
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 1, 2018

TRIPADVISOR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35362
(Commission
File Number)

80-0743202
(I.R.S. Employer
Identification No.)

400 1st Avenue
Needham, MA 02494
(Address of principal executive offices)

02494
(Zip code)

(781) 800-5000

Registrant's telephone number, including area code

Not Applicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 1, 2018, TripAdvisor, Inc. issued a press release announcing its preliminary financial results for the three and six months ended June 30, 2018. TripAdvisor, Inc. also posted prepared remarks from Stephen Kaufer, President and Chief Executive Officer, and Ernst Teunissen, Chief Financial Officer, on the “Investor Relations” section of its website at <http://ir.tripadvisor.com/events/cfm>. The full text of this press release and the prepared remarks are furnished as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

Pursuant to General Instruction B.2. to Form 8-K, the information set forth in this Item 2.02 and Exhibit 99.1 and 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press Release of TripAdvisor, Inc. dated August 1, 2018.
99.2	Prepared remarks by TripAdvisor, Inc.’s management, dated August 1, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRIPADVISOR, INC.

By: _____
/s/ ERNST TEUNISSEN
Ernst Teunissen
Chief Financial Officer

Dated: August 1, 2018

TripAdvisor Reports Second Quarter 2018 Financial Results

NEEDHAM, MA, August 1, 2018 — TripAdvisor, Inc. (NASDAQ: TRIP) today announced financial results for the second quarter ended June 30, 2018.

“We are pleased with second quarter results and our strong first half of 2018,” said Chief Executive Officer Steve Kaufer. “Operational changes have been taking hold, our product and marketing initiatives continue to align with the needs of consumers and partners alike, while our investments in newer initiatives position our platform for future profitable growth.”

Second Quarter 2018 Summary

(In millions, except percentages and per share amounts)	Three months ended June 30,		% Change
	2018	2017	
Total Revenue	\$ 433	\$ 424	2%
Hotel	\$ 313	\$ 326	(4)%
Non-Hotel	\$ 120	\$ 98	22%
GAAP Net Income	\$ 32	\$ 27	19%
Total Adjusted EBITDA (1)	\$ 109	\$ 101	8%
Hotel	\$ 89	\$ 84	6%
Non-Hotel	\$ 20	\$ 17	18%
Non-GAAP Net Income (1)	\$ 58	\$ 53	9%
Diluted Earnings per Share:			
GAAP	\$ 0.23	\$ 0.19	21%
Non-GAAP (1)	\$ 0.41	\$ 0.38	8%
Cash flow from operating activities	\$ 186	\$ 221	(16)%
Free cash flow (1)	\$ 170	\$ 204	(17)%

(1) “Adjusted EBITDA”, “Non-GAAP Net Income”, “Non-GAAP Diluted Earnings per Share”, and “Free cash flow” are non-GAAP measures as defined by the U.S. Securities and Exchange Commission (the “SEC”). Please refer to “Non-GAAP Financial Measures” below for definitions and explanations of these non-GAAP financial measures, as well as tabular reconciliations to the most directly comparable GAAP financial measures.

“Our business trends have strengthened since the beginning of the year,” added Chief Financial Officer Ernst Teunissen. “Optimizing our marketing mix has successfully stabilized Hotel segment profit and our first half results and recent performance make us incrementally confident in our expectation of adjusted EBITDA growth this year.”

