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TRIP - Q1 2015 TripAdvisor Inc Earnings Call

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PRESENTATION

Operator

Good afternoon and welcome to TripAdvisor's first-quarter 2015 earnings conference call. As reminder, today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Will Lyons, TripAdvisor's Senior Director of Investor Relations. Please go ahead.

Will Lyons - *TripAdvisor LLC - Senior Director of IR*

Thanks, Stephanie. Good afternoon, everyone, and welcome to TripAdvisor's first-quarter 2015 earnings conference call. Joining me today are Steve Kaufer, CEO, and Julie Bradley, CFO. After the market closed today, we distributed our earnings release through our Investor Relations website located at ir.tripadvisor.com. In it, you will find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also, our Investor Relations website has a supplemental financial document, which includes certain non-GAAP financial measures discussed on this call.

Before we begin, I'd like to remind you that estimates and other forward-looking statements included in this call represent the Company's view as of today, May 6, 2015. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances.

Please refer to today's earnings release and TripAdvisor's filings with the SEC for information concerning factors that could cause actual results to differ materially from those expressed or implied by such statements. Finally, unless otherwise stated, all comparisons on this call will be against our results for the comparable period of 2014.

And, with that, I'll turn the call over to Steve.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Thank you, Will, and welcome, everyone.

We are off to a great start. We accelerated total traffic growth, hotel shopper growth, and content growth. We made progress on all of our key initiatives, and we remain solidly on track to deliver strong revenue and profit growth this year. Total revenue grew 29% to $363 million, or 36% growth on a constant currency basis. On the bottom line, adjusted EBITDA grew 4% to $127 million, or 15% on a constant currency basis. This quarter's business performance was slightly ahead of our expectations and keeps our full-year outlook intact.

Our first quarter illustrated two important trends that position us for profitable growth for years to come. First, our core hotel business is strong, growing, and very profitable. Book-based revenue grew 20%, or 27% on a constant currency basis, and second, our newer attractions, restaurants, and vacation rental businesses are growing even faster than the core. These businesses, while highly seasonal, contributed nicely to our revenue growth this quarter. These near-term financial results were strong and speak to a solid global travel backdrop.

Now, let me turn to our key initiatives and start with how we are expanding our lead in content and community. Listings grew 19% to 4.9 million businesses with pages on TripAdvisor, including 16% growth in hotels, 25% growth in attractions, and 19% growth in restaurants. We are seeing record user engagement, as well, as evidenced by reviews and opinions growing at 45% to 225 million. Users are contributing at an accelerated rate of 139 per minute, which is 39% faster than last year.

In addition to reviews and opinions, users are also contributing ratings, helpful votes, saves, tags, and a wealth of location information at massive scale, helping us to innovate, streamline, and personalize the TripAdvisor experience across all devices. This metadata underpins our unique understanding of travelers, helping us deliver a better product to our users, and more targeted insights to our partners.

On the partnership side, we're pleased to be one of Google's initial launch partners for customized voice action through the Google app, where users can say, okay, Google, show attractions near me on TripAdvisor and be directed to our app. Users can also -- users will also be able to find our content when they are asking -- when they are using Apple maps.

Both integrations highlight that on any device, TripAdvisor has great answers to the most frequent and fundamental travel queries. Where do I want to go? Where should I stay? Where is a good place to eat? What should I do?

Not surprisingly, having the most valuable travel content on the web attracts the largest travel audience on the web. Traffic growth accelerated for the second straight quarter, growing 31% to 340 million average monthly unique users. Hotel shopper growth accelerated for the second straight quarter as well, up 26%. Another area of strength and deep engagement is mobile, where our top ranked apps have been downloaded 190 million times, including 170 million downloads of our top-ranked TripAdvisor app. We believe organic downloads and user engagement on mobile apps is a powerful indicator, not only of brand strength, but also that consumers view TripAdvisor's mobile products as an indispensable tool.

Our continued outsized traffic growth speaks to our global reach. As we reinforce our leadership position in travel media, we're in the early stages of expanding our position to help more users transact with more businesses on TripAdvisor.

In hotels, we expanded instant books reach in Q1. On the user side, we were pleased to introduce the booking future to some mobile phone users in the UK, Australia, Canada, Ireland, and New Zealand. We're honing a more seamless booking experience on TripAdvisor, and we're working hard to enable all English-speaking countries.

On the partner side, were currently working with over 50 OTA and hotel brand clients, including 20 that are live. Q1 was also the first full quarter of our instant book beta for independent hotels. We're live with more than 70 connectivity partners and the thousands of independent hotels currently taking bookings on our platform.

Early feedback continues to be very positive. I'd be remiss if I didn't call special attention to the extended instant book team which is working tirelessly to bring our instant book product to more users and more partners. I thank them for their continued efforts.

