PRESENTATION

Brian Nowak - Morgan Stanley - Analyst

Good morning, everyone. Thank you for joining us. Welcome to the Morgan Stanley 2016 TMT conference. My name is Brian Nowak; I'm the US Internet analyst here.

We're joined by Ernst Teunissen, the CFO of TripAdvisor. We're very pleased to have him.

Before we get started I want to note: Please note that important disclosures including my personal holding disclosures and Morgan Stanley disclosures all appear as a handout available in the registration area and on the Morgan Stanley public website. So time read number one.

We're very happy to have Ernst. Ernst joined TripAdvisor as CFO just in November of 2015. He is responsible for overseeing all of global finance, accounting, investor relations, tax, corporate development, and real estate.

He has some -- his history is he's at Vistaprint most recently. He also has some experience working at Morgan Stanley in investment banking, so we always like that pedigree. Ernst, thanks so much for joining us.

I guess for me, I always like to know, you've been in the role now for a little more than three months. Can you just talk about what your biggest takeaways are so far, just 90 days in?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. Well, thank you. Pleasure to be here, back at my alma mater, as you say.

Yes, what -- the things that I took away from my first three months is, firstly, I knew this from the outside, but to see it in detail from the inside, it's just a phenomenal platform that the management team has built so far. If you just look at the ecosystem of the number of unique monthly users, 350 million unique users every month; there are about 320 million reviews that have been written, 80 million contributions only in the last year. So you see this flywheel of content and visitors that the Company has built, the strong brand name, the engagement that our users have with the brand name.

Then, if you then look at the opportunity against that, that is really phenomenal. At least what makes me excited is that the monetization of that enormous user base and content is undermonetized. If you look at some of the big OTA's and look at their revenue per-user per-shopper and you look at ours, we just have a step function to still make there.

And that's a huge opportunity. So that opportunity is really pervasive if you look at the Company.

The second thing that I have noticed is the willingness of the Company to pivot. Despite all that success in the past and despite the fact that Steve Kaufer founded this Company more than 10 years ago, the willingness of the Company to pivot and change. So we're in the middle of this very important migration of our business model towards instant booking.
The entire Company from Steve all the way down is just completely committed to making that change. And compared to other places that I've
seen where there is resistance to change, this Company really embraces that change.

Brian Nowak - Morgan Stanley - Analyst

Very good to see, yes. A large platform still undermonetized. I want to get into a lot of those drivers, but before we get there, I guess, there's a lot
of chatter around the macro space and the macro travel environment. Can you just talk to what you're seeing at a very high level from macro travel
trends and how it's impacting TripAdvisor right now?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. We live in uncertain times, I think. If you look at what's going on with the economy and the uncertainty around the economy, if you look at
the global geopolitical environment, the potential for terrorist attacks, for wars, there is a lot of uncertainty out there. We saw in the fourth quarter
strong performance; I think Priceline and Expedia reported the same in the fourth quarter.

We had some impact from Paris attacks; we think it's between 1% and 2% of our revenue was impacted in the fourth quarter. But we had a strong
quarter; Expedia had a strong quarter; Priceline had a strong quarter.

So we keep monitoring it, but the impact of the macro has not been very significant so far.

Brian Nowak - Morgan Stanley - Analyst

Got it, got it. I guess one of the other things that's changed since you've been there is guidance. Can you talk a little bit about how the Company's
new policy with guidance is going to function?

What's the rationale for the change? And what are you going to be providing versus not providing going forward?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. Our guidance practice was to give annual revenue and EBITDA guidance at the beginning of the year, which we would then update every
quarter. So 12-month guidance at first, and then it became nine-month guidance, six-month guidance, and three-month guidance as you progressed.
We've changed that to not giving that specific guidance, but then instead giving something else; and I'll talk a little bit more about what that is.

The rationale for us has been -- the logic has been is that we really manage our business for the long term. We operate in a very dynamic industry,
which is the travel industry; and within that actually we are executing on a transition of our own, a strategic transition of our own.

