Angela Opening Remarks:

Good morning everyone and welcome to Tripadvisor's fourth quarter and full year 2023 financial results call. Joining me today are Matt Goldberg, President & CEO, and Mike Noonan, CFO.

Last night after the market close, we filed and made available our earnings release. In that release you will find reconciliations of non GAAP financial measures to the most comparable GAAP financial measures discussed on this call.

Before we begin, I'd like to remind you that this call may contain estimates and other forward looking statements that represent management's views as of today, February 15, 2024. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release, as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward looking statements.

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

Matt Goldberg, CEO

Thanks Angela, and good morning to everyone joining us.

Before I begin, I'd like to address the press release we filed on Monday. We announced that our Board of Directors has formed a Special Committee to evaluate any proposals resulting from Liberty Tripadvisor Holdings' stated intention to engage in discussions with respect to a potential transaction. We appreciate your understanding that we won't address any questions on this topic today or provide further updates unless we have something definitive to share.

Now I'd like to discuss our performance. We were pleased to exit the year with results that exceeded our expectations. Q4 revenue was $390 million, reflecting year-over-year growth of 10%. Q4 adjusted EBITDA was $84 million – 22% of revenue – exceeding expectations due to revenue outperformance at Brand Tripadvisor and marketing efficiencies at both Brand Tripadvisor and Viator. For the full year, consolidated revenue grew by 20% to an all time high of $1.8 billion, and adjusted EBITDA grew 13% to $334 million.

Last year, we made meaningful progress executing against our strategic priorities. We reinforced our market leadership position at Viator while sharpening our focus on smart user acquisition. Viator also finished the year at break-even profitability, achieving this full year milestone a year earlier than anticipated. At Brand Tripadvisor, we invested in our strategy and delivered promising early proof points while maintaining financial discipline. Finally, at TheFork, we delivered revenue gains while significantly improving our profit margin through disciplined cost management, and exited the year at break even for Q4.

Our results also reflect how we are building a stronger, more diversified and defensible position in the large and growing global travel and experiences industry. We have a unique and leading position in the high-growth experiences category, given the breadth of Tripadvisor and the depth of Viator. Within Brand Tripadvisor, experiences, along with other partner offerings beyond our legacy hotel meta offering, are now contributing almost half of the revenue, versus less than one-third in 2015, reflecting our ability to diversify our monetization and reduce dependence on hotel meta revenue. And across the Group portfolio, Viator and TheFork have grown to nearly 50% of our revenue in 2023, versus less than 10% in 2015, and they have each reached the scale to deliver increasing profitability.

Let me highlight our accomplishments and look ahead to 2024 priorities for each segment.

At Brand Tripadvisor, we kicked off 2023 by introducing a multi-year strategic vision that focuses on delivering world-class guidance products to deepen engagement with our audience and fuel diverse monetization paths. Over the course of the year, we delivered tangible progress through product innovation. We re-launched our Trips tool for creating itineraries and integrated Generative AI deeply into the user experience. I've previously cited a few proof points that demonstrate the impact, and we are pleased that each of these has continued to improve over time.

- First, the average revenue per Trips user shortly after launch was 3 times higher than the average member – that has now increased to closer to 5 times – and our average member already monetizes at approximately 10 times the rate of the average non-member.
- Second, we saw a 100% increase in the number of daily users who generated and saved an itinerary specifically with AI in the back half of the year with limited marketing efforts - and the majority are engaging with this tool in our app.
- Finally, we continue to see growth in the return rates for Trips users, whose repeat rates are meaningfully higher than users who do not use the tool.

During the year, we also introduced GenAI-driven hotel review summaries, an important example of how we are uniquely positioned to use technology to draw differentiated insights from our proprietary database of quality content and behavioral data. Across the 30,000+ hotels where this is currently available, we are seeing early, but strong, positive indicators. User satisfaction scores are nearly 75%, which is even higher than the strong initial scores for our Trips feature at launch.

We continue to bring more travelers to our experiences pages. In 2023, 180 million more travelers used Tripadvisor to shop for experiences than in 2022. As a result, we drove revenue growth rates higher than any other category in the segment at approximately 45%. Importantly, this strong demand reflects the opportunity we have to match additional supply, adding relevant new inventory and partners across geographies and categories, representing meaningful upside for the category.

2024 will be a year of acceleration for Brand Tripadvisor. Here are a few of our priorities:

First, we will deliver a differentiated experience in the mobile app. To put it simply, our existing app users are more engaged and more valuable than users on other surfaces. They account for a relatively small percent of our total MAUs but a disproportionate number of reviews and trips created, at 30% and over 60%, respectively. Our aim is to deliver an essential app for travelers that convinces more of our audience to download and use the app as the best end-to-end trip companion, powered by AI.