In attractions, the team has made great progress in improving the planning and booking experience for users and partners alike. I'm very pleased to announce that at the end of the quarter, Viator began the official rollout of the Viator Marketplace, which will enable us to rapidly expand the number of bookable listings within the 530,000 attractions on our site. Most importantly, Marketplace will give users more choice. Be it to book things like a helicopter ride over the Grand Canyon, a skip-the-line pass for the Louvre, or a private tour of Machu Picchu, which in turn should drive more bookings for more partners and a bigger and better business over time.

On the TripAdvisor side, our team completed a refresh of the attraction pages, giving users a cleaner and easier way to plan and book things on their trip. We're really excited about how attractions fit so well for users and our business.

In restaurants, our listings, content, and traffic are all growing nicely. From the business development side, we are executing on our organic and inorganic growth strategy, which is building value for more users and more restauranteurs. We are investing organically to expand our new restaurant platform, TheFork, and recently expanded into the online reservation market in Sweden and Turkey.

We're growing through acquisition as well, adding Portugal-based BestTables to the TripAdvisor family during the quarter. We see an enormous opportunity to leverage our content advantage, deep mobile engagement, and 2.7 million restaurant listings around the world to match more travelers and locals with more restaurants. Last, but certainly not least, we're building a bigger and better Vacation Rentals business helping more users find and book great properties on our platform. Listings growth reaccelerated to 18%, and we now offer more than 700,000 listings. For some trips, a vacation rental is a better option than a hotel, and free-to-list is helping us offer as many high quality listings as possible.

During the quarter, we also finished a significant migration of our inventory on to one platform. While invisible to the user, this has enabled faster inventory onboarding, making it easier to develop -- to deliver more options to choose from. We are seeing the financial benefit as transaction revenue grew 200% and accounted for more than 50% of our Vacation Rentals revenue in the quarter. In sum, the year is off to a great start. We've opened an exciting new chapter for our business, building upon our lead and content to enable more users to plan, compare, and book their hotels, attractions, restaurants, and Vacation Rentals on TripAdvisor.

As I conclude, in addition to thanking our employees for all of their continued hard work, I also want to thank Julie Bradley, who announced that she is stepping down as CFO after almost four years. Julie has been instrumental in guiding the Company through the spinoff, building a world-class finance organization, and has played an important role in positioning the business for the long term. She has been a great partner in building TripAdvisor, and I thank her for her contributions.

Thank you, Julie. And now, here's Julie.

Julie Bradley - *TripAdvisor LLC - CFO*

Thank you, Steve, and good afternoon everyone.

I wanted to start by saying a few words about my decision to step down as CFO. My decision is a personal one, based on my desire to spend more time with my two great teenagers before they head off to college. This was a hard decision for me because of how much I love TripAdvisor and all the people I work with here. In particular, I can't thank Steve and the rest of the management team members enough for their friendship and support.

It's a great team. I'm confident that TripAdvisor's best days lie ahead, and I'm excited about the path they are on. It feels like a good time for this change. The business is doing well. The foundation is solid. I have complete confidence in the finance team, and I plan to stay with the Company through September or until we find my successor to ensure a smooth transition. I also want to thank our shareholders for their partnership and support.

Now, on to the financials. TripAdvisor turned in a strong first quarter despite the US dollar continuing to strengthen. First-quarter total revenue was up 29%, driven by our large and growing click-based business, as well as a full-quarter contribution from LaFourchette and Viator. In constant currency, our revenue growth would have been 36%. Q1 click-based revenue grew 20%, or 27% on a constant currency basis, driven by 26% hotel shopper growth, and very strong CPC pricing for our high value leads.

Revenue per hotel shopper growth was negative 5% for the quarter. Absent currency headwinds, revenue per hotel shopper growth would have been slightly positive, a great result as more than 50% of our traffic growth is coming on the phone which monetizes at a fraction of desktop and tablet search devices. Display-based revenue grew 9% in the first quarter against a tough year-over-year compare. We continued to improve our data management platform to deliver more value to a growing global list of marketers, including both travel and non-travel sectors. Our performance in this product category continues to well outpace industry growth rates.

Subscription, transaction, and other revenue grew 88% for the quarter, driven by contributions from attraction and restaurant acquisitions, as well as by great organic traction in Vacation Rentals. Q2 should remain an easy comp in this regard, and then we expect growth to normalize as we lap these acquisitions in the back half of the year.

Consolidated Q1 adjusted EBITDA was $127 million, an increase of 4%, or 15% on a constant currency basis. Beyond these currency headwinds, these results reflect negative contribution from our attraction and restaurant acquisitions due in part to their revenue seasonality, which is heaviest in the summer travel months, as well as our aggressive investments to drive global scale. From a segment perspective, our core hotel business remains strong, posting 20% revenue growth, or 26% in constant currency, with a very solid 41% adjusted EBITDA margin.