As we do that and as we enter into this year of instant booking rollout, we make decisions along the way really with the focus on long-term growth
and long-term profitability, not necessarily on trying to hit a guidance number that we have given. To have that strategic flexibility throughout
the year, making decisions on the speed at which we roll out instant book, how we promote it, how the user experience evolve, thereby
impacting how quickly IB roll out, to maintain that flexibility and be able to make those decisions as we go along, with the long term in mind rather
than the short term in mind, we thought that giving specific guidance was not in our interest as a management team but also not in our interest
of our investors.

So where we have -- what we're doing instead is we're giving something that we have not done in the past: it's give a path for both our two big
segments, for both our Hotel segment and our Other segment, which is mostly attractions, restaurants, and vacation rentals; to give a trajectory
of what we see happening throughout 2016 and then into 2017 as well. So what the strategic trajectory is of those businesses as well as the financial
trajectory. On top of that, we will keep investors updated on the progress we're making on instant book. We're thinking about making -- giving
out some specific metrics coming quarter around revenue per-shopper, which we haven’t done in the past, which is really our metric that we as a management team look at for progress.

So, to double-click on that, on how we describe the 2016 and 2017 trajectory for those two segments, well, firstly, the Hotel segment. The Hotel segment we saw in the back half of 2015, we saw deceleration.

That was really on the back of the rollout of instant book, but also on the back of a sort of tale of two halves that we had in 2015 on the meta side as well. We had very strong meta improvements in the first half; not so much in the second half, so we saw a deceleration there. We saw hotel shopper growth of 8% year-on-year in the third quarter, decelerating to 4% in the fourth quarter.

Now in this quarter, in this first quarter of 2016, we are rolling out instant booking to the other 50% of our revenue. We gradually rolled out the US, and then later the UK; and in 2015, we’re right now rolling it out to everywhere else.

So what you see is, because of that, a meaningful deceleration, again, of our revenue in the first half of 2016. So from 8% growth in third-quarter 2015, 4% in the fourth-quarter 2015, to a meaningful deceleration again in the first half.

And then we expect growth to improve again in the second half as we start lapping the rollout of the US and the UK of instant booking and as we target improvements along the way as well. But it still will be a muted growth rate because we will not have lapped the other 50% which we’re rolling out just right now.

Then looking into in 2017, we expect growth rates to improve over -- again sequentially. We also then expect profitability to stabilize or improve, because on the Hotel segment in 2016 with the lower revenue growth we keep investing in this rollout and we expect pressure on the EBITDA margins in Hotel.

On the Other segment, which as I said is vacation rentals, restaurants, and attractions, we’ve grouped that together in one Other segment because that’s the segment where we make significant investment for future growth. Last year, we had a modest EBITDA loss there. We manage it really to -- for investment.

In the fourth quarter, we had growth of 32% in the Other segment. It was the first quarter really where we had a really good year-on-year comparison because we made acquisitions in 2014, and this last quarter of 2015 gave a good comparison. So that kind of growth going forward, we expect healthy growth in the Other segment again.

We’re deepening some of our investments there, so we see some pressure on the margins. Could see EBITDA go down, but we keep investing in that Other segment and we expect good growth to continue into 2017 as well. Then in 2017 we expect margins to stabilize and possibly improve in the Other segment.

A comment on seasonality in the Other segment, which is important to point out. We are migrating, especially our vacation rental business we’ve been migrating throughout 2015 to a free-to-list model -- from a predominantly subscription model before to a free-to-list model. What’s happening is seasonality is not a big impact year-on-year, full year to full year, but it’s a big impact seasonally -- is that now the bulk of our revenues are going to be recognized at stay in vacation rental rather than subscription or at booking, as we had before.

So what you will see is a shift within the year much more to the third quarter, where a lot of the vacation stays happen, and away from the other quarters. In 2015 we had roughly 45% of our total revenues in the Other segment was in the first half and 55% in the second half, and we expect in this upcoming year to weigh it much more to the second half.

The reason is people in the first quarter that we’re in right now on the vacation rental space, for instance, book for the summer holiday, but we don’t recognize the revenue anymore in that first quarter for a large part of it. So that’s some of the seasonality trends.
That's the kind of information that we want to give going forward. So it's not saying we're not going to say anything about the future; we want to say things about what we expect from the future. But not the specific revenue and EBITDA guidance for the full year as we had done before.

