
**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 3, 2016

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))
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Item 2.02. Results of Operations and Financial Condition.

On August 3, 2016, TripAdvisor, Inc. issued a press release announcing its preliminary financial results for the three and six months ended June 30, 2016. 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 3, 2016.
99.2	Prepared remarks by TripAdvisor, Inc.’s management, dated August 3, 2016.

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 3, 2016

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release of TripAdvisor, Inc. dated August 3, 2016.
99.2	Prepared remarks by TripAdvisor, Inc.'s management, dated August 3, 2016.

TripAdvisor Reports Second Quarter 2016 Financial Results

NEEDHAM, MA, August 3, 2016 — TripAdvisor, Inc. (NASDAQ: TRIP) today announced financial results for the second quarter ended June 30, 2016.

“We took important steps along our key initiatives during the second quarter,” said Steve Kaufer, President and Chief Executive Officer of TripAdvisor. “Hotel instant booking is now live to users around the globe. We also continued to build a more end-to-end travel experience through our attractions, restaurants and vacation rental businesses as we grew bookable supply and improved our consumer offering on all devices, especially on mobile. We continue to play the long game as we navigate our business to deliver the best user experience in travel.”

Second Quarter 2016 Financial Summary

(In millions, except percentages and per share amounts)	Three months ended June 30,		% Change
	2016	2015	
Revenue	\$ 391	\$ 405	(3)%
GAAP Net Income	\$ 34	\$ 58	(41)%
Adjusted EBITDA (1)	\$ 95	\$ 123	(23)%
Non-GAAP Net Income (1)	\$ 56	\$ 79	(29)%
Diluted Earnings per Share:			
GAAP	\$ 0.23	\$ 0.40	(43)%
Non-GAAP (1)	\$ 0.38	\$ 0.54	(30)%
Cash flow from operating activities	\$ 237	\$ 200	19%
Free cash flow (1)	\$ 218	\$ 177	23%

(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 financial measure.

Chief Financial Officer Ernst Teunissen added, “Our second quarter financial results reflect the reduced revenue growth and lower profit margin from significant investments we are making in pursuit of our key initiatives. While recent events cloud our near-term visibility, 2016 remains an important year as we navigate our way towards sustainable growth and profitability.”

Second Quarter 2016 Summary

- Revenue was \$391 million, a decrease of 3% year-over-year.
- GAAP Net Income was \$34 million, or \$0.23 per diluted share.
- Adjusted EBITDA was \$95 million, a decrease of 23% year-over year.
- Non-GAAP net income was \$56 million, or \$0.38 per diluted share.
- Cash flow from operations was \$237 million, an increase of 19%.
- Free cash flow was \$218 million, an increase of 23%.
- Average monthly unique visitors reached 350 million*.
- User reviews and opinions reached 385 million at June 30, 2016, covering 1,035,000 hotels and accommodations, 815,000 vacation rentals, 4.1 million restaurants and 690,000 attractions and experiences.
- Global launch of instant booking was completed, enabling users around the world to seamlessly book more than 500,000 hotels on TripAdvisor sites.

Revenue for the second quarter of 2016 was \$391 million, a decrease of \$14 million, or 3% year-over-year.

(In millions, except percentages)	Three months ended June 30,		% Change
	2016	2015	
Revenue by Segment:			
Hotel	\$ 316	\$ 343	(8)%
Non-Hotel	75	62	21%
Total Revenue	\$ 391	\$ 405	(3)%
Revenue by Source:			
TripAdvisor-branded click-based and transaction (1)	\$ 201	\$ 237	(15)%
TripAdvisor-branded display-based advertising and subscription (2)	72	68	6%
Other hotel revenue (3)	43	38	13%
Non-Hotel	75	62	21%
Total Revenue	\$ 391	\$ 405	(3)%
Revenue by Geography (% of total revenue):			
North America	58%	52%	
EMEA	30%	31%	
APAC	9%	12%	
LATAM	3%	5%	

- (1) Consists 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, as well as content licensing with third party sites.
 (3) Includes revenue from non-TripAdvisor branded websites, including click-based advertising revenue, display-based advertising revenue and room reservations sold through these websites.