During Q1, we invested more than $10 million in television advertising to amplify our plan, compare, and book consumer message. We plan to step up this investment in Q2, and again in Q3, to deliver our message into new and existing markets heading into the heavy summer travel planning season.

Other segment revenue grew 187% in Q1, primarily driven by attraction and restaurant acquisition contribution, as well as Vacation Rentals. Other segment adjusted EBITDA margins were negative 12% for the quarter due to ongoing organic investments and high revenue seasonality in attractions and Vacation Rentals. On this last point, I'll again remind everyone that these transaction-based businesses have revenue that is heavily weighted in the summer months as we recognize revenue when the ticket gets used or the stay occurs. However, their costs are more evenly distributed throughout the year.

As we outlined on our last call, we are executing on a three- to five-year growth plan in these newer categories, leveraging our strong core hotel business to fund global expansion. Near-term, our priorities are simple: drive revenue growth and market share gains. We believe adjusted EBITDA margins should improve over time as these businesses achieve greater global scale.

Moving onto headcount, we ended Q1 with nearly 2,900 employees, up 38%, driven primarily by our attraction and restaurant acquisitions as well as our ongoing investments to attract top-tier talent. For taxes, our Q1 GAAP effective tax rate was 27%, which was in line with our projected 2015 GAAP tax rate of 27% to 28%.

We ended Q1 with 146 million fully diluted shares outstanding, and we estimate that are diluted share count could increase roughly 1% to 2% by the end of 2015, subject to our stock price movements, potential share buybacks, and new share issuances. We generated $99 million of cash from operations during the first quarter. CapEx for the quarter was $31 million, or 9% of revenue, driven by leasehold improvements for our new headquarters, capitalized website development, and to a lesser degree, data center expansion to support our traffic growth. This amounted to $68 million of free cash flow in Q1, or 19% of revenue.

A quick note on CapEx. This should decrease as a percentage of revenue when we take occupancy of our new corporate headquarters in late Q2 or early Q3. As such, we continue to expect 2015 capitalized expenditures to be roughly 5% of revenue.

From a liquidity standpoint, our cash, cash equivalents, and short- and long-term marketable securities increased by $48 million during the quarter to $642 million, driven primarily by free cash flow. We had just over $100 million remaining under our existing share repurchase plan, outstanding borrowings from our term loan of $290 million, as well as an undrawn credit facility of $200 million.

As it relates to our Outlook, our business has performed well year to date amidst worsening FX headwinds. As such, we continue to expect full-year total revenue growth in the high 20%s and EBITDA growth in the low to mid teens. I'll remind everyone that we forecast on an FX neutral basis, so future changes to FX could impact our 2015 Outlook.

On the EBITDA side, given the timing of our off-line marketing investments, the high seasonality of revenue in our growing transaction businesses, and a full quarter's cost structure from our attraction and restaurant acquisitions, we expect Q2 adjusted EBITDA year-over-year growth to be flattish before a strong step-up in the back half of the year. This will include $20 million of TV advertising spend, which is roughly $10 million more than what we spent in the second quarter of last year.

In summary, we've had a solid start to the year. We are hitting our near-term objectives as we continue to lay the foundation for long-term growth.

We will now open the call up to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Lloyd Walmsley, Deutsche Bank.

Lloyd Walmsley - *Deutsche Bank - Analyst*

Thanks. First question, just in terms of Instant Book. Can you give us an update from a consumer standpoint, what you're seeing in terms of click-through rates and ultimate booking conversion downstream when you're putting an instant book option in front of a user instead of a metasearch option? And, how that compares on a supplier direct versus OTA?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure, Lloyd. This is Steve. So, the click-through rate, what we've always been pleased to report and can reiterate, is that when we put a button up there on either the phone or desktop, tablet devices, that says book on TripAdvisor, consumers are fine with that. They click at roughly the same rate as if we were putting any other brand. So, our interpretation of that is perfectly happy to leverage the trust that they have in TripAdvisor to start down that booking final.

We don't disclose the actual conversion rate, or we're not ready to disclose the actual conversion rate of those leads. But, you can imagine as it has been rolled out on the phone in so many places and being out there, that it's working well for us, and the rollout continues as you've seen in my remarks into other countries on the phone. On desktop, we haven't rolled it out fully, but we continue to work through both the downstream conversion. We continue to work optimizing the final, and just to make sure that the user's experience is as good as it can be as good as it should be, whether the [film and] partner is a supplier, direct hotel, hotel chain, or true, an OTA.