**Brian Nowak - Morgan Stanley - Analyst**

Yes, managing the growth and profitability equation. I want to get into instant book; as you mentioned, a lot of things about instant book. It's still one of the big emerging initiatives on the platform.

It seems like over the last year there’s been some real changes in sentiment from hotel partners, from OTAs, and the willingness to participate. Can you talk about what drove that change in willingness to participate? In how are these new partnerships impacting conversion for instant book?

**Ernst Teunissen - TripAdvisor, Inc. - CFO**

Yes. We've been very fortunate to sign up important partners to instant booking who see instant booking in parallel to our meta-auction options as a way to promote their business and monetize their presence. So we been very fortunate to see that happening.

Obviously, with the partnership with the Priceline Group we've signed up now eight of the big hotel chains. So we now have a very robust supply on the instant booking side, and we see that as a major success in 2015 and in rolling this out.

We have seen conversion rates on the instant booking improve throughout 2015. That was partly helped by getting some of these large new partners onboard. But it was also driven by just consistent work of keeping improving the content.

Content is very important for conversion rates and we keep working on that. And when we say content, it is -- is there a good room description? Is there a full room description? Are there nice pictures? Is it clear if the room is cancelable or not cancelable?

So making sure that content is up to par and hopefully better as in other places is a really, really important factor of conversion.

**Brian Nowak - Morgan Stanley - Analyst**

Got it. What are the indicators that you watch most closely? I think in US and UK the product's been out for a while. What are you seeing in those markets that makes you more bullish about 2016 and 2017?

**Ernst Teunissen - TripAdvisor, Inc. - CFO**

Yes, I talked about conversion; that's a metric that we look at. As I said, in instant booking we've seen our conversion rates improve.

We also look at the average book value that we get on instant booking. That's improved as well throughout 2015.

We saw early days that users were getting used to instant booking and booked lower-risk properties, the one-night stay in a hotel. And now we see larger bookings, so that's a metric that's evolved over time as well.

We look at repeat rates. It's an important metric for us.

A large part of the instant booking thesis is that we get more users to come back when they leave the funnel to think about whether auto-booking or to talk about it with their family members and then come back, so to come back to our funnel rather than going to an OTA. But also repeat usage of, like, if you book another hotel three months later or six months later, do you come back to us?
And we see some good progress there. 10% of our instant booking revenues now are from people that come back, from repeat users, and that's a positive sign as well.

But overall, as we go forward we do look at these instant booking metrics, but as you can imagine there's quite a dynamic interplay now with instant booking and meta. So as a management team, the metric that we're most focused on is really revenue per-shopper which is a combination of the meta and IB.

So that what we want to see happen, in spite of early on the headwinds on revenue per-shopper, because IB monetizes less well than meta right now, what we aim for over the long term is to drive that revenue per-shopper in total up. Because that’s what we want to achieve, not necessarily just a narrow achievement on instant booking. Meta remains a very important part of our portfolio.

**Brian Nowak, Morgan Stanley - Analyst**

We could instant book in the US and the UK; so we could instant book the Palace. Talk about how -- how does the Priceline partnership help instant book roll out to non-English-language speaking countries?

**Ernst Teunissen, TripAdvisor, Inc. - CFO**

Well, booking.com is a very international brand with presence in many non-English speaking points of sale, so that's really helping us in that area as well.

**Brian Nowak, Morgan Stanley - Analyst**

Got it, got it. From a promotional perspective, it sounds like there’s been a change in tone around TV spend. How do you think about promoting the plan, compare, and book instant book product in 2016 and 2017?

**Ernst Teunissen, TripAdvisor, Inc. - CFO**

Yes. In 2015 we had an advertising campaign that focused on this communication around booking. In 2016 we're taking a step back from TV at least for now and are focusing our attention much more on the site itself. As I highlighted in the introduction we have a lot of traffic, a lot of users that are on our site, and right now we think we get a better return on our investment if we focus on getting those users that are already on our site more comfortable with booking.

