Angela Opening Remarks:

Good afternoon and welcome to Tripadvisor's second quarter 2024 financial results call. Joining me today are Matt Goldberg, President & CEO, and Mike Noonan, CFO.

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

Before we begin, I'd like to remind you that this call may contain estimates and other forward looking statements that represent management's views as of today, August 6, 2024. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release, as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward looking statements.

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

Matt Goldberg, CEO

Thanks Angela, and good afternoon to everyone joining us.

Our second quarter consolidated results were in-line with our expectations, with revenue of $497 million, reflecting year-over-year growth of 1%, and adjusted EBITDA of $97 million, or 20% of revenue. Our results reflect the diversification of our portfolio mix, its different growth profiles and strategies, and the increasing contribution to profit mix we're seeing from Viator and TheFork. Mike will cover details of financial performance in his section, but first, I'll cover our operational progress as we execute our segment strategies. As a reminder:

- **At Brand Tripadvisor**, our strategy focuses on driving engagement and delivering world-class guidance products to fuel diverse monetization paths.
- **At Viator,** we are reinforcing our leadership position in experiences by investing in our brand, product, and repeat bookings to drive LTV and improved unit economics.
- **Finally, at TheFork,** we are focused on driving revenue growth with margin improvement by increasing the value we deliver to diners and restaurants as the leader in the European dining market.

Let's start with **Brand Tripadvisor**. In Q2, we delivered revenue of $250 million, a decline of 10%, and adjusted EBITDA of $84 million, or 34% of revenue. Our financial performance continues to reflect the transition from our historical reliance on legacy offerings such as hotel meta, which has experienced ongoing pressure over time, to a more diverse and sustainable model.

This challenge is well known and the strategy we launched last year addresses it head on. When we offer a more compelling product that better meets travelers' needs across their end-to-end journey, from the first moment of planning through the end of the trip itself, we drive deeper engagement. We get more users coming to us through direct channels, like our app. We get them to sign up as members and come back more frequently, giving us valuable data and more opportunities to monetize, which we believe will result in a meaningfully higher average revenue per user over time.

We are uniquely positioned to serve these traveler needs, given the durable trust in our brand, the quality of our content, the relevance of our data, and the scale of our audience. Last year we set the foundation, building teams around product and data and putting core capabilities in place. This year, we are seeing tangible outcomes from our initiatives. The data is clear –

travelers are responding to the improvements we are making in our product, and we are excited about scaling them to drive financial impact.

Before I share highlights on key initiatives over the last quarter, let's cover some of the progress we see across a few of the metrics we outlined in our last call that gives us confidence we are heading in the right direction:

First, our overall audience has stabilized after an extended period of decline. Specifically, we've seen sustained stable **monthly active users** ("MAUs") so far this year. While this metric is not the most important indicator of the depth of engagement, it ensures we retain a broad, global audience to drive membership and a deeper relationship over time. It also serves as the top of the funnel for our category marketplaces. It's worth noting that in the US, where we've launched and scaled many of our initiatives first, we are seeing meaningful year-over-year growth in MAUs.

Second, we've seen solid growth in membership. Our **monthly active members,** which were declining along with our overall MAUs, has returned to growth this year and accelerated from Q1 to Q2, and we expect this trendline to continue, driven by our ongoing product efforts.

Third, we continue to see improvements over the last year in direct engagement, which includes our mobile app, which is one of the clearest signals that travelers are finding value in the changes we're making to the product. In Q2 of this year, direct channel share across all surfaces grew by approximately 450 basis points over last year. While this is still a relatively small overall channel, we see meaningful headroom for growth driven by our strategy.

Finally, we continue to see deeper engagement translate to better monetization. Historically, we've seen very low **average revenue per user** ("ARPU") given our reliance on low value fly-by-traffic. It's still early, but the product enhancements we're rolling out are driving meaningfully higher monetization among our highest engaged members and app users, whose ARPU is multiple times higher. For example, in Q2 we observed that travelers who use Trips, our trip planning offering, reached ARPU levels roughly 15 times higher than our platform-wide average. This higher monetization has been consistent as we've begun to scale our efforts, driven primarily by experiences bookings today, but with real upside as we introduce more in-app booking across other categories in the future. The formula is simple:

when we keep travelers engaged on our platform, we have more opportunities to monetize, not just through clicks but through higher value transactions, as well.