GAAP costs and expenses for the second quarter of 2016 were \$343 million, an increase of 5% year-over-year.

GAAP Net Income for the second quarter of 2016 was \$34 million, or \$0.23 per diluted share.

Non-GAAP net income for the second quarter of 2016 was \$56 million, or \$0.38 per diluted share.

Cash flow from operating activities for the second quarter of 2016 was \$237 million, an increase of \$37 million year-over-year.

Free Cash flow for the second quarter of 2016 was \$218 million, an increase of \$41 million year-over-year.

Cash and cash equivalents, short and long term marketable securities were \$891 million as of June 30, 2016, an increase of \$193 million from December 31, 2015.

Long-term debt was \$91 million as of June 30, 2016, a decrease of \$109 million from December 31, 2015.

Employees - TripAdvisor had 3,350 employees as of June 30, 2016, compared to 3,108 at March 31, 2016 and 3,000 employees at June 30, 2015.

Conference Call

TripAdvisor posted prepared remarks, supplemental financial information and an investor presentation on the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com>. TripAdvisor will host a conference call tomorrow, August 4, 2016, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's second quarter 2016 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 91064719) until August 11, 2016 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® is the world's largest travel site**, enabling travelers to unleash the potential of every trip. TripAdvisor offers trusted advice from real travelers and a wide variety of travel choices and planning features with seamless links to booking tools that check hundreds of websites to find the best hotel prices. TripAdvisor branded sites make up the largest travel community in the world, reaching 350 million average monthly unique visitors, and reached 385 million reviews and opinions covering 6.6 million accommodations, restaurants and attractions. The site operates in 48 markets worldwide. TripAdvisor: Know better, Book better and Go better.

TripAdvisor® (NASDAQ:TRIP), through its subsidiaries, manages and operates websites under 23 other travel media brands: www.airfarewatchdog.com, www.bookingbuddy.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.iens.nl, www.besttables.com and www.dimmi.com.au), www.gateguru.com, www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.independenttraveler.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.travelpod.com, www.tripbod.com, www.vacationhomerentals.com, www.viator.com, and www.virtualtourist.com.

*Source: TripAdvisor log files, average monthly unique visitors, Q2 2016

**Source: comScore Media Metrix for TripAdvisor Sites, worldwide, May 2016

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, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	\$ 391	\$ 352	\$ 405	\$ 743	\$ 768
Costs and expenses:					
Cost of revenue	20	16	16	36	29
Selling and marketing (1)	202	172	192	374	350
Technology and content (1)	62	61	50	123	99
General and administrative (1)	34	37	44	72	77
Depreciation	17	16	15	33	28
Amortization of intangible assets	8	8	9	15	16
Total costs and expenses	<u>343</u>	<u>310</u>	<u>326</u>	<u>653</u>	<u>599</u>
Operating income	48	42	79	90	169
Total other income (expense), net	<u>(3)</u>	<u>(4)</u>	<u>3</u>	<u>(6)</u>	<u>(1)</u>
Income before income taxes	45	38	82	84	168
Provision for income taxes	<u>(11)</u>	<u>(11)</u>	<u>(24)</u>	<u>(22)</u>	<u>(47)</u>
Net income	<u>\$ 34</u>	<u>\$ 27</u>	<u>\$ 58</u>	<u>\$ 62</u>	<u>\$ 121</u>

Earnings per share attributable to common stockholders:

Basic	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.40</u>	<u>\$ 0.42</u>	<u>\$ 0.85</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.18</u>	<u>\$ 0.40</u>	<u>\$ 0.42</u>	<u>\$ 0.83</u>

Weighted average common shares outstanding:

Basic	146	145	144	146	143
Diluted	147	147	146	147	146

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

Selling and marketing	\$ 5	\$ 4	\$ 4	\$ 10	\$ 8
Technology and content	\$ 10	\$ 9	\$ 7	\$ 20	\$ 13
General and administrative	\$ 7	\$ 6	\$ 7	\$ 12	\$ 13