Second Quarter 2018 Operational and Financial Highlights

- User reviews and opinions grew 24% year-over-year and reached 661 million at June 30, 2018, covering approximately 7.7 million places to stay, places to eat and things to do – including 1.2 million hotels, inns, B&Bs and specialty lodging, 855,000 rental properties, 4.7 million restaurants and 975,000 travel activities and experiences worldwide.
- Average monthly unique visitors on TripAdvisor-branded websites and apps reached 456 million*, up 10% year-over-year and average monthly unique hotel shoppers decreased by 3% to approximately 149 million, primarily due to our ongoing initiative to operate our paid online marketing channels to improved profitability levels.
- Bookable Experiences products grew by 98% year-over-year to 121,000.
- Total Revenue was \$433 million, an increase of \$9 million, or 2% year-over-year. Total Adjusted EBITDA was \$109 million, an increase of \$8 million, or 8% year-over-year. We estimate that changes in foreign currency had a 2% and 5% positive impact to our Total Revenue and Total Adjusted EBITDA, respectively.
- Hotel Revenue was \$313 million, a decrease of \$13 million, or 4% year-over-year. Hotel Adjusted EBITDA was \$89 million, an increase of \$5 million, or 6% year-over-year, and Hotel Adjusted EBITDA margin improved to 28%.
- Non-Hotel Revenue was \$120 million, an increase of \$22 million, or 22% year-over-year despite a difficult year-over-year growth comparison, driven by growth in Experiences and Restaurants. Non-Hotel Adjusted EBITDA was \$20 million, an increase of \$3 million, or 18% year-over-year.

- During the six months ended June 30, 2018, we repurchased approximately 2.6 million shares of TripAdvisor outstanding common stock for \$100 million at an average price of \$38.73 per share. This includes \$90 million that was allocated during the second quarter 2018 to repurchase approximately 2.3 million shares of outstanding common stock at an average price of \$38.60 per share. \$150 million remains available under the share repurchase program authorized in January 2018 by TripAdvisor's Board of Directors.
- Cash, cash equivalents and available-for-sale marketable securities was \$680 million, with no outstanding debt as of June 30, 2018.

Second Quarter 2018 Revenue by Product/Source:

(In millions, except percentages)	Three months ended June 30,		% Change
	2018	2017	
Revenue by Source:			
Hotel			
TripAdvisor-branded click-based and transaction (1)	\$ 199	\$ 214	(7)%
TripAdvisor-branded display-based advertising and subscription (2)	80	74	8%
Other hotel revenue (3)	34	38	(11)%
Non-Hotel	120	98	22%
Total Revenue	\$ 433	\$ 424	2%

(1) Consists primarily of click-based advertising revenue, from TripAdvisor-branded websites, as well as transaction-based revenue from instant booking.

(2) Includes revenue from display-based advertising and subscription-based hotel advertising revenue on TripAdvisor-branded sites.

(3) Includes revenue from non-TripAdvisor-branded websites, including primarily click-based advertising revenue and display-based advertising revenue generated through these websites.

Conference Call

TripAdvisor posted prepared remarks and supplemental financial information on the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com>. TripAdvisor will host a conference call tomorrow, August 2, 2018, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's second quarter 2018 operating results, as well as other forward-looking information about TripAdvisor's business. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com/events.cfm> for a live webcast of the conference call. Please access the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available on TripAdvisor's website noted above or by phone (dial (855) 859-2056 and enter the passcode 9064129) until August 9, 2018 and the webcast will be accessible at <http://ir.tripadvisor.com/events.cfm> for at least twelve months following the conference call.

About TripAdvisor

TripAdvisor, the world's largest travel site**, enables travelers to unleash the full potential of every trip. With approximately 661 million reviews and opinions covering the world's largest selection of travel listings worldwide – covering approximately 7.7 million accommodations, airlines, experiences, and restaurants -- TripAdvisor provides travelers with the wisdom of the crowds to help them decide where to stay, how to fly, what to do and where to eat. TripAdvisor also compares prices from more than 200 hotel booking sites so travelers can find the lowest price on the hotel that's right for them. TripAdvisor-branded sites are available in 49 markets, and are home to the world's largest travel community of 456 million average monthly unique visitors*, all looking to get the most out of every trip. TripAdvisor: Know better. Book better. Go better.

TripAdvisor, Inc. (NASDAQ: TRIP), through its subsidiaries, manages and operates websites under more than 20 other travel media brands: www.airfarewatchdog.com, www.bokun.io, www.bookingbuddy.com, www.citymaps.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.iens.nl and www.dimmi.com.au), www.gateguru.com, www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com and www.viator.com.