Lloyd Walmsley - *Deutsche Bank - Analyst*

And then, I guess following up on that. Do you still feel like you have the necessary sales footprint to build hotel direct supply using the existing Business Listings sales force? Or, do you think that will require more people to get it where you want it to be?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

I'd say, we continue to grow that group, but whereas many years ago, when I had talked about having to build up a full sales organization to go reach all of these hotels -- we don't need another one of those. We are clearly on the path of leveraging the one that we have, and we've seen sign-ups from individual properties come straight through our website with very little by way of a touch of a sales Representative. For an independent property -- well, I should say for a chain property, we already have the key account infrastructure in place. For an independent property, the switch from a subscription, or the addition from a subscription to a commission rate is quite well appreciated by the independents. So, we expect modest growth but nothing involving rebuilding an entire sales force.

Lloyd Walmsley - *Deutsche Bank - Analyst*

Okay. Thanks. Julie, good luck, and enjoy the time with your family.

Julie Bradley - *TripAdvisor LLC - CFO*

Thank you, Lloyd. Appreciate it.

Operator

Eric Sheridan, UBS.

Eric Sheridan - *UBS - Analyst*

Thanks for taking the question. Maybe just following up there. Steve, you've talked in the past about the education curve of helping partners understand Instant Booking to lead to broader adoption of it by some of the big hotel chains -- some of the partners I know you'd like to sign up. Maybe give us a little bit of color about where those conversations sit? How they are evolving and what people want to see as part of that education curve to get more comfortable with the product long-term? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure, Eric. Another excellent question. So, education curve for the big chains. I think they -- most of them understand what we're doing here. I'd say there's general buy-in and an understanding as to why we're doing it and how it can help them. There is an ongoing negotiation in terms of how and under what terms do they want to participate. So, stay tuned is the message. I don't think more education is necessarily the answer as opposed to closing more on the negotiation side.

Operator

Robert Peck, SunTrust.

Robert Peck - *SunTrust Robinson Humphrey - Analyst*

Yes. Thank you. Congratulations. I wanted to ask about hotel shoppers which had a great growth rate here, about 26% or so, off of a little bit of an easier comp. Julie I was wondering if you could tell us how should we think about that number going forward here through the rest of the year? Thank you.

Julie Bradley - *TripAdvisor LLC - CFO*

Sure. Thank you for the question. We don't forecast overall hotel shoppers. We see we're very excited with the growth, especially given that it is off a very large base.

Robert Peck - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you.

Operator

Douglas Anmuth, JPMorgan.

Douglas Anmuth - *JPMorgan - Analyst*

Thanks for taking the question. Two things, first just on meta-pricing or just overall click-based pricing, can you talk about the increase that you saw in 1Q just on an FX-neutral basis? I may have missed that. But then, also, how you are think about that going forward, and perhaps the room that's left there in terms of meta-pricing? And then, secondly, Julie, can you just clarify on the 2015 guide, very clear that you're maintaining the reported numbers. Did you provide what that would be on an FX-neutral basis? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

I'll take the first on the CPC and then float it to Julie. I would suggest that the auction as it currently stands is in fact being a reasonable representation of the value of the leads except as best that our clients can track it. So, we have always maintained -- continue to maintain that we're missing a big chunk of credit for the transactions that we're driving, but as the tracking is currently implemented by basically all or almost all of our clients, the last touch attribution, to get technical. We're getting the credit and our clients are paying a fair price in the auction. So, as the CPC reflects the competitive nature of the auction, we don't expect -- we have no reason to expect CPC prices in particular will meaningfully go up or necessarily go down as we don't see too many of the auction dynamics changing over the course of this year.

Julie Bradley - *TripAdvisor LLC - CFO*

Sure. And then, I will take the FX, guidance-related part of the question. So, early in Q1 at a conference, we stated that looking at our guidance it's included about a 5% revenue headwind and 10% EBITDA headwind as compared to the comparable quarter throughout 2014. Since that time, we've probably seen about a 200-basis-point further deterioration in rates, but we are still comfortable holding the guidance that was set out originally.

Douglas Anmuth - *JPMorgan - Analyst*

Okay. Thank you.

Operator

Heath Terry, Goldman Sachs.

Heath Terry - *Goldman Sachs - Analyst*

Great. Thanks. Steve, you've talked a lot about the demand from larger hotel chains for Instant Booking and what they see as being an acceptable rate or commission for that -- or partnerships where they are willing to sign up in the current travel environment. Curious how that's evolving? If you are starting to see as Instant Book matures, any nuance to the attitude that they are taking towards adding instant book as an option? And, whether that's different in Europe versus the US, and large chains versus smaller?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure, Heath. Good perspective to add. I'd say there's general faster reception amongst the smaller chains. In part, it's a bit of an easier decision for them. We're another distribution channel. The bigger chains, I would characterize it as a good and material progress, forward progress in the discussions with most of the big chains. And, I remain optimistic that one to several will continue to -- will sign up, and we will be able to publicly announce those.