Second, we will begin to shift our marketing in support of our engagement-led strategy. Historically, we've optimized everything from our paid search spend to CRM to drive immediate click and display revenue. With the progress we've made across our product we now have the opportunity to target higher value audiences more directly and drive more users to sign up and sign in as members, to download our app, and to begin planning a trip - because we know each of these behaviors is orders of magnitude more valuable to us than same-session clicks.

Finally, we will leverage the investments we've made in data and AI to deliver a more personalized experience for our users, particularly our highly-engaged members. This starts with recognizing them for their contributions to our community and extends to broader benefits and rewards we can offer through our free membership program. It also includes new ways to engage with our product, including an AI-driven conversational search experience and iterative trip planning capabilities that better integrate commerce opportunities by helping travelers find the right hotel, experience, or restaurant to round out their itinerary.

Next, at Viator, in 2023 we made significant progress to reinforce our leadership position in experiences by investing in improving our product for both travelers and operators, and continuing to drive our scale. This year was an impressive year of revenue growth, at 49%, bringing Viator revenue to 41% of total Group revenue. GBV grew over 40%, to more than $3.7 billion and we also reached break-even profitability for the full year, earlier than anticipated. This milestone reflects the power of the model and the operating cost leverage our lean fixed cost structure affords.

On the demand side, we optimized our brand campaign, growing our awareness and reinforcing our position as the most well known experiences brand in the US. We made improvements small and large across nearly every part of the shopping experience, on every surface. We've improved our sort for better discoverability, matured the app and grown its share of bookings, and we've improved the post-booking experience across the board. These, and other updates contributed to double-digit growth in conversion across the business. Our new rewards program, meanwhile, is driving value for customers. The early proof points drove mid-teens improvement in retention for travelers using the program. And our most loyal users are our fastest growing customer segment – they are more likely to come through unpaid and immediately profitable channels, and spend more than first time users, driving improvement in our unit economics.

For operators, we launched our latest version of the marketing program Accelerate. We consulted more than 5,000 operators in its creation, and this consideration shows in the results – well over 50% of eligible products participate in the program, which continues to support our healthy take-rate. With the largest product inventory and supply base available anywhere, the value we are driving for operators is clear. Churn rates are low and supplier and product counts are steadily increasing.

At Viator in 2024, we remain focused on growing our scale, balancing growth, profitability, and market share as the global market leader in experiences. With an eye on *profitable* growth – we expect to drive improvements in unit economics through a combination of initiatives focused on lowering customer acquisition costs, increasing retention, and enhancing lifetime value.

On the demand side, our focus is on an improved experience along the customer journey– from first-time interaction to long-standing returning customers. These are unique experiences for most travelers, so it's important that at first interaction, we begin to build our relationship of trust and value so they return to book their next memorable experience. We'll do this by leveraging our Group customer data platform (CDP), and delivering a more robust, personalized experience for travelers. We'll also continue to focus on enhancing our app value proposition. We know that app users convert to bookers at a rate higher than desktop or mobile web users, so we'll continue to emphasize app engagement opportunities.

We'll also continue to optimize marketing spend and our overall channel strategy, focusing on acquiring the highest intent customers and continuing to drive awareness. We expect to see improvement in unit economics as our multi-channel marketing investments gain traction.

On the operator side, we'll continue to drive value through programs aimed at helping operators increase their exposure through features such as incremental performance tracking and insights. The combination of work to enhance the experience for both sides of the marketplace should help operators continue to benefit and remain loyal over time.

Finally, at TheFork in 2023 we began the transition to deliver profitable growth, leveraging past investments and improving our unit economics while maintaining our leadership position in dining in Europe. We grew revenue 19% in constant currency, and also delivered significant margin improvement of 22 percentage points – a swing of $25 million in EBITDA – as a result of disciplined cost management.

During 2023, we continued to rationalize our footprint to focus on priority European markets, modernized our technology platform to drive speed of product innovation, and launched new products and services for both diners and restaurant partners. The team shipped more features in the last six months than they had in the previous six years, resulting in a stronger value proposition for both sides of the marketplace. For diners, we focused on improving the app user experience, resulting in higher conversion rates where 75% of our bookings are made. For restaurants, we stabilized churn and drove more than 20% growth in B2B revenue and new restaurant signatures, by migrating our ERB to a single platform, introducing new features for payments and yield management, and improving our sales efficiency.

At The Fork in 2024 we will continue to make a steady transition to annual profitable growth by focusing on our largest opportunity markets, marketing efficiency, sales productivity, and product-led innovation. We will evolve our marketing strategy to increase our efforts around repeat diners, while taking a measured approach to brand investments in prioritized markets. For diners, we will focus on driving app-based engagement and conversion through quality content, personalization, recommendations and incentives to return. For restaurants, we will focus on value-add ERB features, value-based pricing options, revenue management features, and the ability to market special offers to our growing base of high intent diners. We expect our combined initiatives to drive growth in our average revenue per restaurant and continue to improve our unit economics as we layer the benefit of a streamlined cost base.