* 2018 Source: TripAdvisor log files, average monthly unique visitors, Q2 2018

** Source: comScore Media Metrix for TripAdvisor Sites, worldwide, November 2017

TripAdvisor, Inc.
SELECTED FINANCIAL INFORMATION
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue	\$ 433	\$ 424	\$ 811	\$ 796
Costs and expenses:				
Cost of revenue	24	20	44	37
Selling and marketing (1)	217	229	416	436
Technology and content (1)	68	64	135	123
General and administrative (1)	46	38	88	73
Depreciation	21	19	41	38
Amortization of intangible assets	8	8	16	16
Total costs and expenses	384	378	740	723
Operating income	49	46	71	73
Total other income (expense), net	(7)	(2)	(8)	(4)
Income before income taxes	42	44	63	69
Provision for income taxes	(10)	(17)	(27)	(29)
Net income	\$ 32	\$ 27	\$ 36	\$ 40

Earnings per share attributable to common stockholders:

Basic	\$ 0.23	\$ 0.19	\$ 0.26	\$ 0.28
Diluted	\$ 0.23	\$ 0.19	\$ 0.26	\$ 0.28

Weighted average common shares outstanding:

Basic	138	140	139	142
Diluted	140	141	140	143

(1) Includes stock-based compensation expense as follows:

Selling and marketing	\$ 5	\$ 6	\$ 11	\$ 11
Technology and content	\$ 13	\$ 13	\$ 26	\$ 20
General and administrative	\$ 13	\$ 9	\$ 24	\$ 16

TripAdvisor, Inc.
Condensed Consolidated Balance Sheets
(in millions, except number of shares and per share amounts)
(Unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 666	\$ 673
Short-term marketable securities	12	35
Accounts receivable and contract assets, net of allowance for doubtful accounts of \$18 and \$16, respectively	300	230
Prepaid expenses and other current assets	62	55
Total current assets	1,040	993
Long-term marketable securities	2	27
Property and equipment, net of accumulated depreciation of \$216 and \$177, respectively	258	263
Intangible assets, net of accumulated amortization of \$124 and \$112, respectively	138	142
Goodwill	763	758
Deferred income taxes, net	21	16
Other long-term assets	82	73
TOTAL ASSETS	\$ 2,304	\$ 2,272
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10	\$ 8
Deferred merchant payables	354	156
Deferred revenue	104	60
Current portion of debt	-	7
Accrued expenses and other current liabilities	163	141
Total current liabilities	631	372
Long-term debt	-	230
Deferred income taxes, net	19	14
Other long-term liabilities	307	293
Total Liabilities	957	909
Stockholders' equity:		
Preferred stock, \$0.001 par value	-	-
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock, \$0.001 par value	-	-
Authorized shares: 1,600,000,000		
Shares issued: 136,778,032 and 135,617,263, respectively		
Shares outstanding: 124,721,344 and 126,142,773, respectively		
Class B common stock, \$0.001 par value	-	-
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	979	926
Retained earnings	966	926
Accumulated other comprehensive income (loss)	(51)	(42)
Treasury stock-common stock, at cost, 12,056,688 and 9,474,490 shares, respectively	(547)	(447)
Total Stockholders' Equity	1,347	1,363
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,304	\$ 2,272

TripAdvisor, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Operating activities:				
Net income	\$ 32	\$ 27	\$ 36	\$ 40
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of property and equipment, including amortization of internal-use software and website development	21	19	41	38
Amortization of intangible assets	8	8	16	16
Stock-based compensation expense	31	28	61	47
Other, net	8	(8)	8	(2)
Changes in operating assets and liabilities, net of effects from acquisitions	86	147	198	216
Net cash provided by operating activities	186	221	360	355
Investing activities:				
Capital expenditures, including internal-use software and website development	(16)	(17)	(31)	(35)
Purchases of marketable securities	-	(7)	(1)	(7)
Sales of marketable securities	3	1	45	103
Maturities of marketable securities	3	3	5	17
Acquisitions and other investments, net of cash acquired	(23)	-	(23)	-
Net cash (used in) provided by investing activities	(33)	(20)	(5)	78
Financing activities:				
Repurchase of common stock	(96)	(100)	(100)	(250)
Proceeds from 2015 credit facility, net of financing costs	-	103	5	373
Payments to 2015 credit facility	-	(55)	(235)	(206)
Payments to 2016 credit facility	-	-	-	(73)
Proceeds from Chinese credit facilities	2	-	2	-
Payments to Chinese credit facilities	(10)	-	(10)	-
Proceeds from exercise of stock options	3	-	3	3
Payment of withholding taxes on net share settlements of equity awards	(6)	(1)	(18)	(14)
Net cash used in financing activities	(107)	(53)	(353)	(167)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15)	8	(9)	9
Net increase (decrease) in cash, cash equivalents and restricted cash	31	156	(7)	275
Cash, cash equivalents and restricted cash at beginning of period	635	731	673	612
Cash, cash equivalents and restricted cash at end of period	<u>\$ 666</u>	<u>\$ 887</u>	<u>\$ 666</u>	<u>\$ 887</u>