Heath Terry - *Goldman Sachs - Analyst*

Great. Thank you.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure.

Operator

Tom White, Macquarie.

Tom White - *Macquarie Research - Analyst*

Great. Thanks for taking my question. On Instant Booking, I was hoping maybe you could provide some details about how you are internally modeling or forecasting the monetization of Instant Booking this year? What kind of impact from that product is contemplated in the full-year revenue outlook?

And then, just secondly, there has been a lot of M&A in the space recently. Maybe just some high-level thoughts on what that means for you? I guess there is a trade-off between maybe more revenue concentration, but maybe do these newly acquired brands are they going to perform better under new owners? And, if they convert better maybe have more margin to spend in marketing? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure. So, with Instant Booking, it certainly is a challenge for us to forecast that. In terms of monetization, we play the long game. So, it's not just a question of getting to revenue-neutral or slightly above or slightly below. We're taking our best guess over the course of the rest of the year as to

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when we think we will roll out and how much. But, as you know, some of it's not in our control -- not entirely in our control in terms of the timing of some of the chains coming on Board.

So, the short answer is, when we look at it going forward, we're not projecting a major financial hit by an instant book rollout. That's something that at least at this point we are not choosing to do. In terms of the OTA and the M&A landscape and the impact on TripAdvisor, the Expedia-Orbitz the deal has not closed. If one assumes that it will, then we -- and if I were to guess or hypothesize on what Expedia may do, so I want to be clear, they are not sharing their potential plans with us. One might guess that they would take a bunch of their inventory that they have excellent margin on and put it on to the Orbitz platform, and Orbitz would continue to bid it on TripAdvisor. That's at least the history of what they did with Travelocity.

As they did that with Travelocity, that was a net positive, I believe, for TripAdvisor, probably a net positive for Expedia as they had another well-known brand that could bid on our leads. And, given that, in general, I think of Expedia as having slightly better margins than Orbitz, they would then be able to bid higher, if they chose to. So, all of that's obviously completely outside of our control. But, when we looked at that acquisition, we think it would be a neutral to perhaps a modest positive to the auction dynamics on our site. Most of the auction dynamics is in the first two slots of the Meta landscape. And, the first two slots tend to be the biggest brands, and that tends not to be an Orbitz or Travelocity. So, that's why I'm reasonably sure it won't be a meaningful change. At best, it would be a modest one.

Tom White - *Macquarie Research - Analyst*

Thanks for the color.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure.

Operator

Manish Hemrajani, Oppenheimer.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Hi. Thanks for taking my call. Really solid traffic growth this quarter. As higher traffic visits the platform, how well is that incremental visitor converting? Is it similar to what you have seen before? Or, is it converting at a lower rate than your existing traffic? And then, hotel shopper growth was up 26% and traffic growth was up 31%. Are you starting to see more traffic growth on the non-hotel side? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Yes. In general, we do see more growth on the non-hotel side. Just there's a lot more restaurants. There is a lot more languages that we are expanding on, and I would project that to continue into the future as we're big in restaurants and restaurants is often a very local use case on the phone. We would expect that to continue to grow, and for obvious reasons, much faster than hotel. That's why we do break out the hotel shopper number versus the total traffic.

So, if I were to look and forecast on a total revenue per unique user -- yes, we expect that to continue to going down. That's our modeling, our planning, and it's not a bad thing to have the constant or the incremental traffic growth even in the segments that we don't monetize particularly well. A restaurant in Japan for instance today. But, you can see as we move our booking capabilities into restaurants and attractions and expand them globally and expand them in multiple languages, that's a way for us to tap into that traffic growth that's not in the hotel segment. So, we are by no means ignoring that growth, but it will always -- for the foreseeable future be a lower monetizing consumer than someone who is shopping for a hotel.

The better or worse than historical, I think because of the shift to the phone, and a bunch of our hotel shopper growth is coming on the phone. And, the user experience is delightful, excellent all nice engagement metrics, but the likelihood that that consumer is going to finish their booking on the phone is dramatically less than the desktop. Therefore, the revenue per hotel shopper on the phone much less than on desktop, which brings down the average of revenue per hotel shopper over time, if you just look at it through a device lens. Obviously, we are making up some of that on the combination of pricing and conversion and getting higher quality traffic into the hotel shopper funnel on desktop to make up for the downward pressure on the phone.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Thank you.

Operator

Ken Sena, Evercore ISI.

Ken Sena - *Evercore ISI - Analyst*

Hi. Thank you. Just the comment, Julie, you made about revenue per hotel shopper and the fact that on an organic basis, you're actually seeing a slight increase there? Can we infer that -- can you hear me okay? (multiple speakers)

Julie Bradley - *TripAdvisor LLC - CFO*

Yes.