Now, let's step back from the outcomes for a moment and focus on the work we are doing to drive impact and accelerate the pace of change. **Here are a few highlights:**

In Q2, we continued to extend the use of AI to offer more relevant guidance to more travelers. We scaled AI-powered review summaries to restaurants and experiences, personalizing the planning experience so you can explore things to do, places to stay, and restaurants recommended specifically "for you" in the app. And we expanding Trips internationally to 20 new languages across more than 30 locales. Looking ahead over the next few quarters, we will continue to introduce new ways for travelers to discover, share and consume guidance and strengthen our free membership value proposition - highlighting all of the benefits of joining our community by better recognizing our most engaged members.

Last quarter we also launched a large set of upgrades to our mobile app, such as a new home screen and improved navigation that make it easier to explore destinations, plan a trip and book it immediately, starting with experiences. **We also introduced hotel booking and rewards <u>exclusively</u> in our app,** where we've seen strong early indicators of customer engagement including better click-through, conversion, and repeat rates. We were also pleased to see that app users who book hotels spend more on experiences, leave more reviews, and create more Trips. We're excited about the role hotel and experiences bookings can play in the traveler journey for our deeply-engaged, logged-in members. Moving forward, we will continue to differentiate the experience in our app, with a focus on new features and UX improvements to drive higher conversion rates across our category marketplaces.

Finally, over the last few months we conducted a full funnel marketing pilot focused on driving consideration across channels like connected TV and social. This represented a very small portion of our marketing spend in the quarter, the bulk of which continues to be focused on lower funnel channels to support our legacy offerings. The pilot performed very well and gave us considerable learnings as we evolve our marketing mix over time to reorient our spend to drive lifetime value ("LTV") in support of our engagement-led strategy.

We are excited by the progress we've made at Brand Tripadvisor and the opportunities ahead. But let me be very clear: our near-term financial performance is still heavily reliant on legacy offerings that face well-known challenges. Tripadvisor is, right now, a combination of two very different business models. One is defined by our legacy offerings, that are large and profitable, and will continue to be an important but less central part of our overall business mix. The other is emerging. It's beginning to drive the outcomes I referenced earlier and will shift our mix over time. It is defined by a deeper and more direct relationship with travelers grounded in membership and the mobile app. It gives us the opportunity to monetize not just through clicks but also transactions, and not just once in a single session but over and over again, with less reliance on having to reacquire the customer in paid channels. This gives us a lot of confidence in driving sustainable growth at Brand Tripadvisor as we continue to execute on our strategy.

Turning now to **Viator**, we delivered revenue of $244 million, growing 13% year-over-year, 14% in constant currency. Gross booking value ("GBV") grew 8% year-over-year to approximately $1.2 billion. Adjusted EBITDA was $10 million, or 4% of revenue, representing a $12 million year-over-year improvement. These results reflect our ability to deliver on our stated strategic priorities as we continue to invest across marketing and R&D, and make progress driving repeat bookings and unit economics. We continue to deliver value to both sides of our marketplace and sustain our leadership position.

On the **traveler side**, we're making impactful improvements across every part of the product experience. A few of these include check out flow refinements that drive lower cancellation rates, and reductions in payment friction in our "reserve now pay later" option, contributing to uplift in conversion. We are also making progress shifting travelers from web to app, nearly doubling the number of active bookers who log-in to the app, which is our fastest growing, highest repeating and best converting channel. We are excited about redoubling our efforts to give travelers the best app to discover, book, and enjoy the highest quality experiences wherever they are.

We continue to extend our reach, balancing performance marketing, affiliate partnerships, brand, and promotions to drive more efficiency as we better target new and repeat customers over the long-term. From a brand perspective, we're seeing improvements in consideration, in particular with high-value travelers, and we've seen almost double the

growth in branded search over the last year versus markets where we haven't rolled out creative.