TripAdvisor, Inc.
Segment Information
(in millions, except percentages)
(Unaudited)

	Three Months Ended		% Change
	June 30, 2018	June 30, 2017	
Revenue:			
Hotel	\$ 313	\$ 326	(4)%
Non-Hotel	120	98	22%
Consolidated revenue	<u>\$ 433</u>	<u>\$ 424</u>	2%
Adjusted EBITDA (1):			
Hotel	\$ 89	\$ 84	6%
Non-Hotel	20	17	18%
Total Adjusted EBITDA	<u>\$ 109</u>	<u>\$ 101</u>	8%
Adjusted EBITDA Margin (1):			
Hotel	28%	26%	
Non-Hotel	17%	17%	
Total Adjusted EBITDA Margin	25%	24%	
Net Income (2)	\$ 32	\$ 27	
Net Income Margin	7%	6%	

	Six Months Ended		% Change
	June 30, 2018	June 30, 2017	
Revenue:			
Hotel	\$ 612	\$ 640	(4)%
Non-Hotel	199	156	28%
Consolidated revenue	<u>\$ 811</u>	<u>\$ 796</u>	2%
Adjusted EBITDA (1):			
Hotel	\$ 177	\$ 172	3%
Non-Hotel	12	2	500%
Total Adjusted EBITDA	<u>\$ 189</u>	<u>\$ 174</u>	9%
Adjusted EBITDA Margin (1):			
Hotel	29%	27%	
Non-Hotel	6%	1%	
Total Adjusted EBITDA Margin	23%	22%	
Net Income (2)	\$ 36	\$ 40	
Net Income Margin	4%	5%	

(1) Please refer to "Non-GAAP Financial Measures" below for definitions of these non-GAAP financial measures, as well as reconciliations to the most directly comparable GAAP measure.

(2) This amount reflects our consolidated GAAP net income for the periods presented. TripAdvisor does not calculate or report net income by segment.

Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements, which are prepared and presented in accordance with GAAP in our press release and related conference call or webcast, we also report certain non-GAAP financial measures. A “non-GAAP financial measure” refers to a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in such company’s financial statements. We may use the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income, non-GAAP net income per diluted share, free cash flow, non-GAAP revenue before effects of foreign exchange, and Adjusted EBITDA before effects of foreign exchange.

The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP and should not be considered measures of TripAdvisor’s liquidity. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of certain items, as defined in our non-GAAP definitions below, which are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, even where similarly titled, limiting their usefulness for comparison purposes and therefore should not be used to compare TripAdvisor’s performance to that of other companies. We endeavor to compensate for the limitation of the non-GAAP financial measures presented by also providing the most directly comparable GAAP measures and descriptions of the reconciling items and adjustments to derive the non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors and analysts with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key measures used by management to operate and analyze our business over different periods of time.

We define our non-GAAP financial measures as below:

TripAdvisor defines “Adjusted EBITDA” 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 assets and intangible asset impairments; and (7) 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.

TripAdvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.

Adjusted EBITDA and Adjusted EBITDA margin are key measures used by our management and board of directors to understand and evaluate the operating performance of our business, as a whole and our individual business segments, and on which internal budgets and forecasts are based and approved. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors and allows for another useful comparison of our performance with our historical results from prior periods.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with GAAP. Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net income and our other GAAP results.

Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation or other stock-settled obligations;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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. 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.

TripAdvisor defines “non-GAAP net income per diluted share”, or non-GAAP diluted EPS, as non-GAAP net income divided by GAAP diluted shares. We believe non-GAAP diluted 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, TripAdvisor began calculating non-GAAP net income per diluted share using GAAP diluted shares determined under the treasury stock method. This change did not have a material effect on our previously reported non-GAAP EPS calculations in prior periods.

Non-GAAP net income and non-GAAP diluted EPS have some of the same limitations as Adjusted EBITDA. In addition, non-GAAP net income does not include all items that affect our net income and GAAP diluted EPS for the period. Therefore, we think it is important to evaluate these measures along with our unaudited condensed consolidated statements of operations.

TripAdvisor defines “free cash flow” 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.

TripAdvisor calculates our foreign exchange effect of revenue, or “non-GAAP revenue before effects of foreign exchange” on a constant currency basis by excluding the estimated effects of foreign currency exchange on revenue by translating actual revenue for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

TripAdvisor calculates our foreign exchange effect of Adjusted EBITDA, or “Adjusted EBITDA before effects of foreign exchange,” on a constant currency basis, by excluding the estimated effects of foreign currency exchange by translating all amounts included in Adjusted EBITDA for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

Pursuant to the requirements of Regulation G, we present reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measure below.

TripAdvisor, Inc.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions, except per share amounts and percentages)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):				
GAAP Net Income	\$ 32	\$ 27	\$ 36	\$ 40
Add: Provision for income taxes	10	17	27	29
Add: Other expense (income), net	7	2	8	4
Add: Depreciation and amortization of intangible assets	29	27	57	54
Add: Stock-based compensation	31	28	61	47
Adjusted EBITDA (Non-GAAP)	<u>\$ 109</u>	<u>\$ 101</u>	<u>\$ 189</u>	<u>\$ 174</u>
Revenue (GAAP)	\$ 433	\$ 424	\$ 811	\$ 796
Net Income margin (GAAP)	7%	6%	4%	5%
Adjusted EBITDA margin (Non-GAAP) (1)	25%	24%	23%	22%
Reconciliation from GAAP Net Income and GAAP Net Income per diluted share to Non-GAAP net income and Non-GAAP net income per diluted share:				
GAAP Net Income	\$ 32	\$ 27	\$ 36	\$ 40
Add: Stock-based compensation expense	31	28	61	47
Add: Amortization of intangible assets	8	8	16	16
Subtract: Income tax effect of Non-GAAP adjustments (2)	8	10	13	15
Add: Income tax impact related to 2017 Tax Cuts and Job Act (3)	(5)	-	-	-
Non-GAAP net income	<u>\$ 58</u>	<u>\$ 53</u>	<u>\$ 100</u>	<u>\$ 88</u>
GAAP diluted shares	140	141	140	143
GAAP Net Income per diluted share	\$ 0.23	\$ 0.19	\$ 0.26	\$ 0.28
Non-GAAP net income per diluted share (4)	0.41	0.38	0.71	0.62
Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):				
Net cash provided by operating activities (GAAP)	\$ 186	\$ 221	\$ 360	\$ 355
Subtract: Capital expenditures	16	17	31	35
Free cash flow (Non-GAAP)	<u>\$ 170</u>	<u>\$ 204</u>	<u>\$ 329</u>	<u>\$ 320</u>
Revenue Before Effects of Foreign Exchange:				
Total Revenue (GAAP)	\$ 433	\$ 424		
Estimated effects of foreign exchange	(11)			
Total revenue before effects of foreign exchange (Non-GAAP)	<u>\$ 422</u>			
<i>Year/Year Growth (5)</i>		(0)%		
Adjusted EBITDA Before Effects of Foreign Exchange:				
Total Adjusted EBITDA (Non-GAAP)	\$ 109	\$ 101		
Estimated effects of foreign exchange	(5)			
Total Adjusted EBITDA before effects of foreign exchange (Non-GAAP)	<u>\$ 104</u>			
<i>Year/Year Growth (5)</i>		3%		

- (1) TripAdvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.
- (2) The non-GAAP adjustments described above 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.
- (3) Represents a benefit for income taxes related to the 2017 Tax Act Transition Tax of \$5 million recorded during the three months ended June 30, 2018 and a \$0 net impact on income taxes during the six months ended June 30, 2018.
- (4) TripAdvisor defines “non-GAAP net income per diluted share” as non-GAAP net income divided by GAAP diluted shares.
- (5) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA figures over prior period revenues and Adjusted EBITDA figures, where current period figures are translated using prior period foreign currency exchange rates.