So the communication on the site is increasingly clear about the ability to book on TripAdvisor directly. We feel we have a long way to go to perfect that communication before we think about off-line marketing like TV.

**Brian Nowak, Morgan Stanley - Analyst**

More direct response focus than off-line branding?

**Ernst Teunissen, TripAdvisor, Inc. - CFO**

Well, it's not so much direct response, but really communication on the site itself and directing our users as they are towards the instant booking product.
Brian Nowak - Morgan Stanley - Analyst

Got it, got it. okay. Talk about mobile a little bit. Where are you now in the shift from desktop to mobile from a traffic perspective? And just talk about monetization trends between the cohorts of users.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, about 50% of our traffic is actually on mobile, so quite a significant percentage of the traffic. But then if you look at the percentage of the hotel shoppers -- so people who are actively looking for a hotel -- it’s about 30% on mobile.

Then if you look at the monetization of those mobile shoppers, it’s about 30% -- the mobile monetization is about 30% what the monetization is on the desktop. Now, that’s improving: it was only 19% at the beginning of 2015; it’s grown to 30% and we expect it to keep on growing.

But if you multiply out some of these factors, you see that the revenues we get from mobile are still a minority. But growing, and we see it growing in the foreseeable future in 2016, 2017, and beyond.

Brian Nowak - Morgan Stanley - Analyst

And is instant book, is that the biggest driver of the improvement in mobile monetization the next couple years?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Instant booking is an important part of it. It’s a more general trend than instant booking; also without instant booking this would have happened.

But we see instant booking as a very important strategic tool in the move towards mobile. Increasingly we’re going to move to an app-driven experience, and instant booking fits very well with an app experience.

We see, for instance, that the percentage of instant booking as a percent of the total revenue of our app in the US, for instance, is now 50%. So 50% instant booking, 50% meta.

Now that’s the device and the channel that we have the highest penetration of instant booking, so that’s really right now the ceiling. On all other devices -- on desktop, for instance -- the percentage is much lower. But it shows you the applicability of instant booking or the relevance of instant booking for mobile.

Brian Nowak - Morgan Stanley - Analyst

I want to ask a couple questions around the non-Hotel business, the Other segment. I think you have nearly 800,000 vacation rental properties at this point. How do you grow consumer demand in the vacation rental space? Do you need to advertise? If so, where do you spend?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, we spend on the usual SEM channels, acquisition of other forms of traffic, so we do invest there. part of the reason why we made these investments and the synergy that we see is that we are able to direct a lot of TripAdvisor traffic to both our vacation rentals, our restaurants, as well as our attractions business. So that’s a significant source of additional traffic -- and free traffic, if it was free traffic on TripAdvisor for these channels.
Brian Nowak - Morgan Stanley - Analyst

Got it. There’s a lot of debate in the vacation rental space between monetization strategies, right? Between Priceline, Airbnb, and yourselves.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes.

Brian Nowak - Morgan Stanley - Analyst

Talk about the advantages of the free-to-list model. Why do you prefer that method?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Really both for the benefits that it gives to our users as well as to owners of the property. To start with the users, it gives a much, much easier and predictable shopping experience for a user. You see a price, you can book it on the site.

Where in the subscription model, very often, there is a phone number or an email address and you have to go through the owner. And then you have to see if it really was still available despite what it said on the schedule.

So this allows for a much more convenient way of shopping for a user. It’s what users really want and that’s what they are increasingly used to. Users are decreasingly used to or willing to go off-line for their booking experience rather than stay online.

From the owner’s perspective, this is a great way to have variable marketing costs. Rather than pay a subscription fee that they typically do on multiple sites, and you have to have a certain number of bookings before you make up for your marketing cost, this is completely variable. which they like to (technical difficulty).

Brian Nowak - Morgan Stanley - Analyst

A couple on Airbnb. Have you ever stayed in an Airbnb personally? First one.

Then, how you think about Airbnb long-term? Are they a competitor? Are they a potential partner? What is the view on Airbnb?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, I have stayed at an Airbnb personally. I stayed in an apartment for a few days with my family. Airbnb obviously has built a fantastic business, a fantastic platform.