Ken Sena - *Evercore ISI - Analyst*

Can we infer from that maybe that the mobile headwind is starting to subside a bit? As we look forward modeling that ratio?

Julie Bradley - *TripAdvisor LLC - CFO*

Sure. So, Ken, my actual statement was that revenue per hotel shopper was down this past quarter, but if you looked at it on a constant currency basis, not -- .

Ken Sena - *Evercore ISI - Analyst*

Not organic. I'm sorry.

Julie Bradley - *TripAdvisor LLC - CFO*

Yes. If we just take that then it was actually slightly up which we were pleased about.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

The mobile headwind will continue and because there's still such a gap there, it's really up to us, the Company, the team to be able to make up for some of that headwind frankly as we did this past quarter through other means on the desk top plus some improved monetization on the phone. But, it's still a headwind for -- we've seen for quite some time.

Ken Sena - *Evercore ISI - Analyst*

Can you maybe give us some sense of what the change would have been on an organic basis?

Julie Bradley - *TripAdvisor LLC - CFO*

So, revenue per hotel shopper should be all organic. Because the acquisitions that we've been making are in the restaurant and attractions space, and the way we define hotel shopper is someone who is coming to look at a hotel page -- either a hotel listing page or a hotel detail page. As compared to our restaurant and attractions customers who are coming to look at those specific pages.

Ken Sena - *Evercore ISI - Analyst*

The increase then would be the same whether you're talking about ex currency or you're talking about organic? Correct?

Julie Bradley - *TripAdvisor LLC - CFO*

There is no difference between organic and total when it comes to revenue per hotel shopper because we did not make any acquisitions that were in the hotel segment.

Ken Sena - *Evercore ISI - Analyst*

Okay. As we think about the improvement, I know that Steve mentioned that you still have that gap that you have to close? But, clearly you improved this quarter. So, as we look forward, how can we think about that ratio trending? Does it get better from here do you think? Or, is there still some erosion to expect?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

I'd say it remains a challenge for us each quarter, and we can make progress on the rev per hotel shopper both by better monetization on the phone through things like instant book and the successors to that. The continued rollout, as well as the users are getting -- we believe -- traveler is getting more accustomed to booking on the phone. So, we are not in control of that, but it's a trend that we see and we expect which will improve conversion rates just through time. And then, the additional ongoing conversion improvements that we've gotten good at that we need more of on the desktop. All of which to compensate for the headwind of the general shift over to mobile. Hard for us to model. Hard for you to model.

Operator

Kevin Kopelman, Cowen and Company.

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Kevin Kopelman - *Cowen and Company - Analyst*

Hi. Thanks. Could you comment at all on the rate parity investigations of OTAs that we're seeing in Europe? How do you expect to see that situation develop? And, is there any impact on TripAdvisor's business? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure. So, we do follow it. It's not really of top concern for us. People do come to TripAdvisor. They looked -- one of the values that we provide all of our customers is the ability to use us to shop around for the best rates. So, to the degree to which rates do become more diverse over more segments, or more different channels, that makes the price comparison engine more valuable.

To the instant book side, it makes us work harder to make sure we're getting the best rates on our side so that our own instant book option isn't being beat by some other channel. So, in general, we're fine with it. We don't currently model in any business benefit by that change. And, honestly, if it happens I'm not sure we'll ever really know that that -- if we see a benefit, it will be relatively impossible for us to tie it back to that ruling or those changes that will follow.

Kevin Kopelman - *Cowen and Company - Analyst*

Okay. Thanks, Steve.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure thing.

Operator

Nat Schindler, Merrill Lynch.

Jason Mitchell - *BofA Merrill Lynch - Analyst*

Sorry about that. This is Jason here for Nat. I was just wondering if you could talk us through how you think instant book might affect meta rates more in the long-term picture? You had talked about the top two slots being the important ones, and if meta is the first button, do you expect that to pressure rates? And then, on mobile, you're rolled out more with instant book on mobile than you are on desktop? Are you seeing any early signs of breakage being cured by that? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Jason, two good questions. I don't see -- personally, I don't see the Instant Booking pressuring the meta rates. Our clients, in general, did for the most they can pay for the most they choose to pay for the traffic. Instant Booking simply means there is less traffic available to the other players, but we don't -- it would be very hard for us to be able to measure that there was an impact. And, logically, it's a little hard for me to see that there would be an impact.

In terms of on the phone, is the breakage being cured? Look, we do see a repeat rate on the phone. Is it because people are getting more used to using the phone and if they flow through a booking, it's better they come back? Yes. Is it because IB offers a really nice, convenient experience so they come back to use IB? Yes. What's the breakout between the two? Really hard for us to say. As evidenced by the full rollout in the US and the more aggressive rollout in other countries on the phone, we like the experience. We are committed to it. We're rolling it out. We are not in a must-roll-it-out-next-week, but it's a train that there is no stopping. So, we will continue that over the course of this year.