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

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 766	\$ 614
Short-term marketable securities	87	47
Accounts receivable, net of allowance for doubtful accounts of \$6 and \$6, respectively	230	180
Prepaid expenses and other current assets	24	24
Total current assets	1,107	865
Long-term marketable securities	38	37
Property and equipment, net of accumulated depreciation of \$120 and \$88, respectively	256	247
Intangible assets, net of accumulated amortization of \$68 and \$52, respectively	169	176
Goodwill	733	732
Other long-term assets	82	71
TOTAL ASSETS	\$ 2,385	\$ 2,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 25	\$ 10
Deferred merchant payables	288	105
Deferred revenue	97	64
Current portion of debt	1	1
Taxes payable	11	9
Accrued expenses and other current liabilities	153	123
Total current liabilities	575	312
Deferred income taxes, net	18	15
Other long-term liabilities	196	189
Long-term debt	91	200
Total Liabilities	880	716
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: 134,430,268 and 133,836,242, respectively		
Shares outstanding: 132,829,000 and 132,443,111, 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	783	741
Retained earnings	888	826
Accumulated other comprehensive loss	(62)	(63)
Treasury stock-common stock, at cost, 1,601,268 and 1,393,131 shares, respectively	(104)	(92)
Total Stockholders' Equity	1,505	1,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,385	\$ 2,128

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

	Three Months Ended			Six Months Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Operating activities:					
Net income	\$ 34	\$ 27	\$ 58	\$ 62	\$ 121
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	17	16	15	33	28
Amortization of intangible assets	8	8	9	15	16
Stock-based compensation expense	22	19	18	42	34
Deferred tax (benefit) expense	(7)	2	6	(5)	9
Excess tax benefits from stock-based compensation	(1)	(4)	(23)	(6)	(30)
Other, net	-	-	(3)	-	-
Changes in operating assets and liabilities, net of effects from acquisitions:	164	52	120	216	121
Net cash provided by operating activities	237	120	200	357	299
Investing activities:					
Capital expenditures, including internal-use software and website development	(19)	(17)	(23)	(36)	(54)
Acquisitions, net of cash acquired	2	-	(24)	1	(29)
Purchases of marketable securities	(82)	(16)	(60)	(98)	(92)
Sales of marketable securities	7	33	21	40	46
Maturities of marketable securities	5	11	13	17	22
Net cash provided by (used in) investing activities	(87)	11	(73)	(76)	(107)
Financing activities:					
Repurchase of common stock	(11)	(1)	-	(12)	-
Proceeds from Chinese credit facilities	-	-	2	-	4
Payments to Chinese credit facilities	-	-	(41)	-	(41)
Principal payments on term loan	-	-	(290)	-	(300)
Proceeds from revolving credit facility, net of financing costs	-	-	287	-	287
Payments to revolving credit facility	(19)	(90)	-	(109)	-
Proceeds from exercise of stock options	1	2	1	3	9
Payment of minimum withholding taxes on net share settlements of equity awards	(2)	(9)	(49)	(11)	(62)
Excess tax benefits from stock-based compensation	1	4	23	6	30
Other financing activities, net	-	-	9	-	12
Net cash used in financing activities	(30)	(94)	(58)	(123)	(61)
Effect of exchange rate changes on cash and cash equivalents	(7)	2	9	(6)	(3)
Net increase in cash and cash equivalents	113	39	78	152	128
Cash and cash equivalents at beginning of period	653	614	505	614	455
Cash and cash equivalents at end of period	<u>\$ 766</u>	<u>\$ 653</u>	<u>\$ 583</u>	<u>\$ 766</u>	<u>\$ 583</u>