On the **supply side**, we continue to see evidence of the value our suppliers find in our platform. We offer unmatched access to demand across multiple points of sale, including Tripadvisor, where experiences shoppers are the largest and fastest growing segment of the audience. And we continue to offer compelling tools and programs to help operators access this demand, grow their bookings, and drive their economics. This includes our Accelerate program, where we've seen GBV from participating suppliers increase from last year, at the same time that supplier churn remains very low. We are also making improvements to key parts of the operator experience on our platform, including our new supplier onboarding program, which continues to smooth the self-service path and has led to a reduction in customer service contact rates and higher customer service satisfaction.

At TheFork, we continue to drive profitable growth and deliver value to diners and restaurants across Europe, benefitting from sustained operational efficiencies that continue to improve our unit economics. In Q2, revenue was $42 million, 11% growth year-over-year growth, or 12% in constant currency. Importantly, adjusted EBITDA was $3 million, or 7% of revenue, a $7 million improvement over Q2 last year, representing our most profitable quarter ever.

We are driving marketing efficiency, focusing our investment mix to balance how we acquire new customers and drive repeat reservations at greater scale. We have been pleased with the performance in social channels, which are delivering incremental volumes with strong ROI and repeat rates. In TheFork's direct channels, repeat bookings represent a growing share of overall bookings. More than 75% of TheFork's booking volume comes through the app, and we continue to enhance the user experience in that valuable and growing channel. Homepage additions such as local hot spots, top restaurants by city, and special offers, as well as an improved ranking algorithm, have driven year-over-year conversion improvements. We also continue to drive opportunities to enhance TheFork's recognized brand, including exploring new and innovative partnerships to tap into new audiences. We recently piloted a gift card program in one of our key markets, partnering with Vodafone to provide its millions of customers an incentive loyalty reward as well as promoting TheFork in its media. We think there are more opportunities like this one to pursue in the future.

On the restaurant side, our results reflect the value we are providing to over 50,000 restaurants in TheFork network. In the quarter, we drove growth in new restaurant acquisition and stability in active restaurants. Importantly, we achieved significant improvement in sales productivity for new restaurant acquisition. We also laid the foundation for sustained B2B revenue growth, which drove double-digit subscription revenue that gives us confidence in the runway ahead.

Before closing out, I want to reflect on all the progress we are making in each of our segments across Tripadvisor Group as we continue to pursue our vision to be the most trusted source for travel and experiences. We are uniquely positioned. Our strategies are aligned. And we are doing the hard work, quarter by quarter, to execute on our plans that will drive the trajectory of our performance. Of course, we are also closely watching what's happening externally. Recently, we've all observed mixed signals in the macro-economic environment, as well as ongoing geopolitical tensions. We also see some signals around narrowing international booking windows and moderating pricing. Overall, however, we continue to see healthy travel intent in both our search and survey data that suggests travel remains a priority and experiences continue to be a mainstay at the heart of travel planning. We remain confident about the long-term growth opportunity for travel and are focused on the work to fortify our position and create more value for all stakeholders.

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

Mike Noonan, CFO

Thanks Matt and good afternoon everyone. I will start by reviewing the quarter, and then provide our outlook for the third quarter and the remainder of the year. All growth rates are relative to the comparable period in 2023, unless noted otherwise.

Second quarter revenue was $497 million, reflecting growth of 1%, which was in-line with our expectations for the quarter. Adjusted EBITDA was $97 million, or 20% of revenue and 200 basis points higher than last year. Adjusted EBITDA was higher than expectations across each of the segments.

Turning to segment performance for the second quarter. **Brand Tripadvisor** delivered revenue of $250 million, which was a decline of 10%. Brand Tripadvisor revenue was slightly lower than expectations primarily due to the performance of hotel meta and experiences in the quarter.