Safe Harbor Statement

Statements in this press release regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, statements relating to TripAdvisor's future financial performance on both a GAAP and non-GAAP basis, and TripAdvisor's prospects as a comprehensive destination for hotels, experiences, and restaurants, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would be expected," "look forward," "may provide," "would" or similar terms, variations of such terms or the negative of those terms. Investors are cautioned that statements in this press release, which are not strictly historical statements, including, without limitation, statements by our executive officers with respect to growth objectives, strategic investments, and statements regarding management's plans, objectives and strategies, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in TripAdvisor's filings with the SEC. As a result of such risks, uncertainties and factors, TripAdvisor's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. TripAdvisor is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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TripAdvisor, Inc. Q2 2018 Prepared Remarks

(All comparisons are against the same period of the prior year, unless otherwise noted; some calculations may not foot due to rounding)

We are pleased with our solid second quarter results. Q2 consolidated revenue grew 2% and adjusted EBITDA grew 8%, including 6% adjusted EBITDA growth in our Hotel segment. We're making great progress; operational changes have taken hold, and we are pursuing large growth opportunities across our global travel platform.

Our honed marketing investments was a key driver of Hotel segment adjusted EBITDA growth in Q2. Our product and marketing execution, as well as stable auction dynamics, drove improved revenue per hotel shopper performance. We also rapidly scaled bookable supply in Experiences and Restaurants, addressing our strong consumer demand and driving strong bookings and revenue growth in those offerings.

Business trends have strengthened since the beginning of the year. Our first half results and recent performance make us incrementally confident we can deliver on our near-term expectation for consolidated adjusted EBITDA growth this year.

Q2 2018 Hotel Segment Update

Our Q2 results further demonstrate how we are changing the profit trajectory of our Hotel segment.

Hotel adjusted EBITDA growth improved for the third straight quarter, growing 6% in Q2, while Hotel segment revenue results improved compared to Q1 to negative 4% year-over-year. Click-based revenue improved compared to Q1 to negative 7% year-over-year. Display and subscription revenue grew 8% helped by early partner adoption of our media ad product. Other hotel revenue declined 11% as we optimized performance marketing investments in this area of the business.

In our auction, revenue per hotel shopper performance trends improved five points compared to Q1. Stable auction dynamics have persisted since mid-Q4 2017, though difficult year-over-year comparisons for auction pricing will persist throughout most of this year.

During Q2, mobile revenue per hotel shopper again grew double-digits and reached a new all-time high. Mobile hotel shoppers grew 17% and accounted for nearly 50% of total hotel shoppers in Q2, highlighting significant engagement on this strategic platform. Mobile click-based revenue grew more than 30%. Across all devices, we remain focused on enhancing our hotel shopping experience, gaining mindshare with consumers as a great place to find the best hotel price when they are ready to book, and driving conversion gains that will enable TripAdvisor to gain share of partner marketing budgets.

At the same time, ongoing optimization of our hotel marketing investments has established a more solid foundation. Despite investing approximately \$17 million more on TV advertising in Q2 2018 compared to Q2 2017 (\$33 million versus \$16 million) and expanding our Non-Hotel direct advertising budget,

consolidated direct selling and marketing expenses decreased by 10% year-over-year, once again highlighting our material reduction of hotel online direct marketing expenses. Our streamlined Hotel marketing efforts drove Hotel segment adjusted EBITDA back to positive growth in Q2 and Hotel segment adjusted EBITDA margin of 28%, which was a 200 basis point improvement compared to Q2 2017, as illustrated by the graphics below.