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

	Three Months Ended			Q / Q Growth	Y / Y Growth
	June 30, 2016	March 31, 2016	June 30, 2015		
Revenue:					
Hotel	\$ 316	\$ 303	\$ 343	4%	(8)%
Non-Hotel	75	49	62	53%	21%
Total revenue	<u>\$ 391</u>	<u>\$ 352</u>	<u>\$ 405</u>	11%	(3)%
Adjusted EBITDA:					
Hotel	\$ 105	\$ 106	\$ 125	(1)%	(16)%
Non-Hotel	(10)	(21)	(2)	52%	(400)%
Total Adjusted EBITDA (1)	<u>\$ 95</u>	<u>\$ 85</u>	<u>\$ 123</u>	12%	(23)%
Adjusted EBITDA Margin:					
Hotel	33%	35%	36%		
Non-Hotel	(13)%	(43)%	(3)%		
Total Adjusted EBITDA Margin (1)	24%	24%	30%		
Net Income (2)	\$ 34	\$ 27	\$ 58		
Net Income Margin	9%	8%	14%		

	Six Months Ended		Y/Y Growth
	June 30, 2016	June 30, 2015	
Revenue:			
Hotel	\$ 619	\$ 663	(7)%
Non-Hotel	124	105	18%
Total revenue	<u>\$ 743</u>	<u>\$ 768</u>	(3)%
Adjusted EBITDA:			
Hotel	\$ 211	\$ 257	(18)%
Non-Hotel	(31)	(8)	(288)%
Total Adjusted EBITDA (1)	<u>\$ 180</u>	<u>\$ 249</u>	(28)%
Adjusted EBITDA Margin:			
Hotel	34%	39%	
Non-Hotel	(25)%	(8)%	
Total Adjusted EBITDA Margin (1)	24%	32%	
Net Income (2)	\$ 62	\$ 121	
Net Income Margin	8%	16%	

- (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) The Company 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 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 in operating our business.

We define our non-GAAP financial measures as below:

TripAdvisor defines “Adjusted EBITDA” as Net Income (loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived 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 as a percentage of 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: (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) certain gains, losses, and other expenses that we do not believe are indicative of our ongoing operating results; (4) goodwill, long-lived assets and intangible asset impairments and (5) other non-recurring expenses and income. 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, the Company 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 effects of foreign exchange on revenue by translating actual revenue for the current year three months ended using the prior period 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 effects of foreign exchange by translating all amounts included in Adjusted EBITDA for the current year three months ended using the prior period 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, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):					
GAAP Net Income	\$ 34	\$ 27	\$ 58	\$ 62	\$ 121
Add: Provision for income taxes	11	11	24	22	47
Add: Other expense (income), net	3	4	(3)	6	1
Add: Depreciation and amortization of intangible assets	25	24	24	48	44
Add: Stock-based compensation	22	19	18	42	34
Add: Other non-recurring expenses	-	-	2	-	2
Adjusted EBITDA (Non-GAAP)	<u>\$ 95</u>	<u>\$ 85</u>	<u>\$ 123</u>	<u>\$ 180</u>	<u>\$ 249</u>
Revenue (GAAP)	\$ 391	\$ 352	\$ 405	\$ 743	\$ 768
Net Income margin (GAAP)	9%	8%	14%	8%	16%
Adjusted EBITDA margin (Non-GAAP) (1)	24%	24%	30%	24%	32%
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	\$ 34	\$ 27	\$ 58	\$ 62	\$ 121
Add: Stock-based compensation expense	22	19	18	42	34
Add: Amortization of intangible assets	8	8	9	15	16
Add: Other non-recurring expenses	-	-	2	-	2
Subtract: Income tax effect of Non-GAAP adjustments (2)	8	7	8	15	14
Non-GAAP net income	<u>\$ 56</u>	<u>\$ 47</u>	<u>\$ 79</u>	<u>\$ 104</u>	<u>\$ 159</u>
GAAP diluted shares	147	147	146	147	146
GAAP Net Income per diluted share	\$ 0.23	\$ 0.18	\$ 0.40	\$ 0.42	\$ 0.83
Non-GAAP net income per diluted share (3)	0.38	0.32	0.54	0.71	1.09
Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):					
Net cash provided by operating activities (GAAP)	\$ 237	\$ 120	\$ 200	\$ 357	\$ 299
Subtract: Capital expenditures	19	17	23	36	54
Free cash flow (Non-GAAP)	<u>\$ 218</u>	<u>\$ 103</u>	<u>\$ 177</u>	<u>\$ 321</u>	<u>\$ 245</u>
Revenue Before Effects of Foreign Exchange:					
Total Revenue (GAAP)	\$ 391		\$ 405		
Effects of foreign exchange	1				
Non-GAAP revenue before effects of foreign exchange	<u>\$ 392</u>				
<i>Year/Year Growth (4)</i>		(3)%			
Adjusted EBITDA Before Effects of Foreign Exchange:					
Adjusted EBITDA	\$ 95		\$ 123		
Effects of foreign exchange	-				
Adjusted EBITDA before effects of foreign exchange	<u>\$ 95</u>				
<i>Year/Year Growth (4)</i>		(23)%			