We, as TripAdvisor, have had an open platform. We have lots of partners and different routes to market and different channels. I don’t think it’s unforeseeable that we will ever work with Airbnb. We might.

We don’t right now, and we don’t need to, to be successful. But we respect Airbnb and watch their progress with interest.
Brian Nowak - Morgan Stanley - Analyst

Got it, got it. The other business that you talk a lot about is attractions. I think you highlighted it as your next million-dollar revenue opportunity from a billion-dollar revenue opportunity. What’s your strategy to really gain share in that industry? And how does Viator play into that long-term roadmap?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. We see the attractions business as a very attractive business for us from multiple perspectives. First of all, it’s a big market. We estimate it at $80 billion of revenue write now just in North America and the US.

That’s not all online and not all addressable for us right away. But that is what we think is the market out there. If you then go to Asia, that increases quite significantly on top of that.

It’s a very fragmented market. There are no large players out there.

It’s growing very nicely. The move online is growing very quickly.

We like it strategically because it gives us an opportunity to communicate with our users when they’re on the trip. It gives us an opportunity to show them things they can do while they’re on the trip. Having a hotel is only a small part of your trip experience.

So strategically it’s interesting for us. And with Viator we think we have a very good first step into this marketplace.

We’ve said publicly we think this could be our next billion-dollar revenue business. It’s obviously not happening in 2016, but we do think it has that potential to be that for us and the TripAdvisor brand can really help.

Like with restaurants, like with vacation rentals, our strategy has been to have Viator as a separate brand out there; but then on TripAdvisor itself, you can also search attractions and things to do. If you’re here now in San Francisco, you go into the TripAdvisor site and you say: What can I do in San Francisco today? You will see a whole host of tours and attractions powered by Viator that pop up on the TripAdvisor site. Number one, unsurprisingly is a tour of the Golden Gate — of Alcatraz, and number two is the Golden Gate.

If you go to Viator, you can go on the Vampire tour of San Francisco, if you’re so inclined, over the next few days. But that link between what we do on the TripAdvisor site and the Viator site is very important to have them in parallel, and that’s where we think we can create a lot of synergy with our TripAdvisor volume.

Brian Nowak - Morgan Stanley - Analyst

Have you started doing tests at all with retargeting marketing, whereby I booked my hotel here in San Francisco through TripAdvisor, and then you email me and say: How would you like to go to Alcatraz? Or is that not part of the strategy yet?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, it’s part of the strategy for our members, so people who have registered with us, and especially if their app is active. You go to San Francisco; we see that you’re in San Francisco; and we make suggestions for restaurants or attractions.
Brian Nowak - Morgan Stanley - Analyst

Yes. Restaurants is the next place I was going. I got push-notified last night. I think thefork now has 33,000 bookable restaurants. A couple questions for you.

How do you differentiate that site from other competitors in the place? And what's the main user growth driver there?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. TheFork has a strong presence. It has a very strong presence in Europe. It's very big in France where LaFourchette is based.

It's also strong in Southern Europe, other markets in Europe; it's expanding into new markets. It's got a very strong brand name and brand recognition and good market share in the markets where it's most active.

Again, with TheFork, the integration with TripAdvisor is that we are able to direct traffic from our users on TripAdvisor towards TheFork. So if you are on the TripAdvisor site and they are looking for a restaurant in Paris, there is a fairly streamlined interaction where you stay on the TripAdvisor site, but then only at the very last minute see the LaFourchette campaign.

Brian Nowak - Morgan Stanley - Analyst

Got it, got it. I have a couple more questions. We are going to open it up to audience Q&A after these.

So the mic runners, I think, are going to be out running around. If you have any questions at all, feel free to raise your hand and someone will bring a mic over to you.

A little bit of a capital allocation question, I guess, is the way you describe it. The controlling shareholder has spun out TRIP into LTRPA. How do you think about the risk that a party other than TRIP gains control of the Company by investing in LTRPA?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Well, we're fortunate to have a very strong shareholder in the Liberty TripAdvisor Holdings. The LTRPA as well as the Board of our Company is very aligned with us in terms of how we think about the future and the investments we want to make about the future. We are very fortunate to have this very stable foundation, and that's great as a management team, because it provides us with a great platform to think long term and think for the future.