This efficiency has come with expected trade-offs and the modest 3% hotel shopper decline in Q2 was a solid outcome relative to our significant reduction in performance marketing expenses year-over-year.

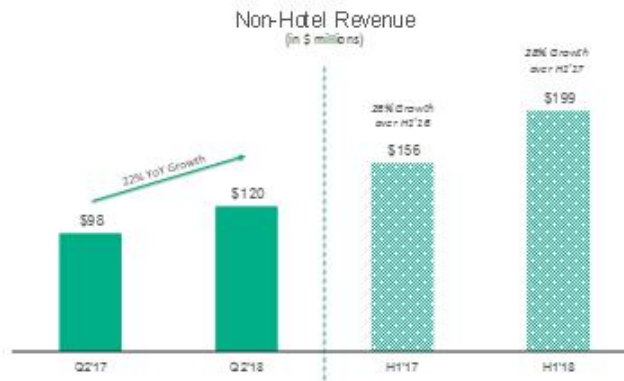
Lastly, we've seen traction for our media ad product, that helps more of the 1.2 million hoteliers on our platform get discovered in more hotel searches. Our early progress speaks to the TripAdvisor platform's unique potential to connect more partners with additional media advertising opportunities as they look to tap into TripAdvisor's massive global audience. We are just getting started and have exciting work ahead.

We are pleased with our progress so far this year as we continue to establish a better foundation for long-term profitable growth.

Q2 2018 Non-Hotel Segment Update

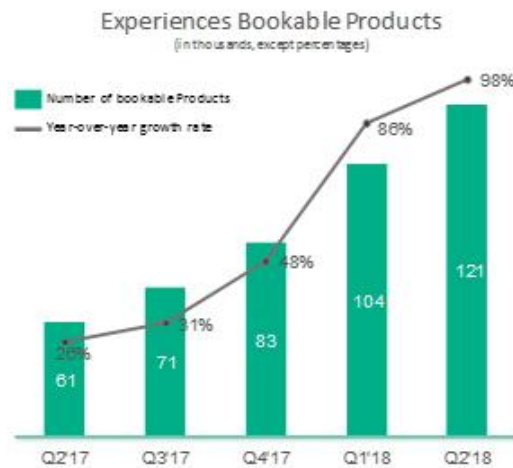
In our Non-Hotel segment, during Q2 we drove bookable supply growth, product enhancements, and platform expansion.

Non-Hotel segment revenue grew 22% in Q2, decelerating compared to Q1 primarily due to a tougher year-over-year growth comparison. We had continued strong demand and supply growth trends in Experiences and Restaurants during the second quarter, and we note that first half 2018 revenue growth was in line with last year. Similarly, our performance to-date keeps us on track for full year Non-Hotel segment growth in line with prior years, as illustrated by the graphic below.



Non-Hotel adjusted EBITDA grew 18% to \$20 million, a strong result now that we have lapped the operational and marketing efficiency gains we implemented at the beginning of last year.

In Experiences, during Q2 we expanded our marketplace, reinforcing our leadership position as the world's largest online platform to book and sell tours, attractions and travel experiences. Bookable product growth accelerated again to 98%, reaching 121,000. Our supply offering is also growing in breadth as traveler demand grows for experiential categories like food, cultural and outdoor experiences, nicely complementing our selection of traditional tours, activities and attractions.



Note: Starting in Q1 2018, Experiences bookable product figures are inclusive of products with seasonal availability.

Other key growth initiatives are doing well, as the TripAdvisor channel and mobile each continue to gain share of total Experiences bookings on our platform.

We are very pleased with our progress and we are investing to further our lead in this \$110 billion category.

Restaurants is our other fast-growing Non-Hotel offering, with continued strong demand and bookable supply growth in our transaction business, as well as further traction of our new TripAdvisor ad products.

We reached nearly 52,000 bookable restaurants on LaFourchette, up 18% year-over-year, and seated diners grew 20% – with three-quarters of bookings via mobile.

TripAdvisor restaurant pages have more than 200 million visits per month from consumers looking for great places to eat. Our TripAdvisor media ad products launched last year are helping tens of thousands of restaurateurs enhance their profiles and increase their visibility with the TripAdvisor audience. The vast majority of partner sign-ups to-date have been conducted through self-service channels, and at less than 1% penetration of the 4.7 million restaurants on our platform, we see a tremendous growth opportunity ahead.