(1) The Company defines "Adjusted EBITDA margin" as Adjusted EBITDA as a percentage of 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) The Company defines “non-GAAP net income per diluted share” as non-GAAP net income divided by GAAP diluted shares. During the second quarter of 2016, the Company began calculating non-GAAP net income per diluted share using GAAP diluted shares determined under the treasury stock method. All historical periods have been conformed to the current calculation method. This change did not have a material effect on our previously reported non-GAAP net income per diluted share calculations in any prior period.
- (4) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA over prior period revenues and Adjusted EBITDA, where current period figures are translated using prior period 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 the Company’s prospects as a comprehensive destination for hotels, attractions, 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,” “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 chief executive officer 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 Securities and Exchange Commission. 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 2016 Prepared Remarks**

(All comparisons are against the same period of the prior year, unless otherwise noted)

We made continued progress along our key initiatives during the second quarter. With more than 385 million reviews covering 6.6 million businesses and 350 million average monthly unique visitors, TripAdvisor's influence on travel continues to grow. We are leveraging these competitive strengths and are focused on creating an even stickier, end-to-end user experience on all devices throughout all phases of travel planning, booking and trip-taking.

Across our Hotel and Non-Hotel businesses, we are positioning TripAdvisor to deliver on our vision of what a traveler's next-generation, phone-first, and app-first experience should be. As anticipated and previewed at the outset of the year, these initiatives have come with visible near-term revenue and profit headwinds. However, we continue to navigate a dynamic travel landscape on what we believe is the best path to maximize long-term shareholder value.

Operational Results - Hotel Segment

At 81% of our total revenue in the second quarter, our Hotel segment continues to be the biggest driver of our financial results, and we are very excited about the improved hotel shopping experience that we are building. Instant booking is a key piece, since it gives TripAdvisor users a more seamless way to plan, compare prices and book hotels. It also uniquely positions us to address the significant monetization leak inherent to our click-off model. We are early days, but during the quarter we made a lot of progress along this four-phase initiative.

Phase one: add bookable supply. We continue to deepen our partnerships with large hotel chains, OTAs, and with an ever-increasing number of independent hotels. In just two years, we have built direct connections to enable users to book more than 500,000 hotels on TripAdvisor.

With hoteliers in particular, TripAdvisor instant booking offers a wonderfully attractive value proposition: increase your reach on our platform with greater access to our global audience of high-value hotel shoppers; take direct bookings at very competitive commission rates; and leverage the consumer information we share. This resonates with many of the largest chains in the world, as well as with a growing number of independent hoteliers, the vast majority of which have been using the self-service tools in order to join our instant booking platform. With all hotel and OTA partners, we share pertinent data to enable them to better serve the consumer pre- and post-stay.

On the heels of phase one success last year, we accelerated phase two: our global product launch. What started last year with a full rollout in the U.S. in August and the U.K. in September, culminated in the second quarter this year with our rollout to users in Russia, Japan and a number of smaller countries. Each successive country launch has gone smoother than the last, and Q2 was the first quarter in which we were live to substantively all our major markets.