And that's all as a management team we are focused on, making sure that we are successful and we build. What may or may not happen in the future with shareholder structures is not our primary concern. But Greg Maffei is here today, so you may want to ask him directly.

Brian Nowak - Morgan Stanley - Analyst

I'll ask him that later. Questions in the audience? Any hands? I know it's early. While we're queuing, I'll have another one. You mentioned -- oh, there's one, up front.
QUESTIONS AND ANSWERS

Unidentified Audience Member

Yes, just on the mobile to desktop switch every major Internet company is dealing with, when do you think will no longer be a headwind?

Brian Nowak - Morgan Stanley - Analyst

When will the mobile to desktop switch have been fully incorporated into your business trends?

Ernst Teunissen - TripAdvisor, Inc. - CFO

It’s obviously already incorporated in our business trends and it’s an important part of the business trends. So maybe your question goes towards: Hey, when does it become a tailwind rather than a headwind?

Because it is a headwind on certain metrics. It’s a tailwind that’s providing us with additional revenue right now. If you looked, for instance, at the number of shoppers last year, our desktop shoppers grew; our mobile shoppers grew even more, but both businesses are growing.

But it does dilute for instance the revenue per-shopper. The revenue per-shopper, the monetization on mobile is much lower; so as the volume of mobile grows, it dilutes the revenue per-shopper.

As I was describing, it’s still a minority of our business, 30% of the shoppers, which then monetize a lot less. So when you get that inflection point where mobile really gets close to a 50% revenue business for us, I think then you’ll get a flip where the growth of mobile really becomes a tailwind for our overall growth rates.

Brian Nowak - Morgan Stanley - Analyst

There’s one in the back. While the mic’s heading over, I wanted to ask one about budgeting. You’re the CFO; budgeting is always a fun part of the year.

There’s two very different profit characteristics of the Hotel versus the Other segment. Can you just talk about how we should -- how do we think about the next couple years the way you balance that growth versus profitability equation and budgeting your Hotel profitability into other bets?

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. We’re fortunate that we have very, very strong profitability, of course, in the Hotel business. In the Other segment, we have basically managed the business to slightly EBITDA margin negative and really invest in that. But we’re investing significantly in both areas for future growth.

If you look at the Hotel area, instant booking is creating both revenue and EBITDA headwinds right now. You can call that an investment that we’re making for future growth; it is an investment that we’re making for future growth.

But we’re also continuing to invest in our OpEx. In the Hotel segment in 2015 and also in 2016 we’re investing ahead of revenue growth in OpEx. We’re improving the user experience, a lot of product engineering improvements that we’re doing. So we keep investing in the vitality of that Hotel segment.

On the Other segment, the big investments go into really getting more supply, more attractions. If you look at the attractions business, we about tripled our supply of the attractions business in 2015, and we continue to grow that vary significantly.
Hotel -- sorry, our restaurant business, we’re continuing to roll out in new markets and get new supply in more markets out there. So we'll continue to do that.

Having said that, what I did say earlier on, 2016 is a particular investment year in terms of margins. 2017 we expect the margins to stabilize and potentially improve in both segments.

**Brian Nowak - Morgan Stanley - Analyst**

Question in the back.

**Unidentified Audience Member**

Given the fact that you need to change, let’s say, the customer behavior by moving from a meta-search to an instant book model, can you elaborate a bit on the total advertising spend? As you said, you’re cutting back on TV advertising.

But as you actually need to change the customer base, you probably need to advertise behind that as well. So will you further increase, let’s say, online advertising?

**Ernst Teunissen - TripAdvisor, Inc. - CFO**

Yes, we are growing and we have been growing other advertising categories. To some extent, we are reinvesting some of the TV savings into other channels. SEM is a very big component of it; online search; Google search is a very significant component of it.

We have other marketing budgets that are more promotional as well. So we continue to grow that.

We are fortunate to have a lot of organic traffic, a lot of SEO traffic with our site, a lot of shoppers that come back without going through pay channels. But we also significantly invest in pay channels and will do going forward.