To close, we are motivated by our progress in 2023 and we believe that our strategies are delivering results. In 2024 we will continue to pursue a disciplined financial profile with investment for longer term growth and transformation across the portfolio.

We believe that travel has a healthy, sustainable long-term growth path ahead. In 2023, we saw healthy underlying demand, despite the backdrop of macro uncertainty, which is testament to consumers prioritizing travel over other discretionary categories. Our traveler surveys reflect steady travel and spending intent in 2024, with a focus on experiences as a central component. We believe this puts Tripadvisor Group in an advantaged position as we build on our position as the world's most trusted source for travel and experiences.

Now I'll turn the call over to Mike.

Mike Noonan, CFO

Thank you Matt and good morning everyone. I'll start by reviewing our Q4 and full year 2023 performance and then provide high-level thoughts on 2024. All growth rates for 2023 are relative to the comparable period in 2022, unless otherwise indicated.

Q4 consolidated revenue was $390 million, reflecting growth of 10% or 8% on a constant currency basis. Adjusted EBITDA was $84 million, or 22% of revenue, and 10 percentage points higher than last year. Consolidated performance was higher than our expectation primarily due to more favorable traffic mix at Brand Tripadvisor and disciplined marketing spend at Viator.

Turning to segment performance for the quarter. Brand Tripadvisor delivered revenue of $218 million, approximately flat year-over-year. Revenue in Branded Hotels was $135 million, a decline of 4% driven by low-single digit decline in hotel meta and flat to slightly down performance in hotel B2B.

Hotel meta performance was driven by sustained pricing strength in both free and paid channels, which was offset by lower click volumes, primarily in paid channels as we continue to manage these channels for profitability by maintaining consistent ROAS targets. From a revenue perspective, growth in hotel meta in the US and rest-of-world was flat to slightly up while EMEA declined in-line with prior quarters. Importantly, revenue from free channels remained stable. As a result, hotel meta contribution profit margin was slightly higher year-over-year.

Media and advertising revenue grew 6% to $35 million. Growth in the quarter was more normalized but a sequential step-down that we expected primarily due the recovery pattern in the broader media and advertising sector.

Experiences and dining revenue grew 12% to $38 million, with experiences revenue growing approximately 20% in the midst of a challenging macro environment. Dining revenue slightly declined as we continued realigning our sales model in our B2B business as discussed in our last call.

Other revenue was flat year-over-year at $10 million. Growth in cruise was 10% in the quarter, offset by sustained revenue pressure in our remaining category offerings due to our strategic de-emphasis.

Adjusted EBITDA in the Brand Tripadvisor segment was $69 million, or 32% of revenue. Adjusted EBITDA margin improved by approximately 325 bps year-over-year due to strong revenue performance in our free channels as well as leverage in headcount and other fixed costs.

Turning now to Viator. Q4 revenue was $161 million, reflecting growth of 27% or 25% on a constant currency basis. Gross booking value, or GBV, grew 20% to approximately $720 million, driven primarily by volume growth. The GBV and booking growth performance in the quarter was impacted by the onset of the Middle East conflict and its ripple effects in other European destinations where travel advisory warnings were issued. We also drove some marketing efficiencies in the quarter that impacted GBV and bookings growth.

In Q4, GBV growth from repeat travelers substantially outpaced GBV growth from new travelers. Compared to our new travelers, our repeat travelers book more items per trip; they buy more expensive products; and they have a higher propensity to repeat with us, all of which gives us growing confidence that our efforts on increasing scale and growing traveler lifetime value are working. We will also continue to focus on acquiring large, new traveler cohorts given the attractive size of the market opportunity and our track-record of converting new travelers to repeat travelers over time. We will do so with a disciplined approach, responding to the quality of traffic we observe and remain flexible as we move through the year.

Adjusted EBITDA at Viator was $15 million, or 9% of revenue, a significant margin improvement year-over-year largely due to the profitability flow-through from the aforementioned GBV mix in the quarter. As we have discussed on prior calls, Viator's profitability is impacted by the size and mix of new traveler acquisition; as future growth becomes increasingly driven by repeat bookers, we expect to see attractive and sustainable margin flow-through driven by these large and growing repeat cohorts.

At TheFork, Q4 revenue was $39 million, reflecting growth of 18% and 10% on a constant currency basis. Revenue growth was driven by a balanced mix of both volume and pricing.

Adjusted EBITDA was break-even in the quarter, an improvement of $15 million year-over-year, which was driven by continued focus on improving unit economics on both the demand and supply sides of the marketplace and prudent cost control. We are very pleased with the work the teams have done over the year to position this segment for profitable growth in 2024.