US, UK and Canada rollout



Rest of Europe, APAC and LATAM rollout



We are still in the early days of phase three: taking what we have learned thus far and testing and learning in our typical Speed Wins fashion to make the booking experience even better. For instance, we are helping more hotel partners improve conversion by offering more high-quality and engaging room content. This includes adding bigger and more helpful photos to tens of thousands of top hotels, as well as more engaging panoramas and walk-throughs to help users decide if a particular hotel suits their needs. This also includes streamlining and localizing the user booking flow, where implementing slight differences by country can have a significant positive impact on conversion.

We are also getting smarter about both how and when we promote the instant booking option. In the months, weeks and days leading up to a hotel booking, a hotel shopper moves from researching, to price comparing, to figuring out where to book. We continue to test ways to make our hotel pages more responsive in order to better anticipate, and more frequently satisfy, these needs. We also know that affordability matters to consumers the world over, especially in more uncertain economic times. With this in mind, we are testing ways to make it easier to find the lowest room prices across the one million hotels, inns, and B&B properties listed on TripAdvisor, regardless of whether it is offered by a partner in metasearch or in instant book.

We are also improving our transaction business acumen and increasing consumer awareness about our new booking capabilities through improved onsite messaging, more targeted email marketing campaigns and consumer promotions.



Users will continue to see a number of different sweepstakes and booking promotions on our site, and these are just some of the ways we are re-allocating direct marketing dollars that were dedicated in prior years to television advertising. With instant booking now live, we believe we are in a great position to tout our improved hotel shopping experience in order to engage more users on this feature.

Our efforts are yielding nice gains in user conversion rates, repeat rates and monetization rates. Looking at our longest standing market, the U.S., desktop instant booking conversion rates have grown approximately 20% year-over-year. U.S. hotel shoppers that click on instant booking are increasingly repeating on our site, coming back to shop, input dates, and click, when compared to users that click off to a partner in metasearch. Still in the early stages following our global rollout, we believe we still have plenty more low-hanging fruit to pick as we test and learn, and test again, focused on improving the booking experience.

We are also in the early days of phase four: earning a user's trust as their booking site of choice, which we believe is potentially our biggest long-term business driver. Brand re-education may take time, yet we are already seeing nice indicators. Travelers are increasingly storing their credit cards to make future purchases fast and easy, and the percentage of bookings using a stored card continues to grow. A substantially higher percentage of first time bookers are coming back to book again compared to last year. Prior instant bookers are converting at better rates than first-time instant bookers and prior meta bookers. A greater percentage of prior bookers are also visiting TripAdvisor through direct channels, which have much lower overall acquisition costs.

Mobile is playing, and will continue to play, a growing role. TripAdvisor-branded click-based and transaction revenue grew in excess of 30% on phone in the second quarter. One third of hotel shoppers in the second quarter visited on the phone, and on some days phone represents more than 40% of shoppers. We are most pleased with our growth on our app, where hotel shoppers and TripAdvisor-branded click-based and transaction revenue each grew by approximately 50% in the second quarter. Looking again at the U.S., we are pleased to see our most engaged shoppers on our app, as users are more likely to convert in our instant booking flow than if we were to send a user off to a metasearch partner. High repeat usage rates on app exhibits our brand strength and engagement potential. On the monetization side, this year we have seen that repeat revenue from U.S. mobile app bookers is approximately double the repeat revenue from other devices.

Helping more users book on TripAdvisor, particularly on the phone, achieves our key strategic objectives of driving more user engagement, building the repeat booking habit, and plugging the monetization leak. This is true not only in our Hotel business, but also in our Non-Hotel business.

Operational Results - Non-Hotel Segment

Complementing our hotel initiatives, we are enhancing our attractions, restaurants and vacation rentals products to better serve our 350 million average monthly unique visitors in more moments on the trip. We have significant competitive advantages in these categories: first, users already frequently engage with our rich content, as more than half of monthly unique users visit our attractions, restaurants and vacation rentals pages; second, similar to hotels, we receive only a small fraction of the value relative to the massive amount of travel commerce we help to generate; and third, by adding booking capabilities, we are driving increased user stickiness and engagement, helping users book more parts of their trip through our TripAdvisor app. Our attractions and restaurants offerings are a particular strength, as TripAdvisor uniquely helps travelers discover and experience the key moments that make any trip memorable and our restaurants offerings keep TripAdvisor more top of mind between trips.