Jason Mitchell - *BofA Merrill Lynch - Analyst*

Okay. Thanks for that. And then, just going back to the hotel shopper growth, you had a 1,200-basis-point easier comp, and you accelerated 300 basis points this quarter year-over-year. Can you just -- was there anything in Q1 of 2014 that we should be aware of for that comparison?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

It's a good question. I don't put a ton of stock in the quarter-to-quarter hotel shopper. So, yes, it was lower a year ago. When we look at 26% this quarter and 20%-something last quarter, those are great numbers of hotel shoppers coming to the site, over and over and over again. So, again, if next quarter it's a slightly lower number or a slightly higher number, it's just a factor that goes into the revenue.

We're working off such a large base, and as I said before, what's going to get lost in some of those numbers are the number of hotel shoppers that come back within the same week or within the same month which aren't counted in these growth rates. So, again, growth rates slowing a bit. Acceleration is always a great thing, but slowing a bit is not in my mind a sign of an issue. It's really what we can do with those shoppers, and we've had some nice progress in that area. Even in the situation where it has been in a growing quarter.

Jason Mitchell - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Mark Mahaney, RBC Capital Markets.

Mark Mahaney - *RBC Capital Markets - Analyst*

Julie, a question long-term about the potential margins for the non-hotel business. Could you give us a sense of where those could shakeout as those different segments scale?

Julie Bradley - *TripAdvisor LLC - CFO*

Sure. So, we are definitely investing for the long term. We see huge market opportunity -- I'm just looking at the restaurant space. For example, there's a lot of Greenfield opportunity throughout the globe. There is public comps that are out there that are very profitable, and so we understand what that business could look like at scale. But, because of the large opportunity in front of us, we have the luxury of using our very stable, growing profitable hotel business to expand into these adjacent areas. So, as we continue to do that, we most definitely will see profitability over the long term, and it's just a matter of timing and when we get a complete penetration and mature business model.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

And, it's not a specific number I can offer, but we do point to the fact that in restaurants, it is a very local product. And, there tends to be a winner-take-all or close to it in a given city. Because if you get enough restaurants and you have enough user demand and enough app installs, that's very habit-forming. You go back to the app. And, in all almost all of these businesses, it's a cost-of-customer acquisition that drives the margin. And, when you can get that cost-of-customer acquisition down to be zero because it's a repeat user, the rest of the business just turns out margin.

When you look at attractions, it's less a winner-take-all because it's a more episodic purchase as with travel in general. But, we already have the website that the closest out there in terms of where people would go research what they want to do when they are in market, when they're planning a trip. And, we have far and away, to our thinking, the largest number of installed apps with great attraction content with the 170 million TripAdvisor apps out there growing at a wonderful rate. So, you take all of that then you think of Viator as the OTA for attractions, selling a product online that's not shipping a good but ticketless, just like a hotel. Or, package list, it's just like an electronic ticket, that needs a bunch of information to sell it.

We have that information. That needs the connectivity to be able to deliver the inventory -- the tour or the ticket, not unlike a hotel reservation. And, we're in a very good position we believe to be able to satisfy the demand that we know is out there. Focus already quantified it at the 60 billion, 70 billion -- I forget the total number, but it's a really big number that already exists. We don't have to imagine anything else happening. It's just scattered over a huge number of vendors, including a ton of walk-up or last-minute purchase. So, if our destiny -- if we can hope for our destiny to be that online travel agency for attractions, then TripAdvisor brings the demand, Viator brings the supply, and it's a pretty nice match on a product that is sold online with high margins. Gosh, looks very similar to the hotel space, and we all know a couple of OTAs in the hotel space that are very big and very profitable. So, we like those proof points.

Mark Mahaney - *RBC Capital Markets - Analyst*

Thank you, Steve.

Julie Bradley - *TripAdvisor LLC - CFO*

And, Mark, I just wanted to jump -- I know you asked about the long-term, but I did just want to get in there a little bit about -- reemphasize the short-term especially when it comes to Viator. And, that it's a highly seasonal revenue stream just based on the way that we recognize revenue. And, just to give you a sense of how significant that is, about 10% of 2015 Viator's total revenue was recognized in Q1, and we expect Q3, we will recognize about 40% of the total. So, it's some pretty significant swings throughout the year. And, also, you should when looking at overall EBITDA margins, remember that their cost structure is evenly distributed.