Now turning to consolidated expenses for the quarter. Cost of revenue de-levered modestly due to increased direct costs related to certain media campaigns and cloud migration-related expenses at Brand Tripadvisor as well as the increased mix of Viator-related costs as a percent of consolidated revenue.

Sales and marketing costs as a percent of revenue were approximately 900 basis points lower driven by more efficient marketing spend across each brand, most notably at Brand Tripadvisor and TheFork, as well as lower people costs across these brands.

Technology and content costs as a percent of revenue were flat as investments in data and engineering resources in Brand Tripadvisor and Viator remained in-line with revenue growth.

G&A expenses as a percent of revenue were approximately 400 basis points lower, as a result of the cost savings actions we implemented at Brand Tripadvisor and TheFork, as well as the

$8 million loss incurred in Q4 of 2022 related to a targeted payment fraud scheme which did not re-occur in 2023 and accounted for half the year over year leverage.

During the quarter, we also incurred approximately $4 million in restructuring expenses related to the previously announced actions we implemented at both Brand Tripadvisor and TheFork.

Now on to our cash and liquidity position. Operating cash flow was a deficit of $19 million and free cash flow was a deficit of $35 million driven by normal seasonal trends in deferred merchant payables at Viator. During the quarter, we repurchased approximately 1.3 million shares at an average cost of $18.85 per share, totaling approximately $25 million, under our current share repurchase program.

Turning now to our full year performance. Consolidated revenue grew 20% to $1.8 billion. As a reminder, year-over-year growth in the first quarter of the year benefited from an easier comparable. On a segment basis, Brand Tripadvisor grew 7% to $1.0 billion while Viator grew 49% to $737 million and TheFork grew 22%, to $154 million.

Consolidated adjusted EBITDA for the full year was $334 million, or 19% of revenue, or 100 basis points below 2022 adjusted EBITDA margin. Sales & Marketing and G&A costs as a percent of revenue were flat, while cost of revenue and Technology & Content slightly increased as a percent of revenue.

Turning to segment EBITDA for the year, Brand Tripadvisor delivered $348 million in adjusted EBITDA, or 34% of revenue. For the year, a combination of investment in data and engineering headcount, higher cost of revenue in media and advertising, and higher cloud migration costs as a percent of revenue drove the approximately 200 basis point decline year over year.

Viator adjusted EBITDA was break-even for the full year, which was a 200 basis point improvement from last year with increased leverage from people costs and direct marketing costs, which includes traffic and brand cost.

Finally, at TheFork, we saw significant EBITDA improvement in 2023, moving to a loss of $14 million versus a loss of $39 million in 2022. The largest driver of this improvement was in sales and marketing with lower spend in performance and brand marketing as well as increased leverage from sales headcount. This was especially impressive given the Covid subsidy benefit of $11 million received in 2022.

Total operating cash flow for the year was $235 million, and free cash flow was $172 million. We repurchased a total of 6 million shares this year at an average price of $16.51, totaling $100 million. In light of the announcement earlier this week, for the time being, we've suspended our share repurchase program. We ended the quarter and year with approximately $1.1 billion in cash and equivalents.

As we disclosed throughout the year, fiscal 2023 operating cash flow and free cash flow were impacted by a net cash outflow of $64 million related to our previously disclosed settlements with the IRS for income tax returns for the years 2009 to 2011. In 2024, we expect a net cash outflow of approximately $80 to $130 million related to the settlement for the 2014 to 2016 tax years, resulting in an estimated increase in tax expense of approximately $30 million to $60 million which we will take in Q1.

Now on to thoughts for 2024. In light of the formation of the Special Committee, and the evaluation of potential alternatives, we will not be providing a detailed outlook on this call. However, we will provide a framework as to how we are thinking about our priorities for the year.

We will continue to invest and operate the brands in a way that strengthens and builds their long-term sustainable competitive advantages. We will do this against a backdrop of what we believe will be a healthy travel market, although we expect to see some normalization across travel this year versus last year. As such, we expect to see some tougher comparisons this year, particularly in Q1 where we expect to see the lowest growth quarter of the year across the segments.

At Brand Tripadvisor, our priority is the long-term diversification of the portfolio. As we have said since launching our new strategy last year, we expect this to be a multi-year transformation supporting sustainable future revenue and profit growth. We are aiming for stable revenue dollars for the year, while continuing to maintain flexibility for investment in our transformation.

At Viator, our financial profile will reflect a balance between growth, profitability, and market share gains. Combined with some normalization of travel growth, we expect a step down in revenue growth for the year relative to where we exited 2023. We continue to expect Viator to be profitable for the full year.

At TheFork, we expect much of the groundwork we laid in 2023 will benefit us in 2024 as we continue to operate with more leverage and efficiency. Our balanced growth and profitability strategy is expected to result in a step down in growth from 2023 levels, but achieve full year profitability.

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

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