**Unidentified Audience Member**

But do you see leverage on that side? Or do you still expect (multiple speakers) sales further increase in advertising?

**Ernst Teunissen - TripAdvisor, Inc. - CFO**

Yes, we do expect -- we saw very significant year-on-year direct advertising spend growth last year in 2015. We expect that growth to be less than the growth was in 2015 into 2016; but it’s still healthy growth.

**Brian Nowak - Morgan Stanley - Analyst**

One in the back. While the mic's coming over, I have one on app users. You mentioned the monetization of the app users.

What's the most cost-effective way to drive an app user base now? Do you try to do it through app installs? Do you try to do it organically? How are you driving app installs? And talk about lifetime value of an app user.
Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, for lifetime value of an app user, it’s a little bit early days. We’re growing our app base so quickly, but it’s obviously a metric that we will pay attention to going forward.

Installed app base is very important for us. But we also monitor then the usage of the app, not just how many get installed but how actively do they get used thereafter. Those are all metrics that we could pay particular attention to.

We are fortunate that a lot of our new app installs have been organically, rather than us having to pay money for it. It’s been growing very quickly, and we anticipate to keep it growing and then indeed start focusing on lifetime value as we go forward.

Brian Nowak - Morgan Stanley - Analyst

Question in the far back.

Unidentified Audience Member

Can you refresh my memory on why I would want to use instant book, and maybe how the economics change for TripAdvisor when I do use instant book? Thank you.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes. As a user, we want to give you choice on our site. Therefore, we will continue to offer both our instant booking product, which is booking on TripAdvisor, and booking through our meta-search and therefore book on others. The reason why we want to continue to do both is we want to give our users the comfort that they are actually seeing the full supply that is out there, and that they are able to see all the prices that are out there and not have -- like other providers are unclear if they actually get the best price for a certain hotel. So we do want to offer both.

Then there will be a differentiation in the user base. If you are a user that is used to using TripAdvisor, likes TripAdvisor, trusts TripAdvisor, which many of our users do, and would like to have a seamless experience from researching and planning a trip, to booking with us, to being with us while you’re on the trip, you want to have a one-stop-shop, you want to have one app in which you do everything, instant booking will be perfect for you.

If, on the other hand you have some loyalty to another OTA, but you still like to be on our site to research, you still have the opportunity to go on to meta-search. But there is a large part of our user base that we believe that we are seeing likes to be on TripAdvisor and likes the comfort of the TripAdvisor brand to book there as well.

Brian Nowak - Morgan Stanley - Analyst

Question in the back?

Unidentified Audience Member

Just a question related to instant book. Do you have any metrics that you’re able to track through your partners on how the bookings actually serve -- as how many calls are coming in from that hotel booking?

And separately, unrelated question, any plans to invest in call-center operations directly?
Ernst Teunissen - TripAdvisor, Inc. - CFO

With instant book we have a very active dialogue, as you can imagine, with our partners about the metrics, especially now that we are rolling out. We are viewing on a very periodic basis, and we give each other insight into data on all sorts of metrics.

In terms of the customer service and how we evolve that going forward, that is an open question. We do believe that we can be much more customer service-light than other models even going forward, because we are partnering instant book with players like booking.com.

Brian Nowak - Morgan Stanley - Analyst

Any more questions? I guess one more before the screen turns red.

Just on the point on changing consumer behavior, anything you can share at all on the number of credit cards you have at this point? How does -- what is driving this improvement in conversion and getting people to really start booking?

Ernst Teunissen - TripAdvisor, Inc. - CFO

It’s not a metric that we are giving out publicly but it’s a metric that we are tracking internally. We are looking at on instant booking how many people indeed put in their credit card numbers, and then how many of the bookings that are being made are then being made by users that have their credit card on our file. It’s a very important metric that we track.

We track because it goes to the stickiness of the experience of instant booking, so a very important metric. But we’re not giving out specifics on it. But it’s a rapidly improving metric for us.

Brian Nowak - Morgan Stanley - Analyst

Got it. All right. One more minute if we have any more. If not, Ernst, thank you so much.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Thank you very much.