Operator

Brian Fitzgerald, Jefferies.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Thanks. Maybe some additional color on mobile? Steve, you mentioned improving mobile monetization rates. What are the trends there in terms of narrowing that monetization gap? What's driving that? You mentioned some improvements were driving that? And then, any unique insights from the Samsung preinstall relationship? Is that extended to the newer models also? Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

I don't think I can comment on the Samsung stuff at this point. The mobile monetization -- I'm not sure I can point to anything specific. Obviously, we believe the Instant Booking is a positive factor. Just more general usage is a positive factor, and the team has done a nice job just making the app easier and easier to use. It's kind of hard to point to a single thing, but it's getting better and better, and therefore monetization getting the traffic that comes in to the right hotel and therefore generating some revenue from us or for us, either through instant book or Meta.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Great. Thanks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Okay.

Operator

Naved Khan, Cantor Fitzgerald.

Naved Khan - *Cantor Fitzgerald - Analyst*

Thanks. On the business listing side, what portion of the business listing customers have you migrated to property-based pricing versus the flat-fee structure that you used to have?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

So, quite a while ago, we had a pricing -- business listing pricing has gone through a number of evolutions. There used to be pricing that was more geographic and focused with different peers, and then over a year ago, it went to property-specific pricing. At this point, I would say almost everybody -- a bit of a guess -- but I would have to guess almost everyone is on property-specific pricing now. So, there wouldn't be any other changes. A number of properties have seen the price go up as we've right-sized it for the value that we've been delivering in terms of clicks and page views and overall visibility.

Naved Khan - *Cantor Fitzgerald - Analyst*

Understood. And then, in the restaurant business, do you see more M&A opportunity on the transactional side such as LaFourchette? Or, do you think they are equally compelling opportunities to acquire review sites to increase the depth and breadth of your content?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Restaurant review sites?

Naved Khan - *Cantor Fitzgerald - Analyst*

Yes. So, M&A opportunity between transactional businesses such as LaFourchette or acquiring review sites? I'd say we are an inquisitive Company so we look at a wide range in restaurants and obviously outside of restaurants. I think if you looked at the acquisitions we've done, they've been more focused on the transactional side. But, you won't hear me ruling out anything else. Thank you.

Operator

(Operator Instructions)

Peter Stabler, Wells Fargo Securities.

Peter Stabler - *Wells Fargo Securities, LLC - Analyst*

Thanks for taking the question. Two quick ones. Steve, you mentioned the additional countries that are now seeing some availability of instant book. Is it possible to size the percent of queries that are now seeing instant book? Or, the percent of hotel shoppers who are encountering that option? And then, secondly, wondering if you could provide any color on your efforts in China? Thank you.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Sure. So, I can't really size the percent of hotel shopping queries that see instant book. I'm not up to speed myself on the exact rollout of what we are currently seeing in different markets, and it does fluctuate. US is a big market, and instant book is available on lots of properties there. So, it's certainly easy to find if you're looking for it.

In China, it is a huge market. It remains a fast-growing market. It is super, ultra-competitive. And, when we look at our efforts to date, we have to acknowledge a ton of hard work by the team. Good product, good efforts. But, I have to say it's status quo is not what we are aiming for here. We're not winning in the way that we wish to, and so from -- the team has in China has come back and said, hey, here's a set of things that we need to do differently to succeed in a particular space within the China travel landscape. Outbound travel, you can see on the site is a particular highlight of ours and it does, in fact, resonate with Chinese travelers because we have a phenomenal amount of international content. And, while we have every hotel you could want to stay in in China, the strength of us versus the competition for the Chinese traveler, we feel it plays to our strengths focusing on the outbound. So, you can see a bunch of that on the site today, and I can simply hint that more change to come over the course of the year.

Peter Stabler - *Wells Fargo Securities, LLC - Analyst*

Could I quickly follow up -- is content creation going okay over there?

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Yes. I'd say I view that both through the lens of, look, do we have the restaurants and attractions and hotels that we need so people can review them and are they placed accurately on a map that sort of thing. Do we have photos for them? And, the general answer is, yes, I think we're doing pretty well there. And then, do we have local language reviews for things that the Chinese traveler wished to see domestically and internationally? And, that's a build for us. We are pretty strong there so we don't view the situation as only if we had another X amount of reviews we would be fine. We're looking at a more -- a bigger shift to target the specific audience for whom we have a clearly winning content and commerce play compared to the competition.

Peter Stabler - *Wells Fargo Securities, LLC - Analyst*

Thanks, Steve.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Yes.

Operator

I'll now turn the call back over to Steve Kaufer for closing remarks.

Steve Kaufer - *TripAdvisor LLC - President & CEO*

Great. Well, thank you all very much. We want to thank all of you and thank everyone and the entire TripAdvisor Inc. family for all their contributions over the quarter, and I look forward to updating everyone again next quarter. Thanks.

Operator

Thank you, ladies and gentlemen. That does conclude today's conference. You may all disconnect, and everyone have a great day.
