time changes resulting from tax legislation such as the 2017 Tax Act): (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) goodwill, intangible assets, and other long-lived asset impairments; and (4) certain gains, losses, and other non-recurring income or expenses that we do not believe are indicative of our ongoing operating results.

(2) TripAdvisor defines "non-GAAP net income per diluted share" as non-GAAP net income divided by GAAP diluted shares.

(3) TripAdvisor defines "free cash flow", a non-GAAP measure, as net cash provided by operating activities less capital expenditures, which are purchases of property and equipment, including capitalization of internal-use software development costs.
Segment financial information

(in $millions, except percentages)

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>Q3’18</th>
<th>Q3’17</th>
<th>YoY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>$305</td>
<td>$312</td>
<td>(2%)</td>
</tr>
<tr>
<td>Non-Hotel</td>
<td>$153</td>
<td>$127</td>
<td>20%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$458</td>
<td>$439</td>
<td>4%</td>
</tr>
</tbody>
</table>

Adjusted EBITDA (1):

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q3’17</th>
<th>YoY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>$99</td>
<td>$51</td>
<td>94%</td>
</tr>
<tr>
<td>Non-Hotel</td>
<td>$47</td>
<td>$44</td>
<td>7%</td>
</tr>
<tr>
<td>Total Adjusted EBITDA</td>
<td>$146</td>
<td>$95</td>
<td>54%</td>
</tr>
</tbody>
</table>

Adjusted EBITDA Margin by Segment (2):

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q3’17</th>
<th>YoY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>32%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Non-Hotel</td>
<td>31%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Total Adjusted EBITDA Margin</td>
<td>32%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

---

(1) Adjusted EBITDA is our segment profit measure and is defined as net income plus: (i) provision for income taxes; (ii) other income (expense), net; (iii) depreciation of property and equipment, including amortization of internal use software and website development; (iv) amortization of intangible assets; (v) stock-based compensation and other stock-settled obligations; (vi) goodwill, long-lived asset and intangible asset impairments; and (vii) other non-recurring expenses and income.

(2) TripAdvisor defines "Adjusted EBITDA margin by segment" as segment adjusted EBITDA divided by segment revenue.
LONG-TERM FOCUS

Investment Highlights:

✓ $1.6 trillion global travel market opportunity and growing; travel purchases continue to shift to online
✓ Rich user content creates differentiated global brand and attracts a massive monthly global audience
✓ Comprehensive, end-to-end user offering throughout the travel journey
✓ Valuable platform of travelers and partners creates large monetization potential
✓ Strongly profitable while investing to drive long-term profitable growth
Non-GAAP reconciliations

(In $millions, except per share amounts and percentages)

Reconciliation from GAAP Net Income to Adjusted EBITDA (Non-GAAP):

<table>
<thead>
<tr>
<th>GAAP Net income (1)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY*</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>YTD*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13</td>
<td>$27</td>
<td>$25</td>
<td>($84)</td>
<td>($19)</td>
<td>$5</td>
<td>$32</td>
<td>$69</td>
<td>$105</td>
</tr>
<tr>
<td>Add: Provision for income taxes (1)</td>
<td>12</td>
<td>17</td>
<td>13</td>
<td>87</td>
<td>129</td>
<td>16</td>
<td>10</td>
<td>18</td>
<td>45</td>
</tr>
<tr>
<td>Add: Other expense (income), net</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>14</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>19</td>
<td>28</td>
<td>26</td>
<td>25</td>
<td>96</td>
<td>29</td>
<td>31</td>
<td>29</td>
<td>90</td>
</tr>
<tr>
<td>Add: Amortization of intangible assets</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>32</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>Add: Depreciation (2)</td>
<td>19</td>
<td>19</td>
<td>21</td>
<td>19</td>
<td>79</td>
<td>20</td>
<td>21</td>
<td>20</td>
<td>61</td>
</tr>
<tr>
<td>Adjusted EBITDA (Non-GAAP) (3)</td>
<td>$73</td>
<td>$101</td>
<td>$95</td>
<td>$63</td>
<td>$331</td>
<td>$80</td>
<td>$109</td>
<td>$146</td>
<td>$335</td>
</tr>
</tbody>
</table>

Reconciliation from GAAP Net Income to Non-GAAP Net Income:

<table>
<thead>
<tr>
<th>GAAP Net income (1)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY*</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>YTD*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13</td>
<td>$27</td>
<td>$25</td>
<td>($84)</td>
<td>($19)</td>
<td>$5</td>
<td>$32</td>
<td>$69</td>
<td>$105</td>
</tr>
<tr>
<td>Add: Stock-based compensation</td>
<td>19</td>
<td>28</td>
<td>26</td>
<td>25</td>
<td>96</td>
<td>29</td>
<td>31</td>
<td>29</td>
<td>90</td>
</tr>
<tr>
<td>Add: Amortization of intangible assets</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>32</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>Add: Loss on cost method investment</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subtract: Other gain on investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Subtract: Income tax effect of Non-GAAP adjustments (4)</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>14</td>
<td>40</td>
<td>5</td>
<td>8</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Add: Income tax impact related to 2017 Tax Cuts and Jobs Act (1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73</td>
<td>73</td>
<td>5</td>
<td>(5)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Non-GAAP Net Income (5)</td>
<td>$35</td>
<td>$53</td>
<td>$50</td>
<td>$8</td>
<td>$144</td>
<td>$42</td>
<td>$58</td>
<td>$101</td>
<td>$201</td>
</tr>
</tbody>
</table>

Reconciliation from GAAP Earnings per Share (EPS) to Non-GAAP EPS:

| GAAP Diluted Shares Outstanding | 145 | 141 | 139 | 139 | 141 | 140 | 140 | 141 | 140 |
| GAAP Diluted EPS | $0.09 | $0.19 | $0.18 | ($0.60) | ($0.14) | $0.04 | $0.23 | $0.49 | $0.75 |
| Non-GAAP Diluted EPS (6) | $0.24 | $0.38 | $0.36 | $0.06 | $1.02 | $0.30 | $0.41 | $0.72 | $1.44 |

Reconciliation of GAAP Cash Flow from Operating Activities to Non-GAAP Free Cash Flow:

| Cash flow provided by (used in) operations | $134 | $221 | ($135) | $18 | $238 | $174 | $186 | $14 | $374 |
| Subtract: Capital expenditures | 18 | 17 | 15 | 15 | 64 | 15 | 16 | 15 | 45   |
| Free Cash Flow (Non-GAAP) (7) | $116 | $204 | ($150) | $3 | $174 | $159 | $170 | ($1) | $329 |
Non-GAAP reconciliations – End notes

The Company believes that non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enables comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating and analyzing our business.

(1) Includes a provision for income tax related to the 2017 Tax Act of $2 million during the three months ended September 30, 2018, a benefit for income taxes related to the 2017 Tax Act of $5 million during the three months ended June 30, 2018, and a provision for income taxes related to the 2017 Tax Act of $5 million and $73 million during the three months ended March 31, 2018 and December 31, 2017, respectively. Such amounts include an estimated 2017 Tax Act transition tax expense of $2 million for the three months ended September 30, 2018, a transition tax benefit of $5 million for the three months ended June 30, 2018, and transition tax expense of $5 million and $87 million for the three months ended March 31, 2018 and December 31, 2017, respectively, as well as $6 million expense related to the remeasurement of deferred taxes for the three months ended December 31, 2017.

(2) Depreciation. Includes internal use software and website development amortization.

(3) Adjusted EBITDA. A non-GAAP measure which is defined as net income (loss) plus: (i) provision for income taxes; (ii) other income (expense), net; (iii) depreciation of property and equipment, including amortization of internal use software and website development; (iv) amortization of intangible assets; (v) stock-based compensation and other stock-settled obligations; (vi) goodwill, long-lived asset and intangible asset impairments; and (vii) other non-recurring expenses and income. These items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful. Adjusted EBITDA is our segment profit measure and a key measure used by our management and board of directors and allows for another useful comparison of our performance with our historical results from prior periods.

(4) Income Tax Effect of Non-GAAP Adjustments. The non-GAAP adjustments described are reported on a pre-tax basis. The income tax effect on non-GAAP adjustments was calculated based on the individual impact that these items had on our GAAP consolidated income tax expense for the periods presented.

(5) Non-GAAP Net Income. Defined as GAAP net income (loss) excluding, net of their related tax effects (which excludes the impact of significant one time changes resulting from tax legislation such as the 2017 Tax Act): (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) goodwill, intangible assets, and other long-lived asset impairments; and (4) certain gains, losses, and other non-recurring income or expenses that we do not believe are indicative of our ongoing operating results. We believe non-GAAP net income is an operating performance measure which provides investors and analysts with useful supplemental information about the financial performance of our business, as it incorporates our unaudited condensed consolidated statement of operations, taking into account depreciation, which management believes is an ongoing cost of doing business, but excluding the impact of certain expenses, infrequently occurring items and items not directly tied to the core operations of our businesses, and also enables comparison of financial results between periods where certain items may vary independent of business performance.

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

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

* Year to date totals reflect data as reported and is not necessarily a summation of the quarterly data.
know better  ○  book better  ○  go better