Finally, Rentals listings grew to 855,000, nicely rounding out our consumer offering of places to stay. Nearly 85% of this inventory is bookable online, and we're quickly increasing the percentage that can be booked seamlessly and instantly on our platform. Though finding year-on-year growth remains challenging in the competitive, global alternative accommodations market, we continue to manage costs judiciously while operating this business at a nice profit margin.

Our Non-Hotel offerings continue to capitalize on significant supply and demand advantages and our focus remains on driving revenue growth and market share gains. We continue to invest in product enhancements, supply growth and platform expansion as we help consumers find, book and enjoy more great travel experiences.

Q2 2018 Consolidated Financials

Consolidated total revenue increased 2% year-over-year in reported currency. We estimate that changes in foreign currency provided a 2% tailwind in the period.

Consolidated GAAP net income increased to \$32 million. The Q2 GAAP effective tax rate was approximately 24%.

Consolidated total adjusted EBITDA increased by 8% in reported currency. We estimate that changes in foreign currency provided a 5% tailwind in the period.

Cash provided by operating activities was \$186 million, or 43% of revenue, during Q2. Capital expenditures were \$16 million, or 4% of revenue.

Cash, cash equivalents and short-term and long-term marketable securities were \$680 million at June 30, 2018, a decrease of \$55 million since December 31, 2017, driven primarily by our net repayment of \$230 million of borrowings under our 2015 credit facility, and \$100 million of cash used to repurchase 2.6 million shares of our common stock at an average price of \$38.73 per share, offset partially by our strong operating cash flow generation year-to-date.

Of the \$100 million we've allocated to share repurchases year-to-date, \$90 million was allocated during the second quarter of 2018 to repurchase approximately 2.3 million shares of outstanding common

stock at an average price of \$38.60 per share. \$150 million remains available under the share repurchase program authorized in January 2018 by TripAdvisor's Board of Directors.

2018 Outlook

As a reminder, consumer adoption of mobile, competition on marketing channels, travel industry competitive dynamics, bidding volatility in our click-based auction and macro-economic events – among a number of other factors outside of our control – can limit our visibility into near-term financial performance. We endeavor to be as accurate as possible with our forward-looking commentary, though these factors can cause actual results to vary materially.

As outlined above, our first half results and recent performance make us incrementally confident in our consolidated adjusted EBITDA growth expectation. We expect to deliver full year 2018 adjusted EBITDA growth in both our Hotel segment and our Non-Hotel segment.

We maintain our expectation that full year 2018 Hotel segment revenue will decline compared to 2017 due to re-balancing our paid marketing investment mix and due to tough year-over-year comparisons for click-based revenue. We also continue to expect click-based revenue trends to improve later in the year as we lap difficult year-over-year comparisons for auction pricing.

We also remain on track to deliver Non-Hotel segment revenue growth at levels similar to 2016 and 2017.

In summary, it was a strong first half of 2018. The TripAdvisor travel platform continues to strengthen and we are executing in pursuit of exciting growth opportunities.

* * *

TripAdvisor's second quarter 2018 earnings press release is available on the Investor Relations section of the TripAdvisor website at <http://ir.tripadvisor.com/>. The earnings release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the U.S. Securities Exchange Commission, or SEC, on August 1, 2018, which is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/> and the SEC's website at www.sec.gov.

Forward-Looking Statements:

These prepared remarks contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The following words, when used, are intended to identify forward-looking statements: "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "should," "will," and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in these prepared remarks, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or

implied by forward-looking statements are more fully described in Part II. Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q. Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.

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

Use of Non-GAAP Financial Measures:

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

We encourage investors to review our earnings press release as it contains important information about our financial results, including tabular reconciliations to the most directly comparable GAAP financial measure, definitions, limitations and other related information about these non-GAAP financial measures. The earning press release in addition to other supplemental financial information is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on August 1, 2018, which is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/> and the SEC's website at www.sec.gov.