Average Monthly Unique Users



Attractions remain our largest area of focus in this segment. On the supply side, we have grown the number of bookable products in our Viator Marketplace by more than 45% since the beginning of the year. This is fueling great consumer choice, better conversion, and strong bookings and revenue growth. We maintain a very active global sales pipeline and the team is focused on signing all top attractions in top cities this year, as well as increasing bookable products from existing suppliers. Suppliers are also increasingly providing real-time product availability via our Viator API.

On the consumer side, we continue to rollout instant booking for attractions, and in the second quarter we launched improved email campaigns and new push notifications, helping more users find and book more activities. Through our app, travelers can now be notified with a “welcome to Venice” message, for example, offering to help a user not only find a great tour or activity, but also to book it right there on their mobile device. With 690,000 listed businesses, rapid supply growth in our Marketplace, and fast-growing traveler demand, we believe we are uniquely positioned for continued growth in this category.

Moving to restaurants, we implemented mobile app notifications that engage users with helpful tips such as best restaurants nearby, popular dish recommendations, and user review snapshots, all of which drive increased awareness, stickiness and mobile engagement. With 4.1 million listings, restaurants continue to drive strong user growth, enabling TripAdvisor to help more users, more frequently in more moments, when they are traveling and when they are close to home.

Finally, in vacation rentals, we have integrated the high-demand urban inventory from our HouseTrip acquisition and can now offer users 815,000 properties to choose from, approximately 80% of which can be booked online. Our team remains focused on adding high-quality supply, making easy-to-use tools that help more users find and book a great alternative accommodation.

We operate this segment along the three- to five-year horizon we outlined at the beginning of 2015. We believe continued supply growth, and improvements to our consumer products and our partner platform, will enable us to scale these businesses quickly, globally, and profitably in the years to come.

Financial Results

Consistent with the first quarter of 2016, second quarter consolidated total revenue declined 3% in both reported and constant currency. Hotel segment revenue declined 8% year-over-year in Q2. TripAdvisor-branded click-based and transaction revenue, which includes metasearch and instant booking revenue on TripAdvisor-branded sites only, declined 15% year-over-year in the quarter. Revenue per hotel shopper declined 19% year-over-year, which was a slight improvement from our result in the first quarter.

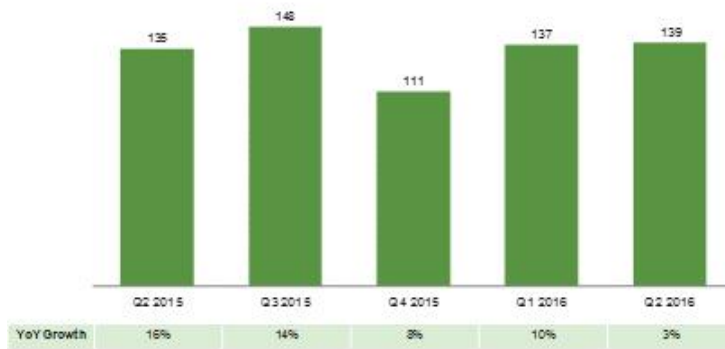
Revenue Per Hotel Shopper



Similar to the first quarter, year-over-year revenue and revenue per hotel shopper performance in the second quarter was impacted by our global instant booking launch, which includes both lower monetization as well as a higher percentage of revenue recognized at stay, as opposed to being recognized at the time of a click. The ongoing user shift to phone continues to dilute our revenue per shopper growth, since phone monetizes at significantly lower rates compared to desktop and tablet. Throughout the first half of the year, we have also been up against a tough metasearch auction compare from last year. Additionally, the increased number of macro events in recent months, and quarters, have also generated headlines and we believe these events dampened normal travel seasonality in the quarter.