Branded hotels revenue was $150 million, or a decline of 14%. Hotel meta performance reflects the weaker demand trends we observed in April, which did not improve in May or June. Lower paid click volume was driven by weaker demand as well as increased competition in these channels. We continue to manage our paid channels for appropriate returns, as reflected by slightly higher year-over-year contribution margins. Lower free click volume was due, in part, to the impact of the algorithm update referenced in our last call. Pricing continued to be up year-over-year but at a lower rate than prior quarters. From a geographic perspective, hotel meta revenue in the US stepped back meaningfully from Q1 levels while EMEA and APAC were more in-line with Q1 levels. Finally, we experienced modest declines in our hotel B2B offering; a trend we expected as we continue to transition our go-to-market model to self-service.

Media and advertising revenue declined 2% to $41 million. Growth in off-platform and programmatic revenue was offset by direct revenue and certain campaign timing, which, as we noted on the last call, was positive to the first quarter but negatively impacted the second quarter due to the pull forward of some campaigns into Q1.

Experiences and dining revenue was $48 million, or a decline of 4%, primarily due to a more than 20% decline in our restaurant B2B offering. These results were in-line with our expectations as we continue the transition to a self-service model. Experiences revenue growth was below expectations, particularly in the paid channels, where we witnessed more normalized category demand combined with the effects of our marketing strategy which emphasizes profitability at Brand Tripadvisor point-of-sale.

Lastly, Other revenue declined 15% to $11 million, as we continue to de-emphasize our flights, car rental, and vacation rentals offerings in favor of prioritizing investment in other areas more core to our stated strategy.

Adjusted EBITDA in Brand Tripadvisor was $84 million, or 34% of revenue, reflecting approximately flat margins year-over-year. Lower paid marketing expense as a percent of revenue was partially offset by increases in new LTV-based marketing campaigns, such as app-focused marketing and social media brand campaigns, to accelerate our engagement-led strategy. It's early, but we like the results that show improved awareness, higher trips creation and increased direct traffic and app downloads. Finally, we also saw modest deleverage coming from headcount increases across engineering, product, and data functions that underpin the strategic transformation work we've discussed in prior quarters at Brand Tripadvisor.

Turning to **Viator**. Q2 revenue was $244 million, reflecting growth of 13%, and 14% in constant currency. The pull-forward of the Easter holiday into the first quarter was a headwind to Q2 revenue of approximately 100 basis points of growth. Gross booking value, or GBV, grew 8% to approximately $1.2 billion in Q2. GBV at the Viator point-of-sale grew at rates higher than total GBV, while Brand Tripadvisor point-of-sale grew below the total GBV rate.

Our Q2 GBV sequential growth declines reflect broader demand trends across Viator's channels as well as the deceleration in the Brand Tripadvisor point of sale as referenced earlier. We continue to see healthy growth in our paid marketing channels, while our direct channels are growing faster. As Matt referenced, we are pleased with the progress we are making in growing our app channel as it is the fastest growing channel and we believe we still have a lot of optimization opportunities ahead of us. We are still seeing strong growth in repeat users and this growth has been consistent quarter over quarter. Importantly, our repeat users come with lower marketing costs.

Viator adjusted EBITDA was $10 million, or 4% of revenue in the quarter. The year-over-year margin leverage of approximately 500 basis points was driven primarily by lower sales and marketing as a percent of revenue as a result of a more favorable free versus paid channel mix. People costs as a percent of revenue were approximately flat year-over-year, despite continued investment in our product experience, especially in the app and growing supply in our marketplace.

At **TheFork,** revenue grew 11% as reported, and 12% in constant currency terms, to $42 million. Top line results were driven by balanced growth in both pricing and bookings volume. The pull forward of the Easter holiday into Q1 of this year resulted in a headwind to Q2 revenue of approximately 200 basis points of growth.

Adjusted EBITDA at TheFork was $3 million, or 7% of revenue, an improvement of 18 percentage points from Q2 of last year. Lower people costs as a percent of revenue was the primary driver of the year-over-year leverage.

Now, turning to **consolidated expenses** for the quarter. Cost of revenue was 9% of revenue, an increase of 100 basis points due primarily to higher cloud costs across Brand Tripadvisor and Viator, higher transaction fees at Viator, and higher media production costs at Brand Tripadvisor.