These same factors impacted unique monthly hotel shopper growth, which was 3% year-over-year. Looking at recent trends, monetization headwinds from our first full quarter since our instant booking launch in major markets, as well as the accelerated user shift to phone this year, have reduced our ability to grow on variable marketing channels. We note that the macro events and softer trends observed in June have continued in July, making us more cautious.

Average Monthly Unique Hotel Shoppers



Our Non-Hotel segment accounted for 19% of our second quarter revenue and revenue growth accelerated to 21% year-over-year. Adjusted EBITDA margins improved sequentially to negative 13%. As was the case last quarter, more vacation rentals revenue is now being recognized at the time of stay, due to the continued shift to our free-to-list model. This dynamic is increasing seasonality in our Non-

Hotel segment results, since a greater percentage of revenue and adjusted EBITDA is now being recognized in the back half of the year.

Consolidated GAAP net income declined by 41%. Total Adjusted EBITDA declined by 23% in both reported and constant currency and our lower adjusted EBITDA margin compared to last year was due primarily by reduced revenues in our Hotel segment. The revenue recognition shift towards transaction-based revenue in both the Hotel and Non-Hotel segments had less of an impact to Q2 revenue and adjusted EBITDA growth than in Q1.

As anticipated, consolidated expenses grew ahead of revenue in Q2. In addition, sales and marketing expenses grew year-over-year as a percentage of revenue due to slower revenue growth as well as from investments in marketing and online traffic acquisition as well as additional headcount for the Hotel business.

Our Q2 GAAP effective tax rate was 24%. We continue to expect our 2016 GAAP effective rate to be in the mid-twenties, dependent on international revenue and expense mix, among other factors.

We generated \$237 million of cash from operating activities during the second quarter – an increase of 19% when compared to the same period in 2015. This was primarily due to a net increase in working capital movements. CapEx for the quarter was \$19 million, or 5% of revenue, a decrease of \$4 million from the second quarter of 2015, primarily due to the completion of our corporate headquarters building in 2015. As a result, second quarter free cash flow was \$218 million, an increase of 23% compared to \$177 million in second quarter of 2015. We note that our cash flow in Q1 and Q2 benefited from a substantial seasonal buildup of our deferred merchant payable, which is expected to result in a working capital outflow during the third quarter.

Our liquidity position remains strong. Cash, cash equivalents and short-term and long-term marketable securities balance was \$891 million at June 30th. We ended the quarter with an available balance of \$907 million from our \$1 billion credit facility. During the second quarter, we allocated \$11 million to repurchase our common stock and we have \$92 million of capacity remaining under our share repurchase plan.

Our chosen path in 2016 continues to dampen near-term financial results. In the third quarter, we begin to lap the instant booking rollout and the tough metasearch auction comp eases, though recent softness and the frequency of recent macro events make us more cautious about the balance of the year.

In summary, we continue to play the long game, navigating our business to deliver the best user experience in travel as well as sustainable growth and profitability. We thank our employees for their continued hard work and we know that we have much more work ahead. On behalf of our management team and our employees, we thank our investors for their continued support.

Appendix

Webcast and Conference Call Details

TripAdvisor will audiocast a conference call to answer questions regarding second quarter financial results on Thursday, August 4, 2016 at 8:30 a.m. Eastern Time. The live audiocast will be open to the public at <http://ir.tripadvisor.com/events.cfm>. This letter will not be read on the call.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures, which, includes adjusted EBITDA, adjusted EBITDA margin, free cash flow, and constant currency measures. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. Please refer to our 2nd quarter 2016 press release and the investor relations section of our website for all comparable GAAP measures and full reconciliations for all non-GAAP measures to their comparable GAAP measures.

Safe Harbor Statement

This letter and our conference call, which will be held at 8:30 a.m. Eastern Time on August 4, 2016, may contain statements 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 the Company's prospects as a comprehensive destination for hotels, attractions, 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," "would be expected," "look forward," "may provide," 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 chief executive officer 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 Securities and Exchange Commission. 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.