Sales and marketing was 53% of revenue and was lower by approximately 200 basis points due to lower people and performance marketing costs at Brand Tripadvisor.

Technology and content costs were 15% of revenue, approximately 100 basis points higher, primarily due to higher people costs at Brand Tripadvisor and Viator.

G&A expense as a percent of revenue increased by nearly 200 basis points, which was due to several items. We incurred a one-time expense in the quarter of approximately $4 million related to the recently enacted Canadian digital service tax which required retrospective application to past periods; an expense of approximately $3 million related to a previously granted one-time share-based compensation award to a former senior executive, and approximately $2 million in costs related to the Special Committee process. G&A as a percent

of revenue for the quarter would have been approximately flat year-over-year without these expenses.

Now, to **cash and liquidity**. Operating cash flow was $53 million and free cash flow was $37 million. A key driver of the year-over-year decline was $141 million in cash outflows related to the previously disclosed 2014-2016 IRS transfer pricing settlement, versus last year's outflow of approximately $113 million related to the 2009-2011 IRS transfer pricing settlement. As part of this year's settlement, we expect to receive a refund of approximately $25-$35 million in Q3 or Q4, which would bring the total expected settlement to approximately $110 million. Other drivers of the year-over-year decline were changes in other working capital including lower deferred merchant payables. We ended the quarter with nearly $1.2 billion of cash and cash equivalents, an increase of $109 million from December 31, 2023.

During the quarter, we repurchased approximately 1.4 million shares, at an average price of $18.28 per share, spending approximately $25 million. We have approximately $200 million remaining in our current authorization.

Finally, subsequent to quarter end, on July 8, we closed on a Term Loan B facility in the amount of $500 million at SOFR+275. Proceeds were used to redeem the $500 million high yield notes that were due on July 15, 2025.

Turning to **our outlook for the third quarter**, which incorporates trends we saw in the business through July. In hotel meta, we continued to see demand headwinds in July and our outlook assumes that we see a continuation of these trends for the remainder of the quarter. Also, given what we're seeing in the normalization of pricing trends across the hotel category, we are assuming a softening of pricing relative to the last few quarters. For experiences across the group, our outlook assumes continued normalization of demand, reflecting the overall travel market; although still benefiting from higher growth relative to other travel categories given the secular opportunities.

Incorporating this outlook, for the third quarter, we expect consolidated revenue growth to be approximately flat to a few points down year-over-year.

At Brand Tripadvisor, we expect increasing year-over-year declines from Q2 levels driven by the more volatile macro demand picture in Hotel Meta.

At Viator, we expect revenue growth to moderately step back from Q2 levels driven by macro demand trends and continued point of sale mix pressure as we just discussed.

At TheFork, we expect growth in-line with Q2 growth.

For Q3, we expect consolidated adjusted EBITDA margins to be down year-over-year by approximately 350 to 450 basis points. Year-over-year margin improvement at Viator and TheFork will be offset by year-over-year deleverage at Brand Tripadvisor of approximately 8 to 10 percentage points. The deleverage at Brand Tripadvisor is due to a combination of the lower revenue expectation, and planned spend in the areas of headcount and LTV-based marketing experimentation in support of our future growth-oriented initiatives.

Given our outlook for Q3, we now expect **full year** consolidated revenue growth of low single digits, which is at the low end of our previous range. We also expect consolidated adjusted EBITDA margin deleverage of approximately 100 to 200 basis points.

For the full year, we expect revenue declines in Brand Tripadvisor of mid- to high single digits and margins down year over year by approximately 400 basis points, which is down slightly from our last update. This outlook assumes that we see revenue declines in our hotel meta offering moderating in the fourth quarter.

For Viator, we assume modest acceleration of growth vs Q3 in the fourth quarter as we lap an easier comp due to the start of the Mideast conflict. Our expectation for improved profitability versus last year remains unchanged and we continue to realize increased operating efficiencies in the business. This easier comp will also benefit experiences revenue growth at Brand Tripadvisor.

At TheFork, our revenue expectations remain unchanged, and we still expect a significant year over year improvement in adjusted EBITDA for the year.

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

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