

LIBERTY TRIPADVISOR HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

Filed 11/08/17 for the Period Ending 09/30/17

Address	12300 LIBERTY BLVD ENGLEWOOD, CO, 80112
Telephone	7208755300
CIK	0001606745
Symbol	LTRPA
SIC Code	7374 - Services-Computer Processing and Data Preparation
Industry	Internet Services
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 001-36603

LIBERTY TRIPADVISOR HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-3337365

(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard, Englewood, Colorado 80112

(Address, including zip code, of Registrant's principal executive offices)

Registrant's telephone number, including area code: **(720) 875-5200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(Do not check if a smaller reporting company)

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

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The number of outstanding shares of Liberty TripAdvisor Holdings, Inc. common stock as of October 31, 2017 was:

	<u>Series A</u>	<u>Series B</u>
Liberty TripAdvisor Holdings, Inc. common stock	72,126,628	2,929,777



Table of Contents

Part I – Financial Information

[Item 1. Financial Statements](#)

LIBERTY TRIPADVISOR HOLDINGS, INC. Condensed Consolidated Balance Sheets (unaudited)	I-3
LIBERTY TRIPADVISOR HOLDINGS, INC. Condensed Consolidated Statements of Operations (unaudited)	I-5
LIBERTY TRIPADVISOR HOLDINGS, INC. Condensed Consolidated Statements of Comprehensive Earnings (Loss) (unaudited)	I-6
LIBERTY TRIPADVISOR HOLDINGS, INC. Condensed Consolidated Statements of Cash Flows (unaudited)	I-7
LIBERTY TRIPADVISOR HOLDINGS, INC. Condensed Consolidated Statement of Equity (unaudited)	I-8
LIBERTY TRIPADVISOR HOLDINGS, INC. Notes to Condensed Consolidated Financial Statements (unaudited)	I-9

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	I-22
---	------

Item 3. Quantitative and Qualitative Disclosures about Market Risk	I-32
--	------

Item 4. Controls and Procedures	I-32
---	------

[Part II – Other Information](#)

Item 1. Legal Proceedings	II-1
---	------

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	II-1
---	------

Item 6. Exhibits	II-2
----------------------------------	------

SIGNATURES	II-3
----------------------------	------

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Balance Sheet s

(unaudited)

	September 30, 2017	December 31, 2016
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 773	654
Trade and other receivables, net of allowance for doubtful accounts of \$15 million and \$9 million, respectively	254	191
Short term marketable securities (note 4)	13	118
Other current assets	25	47
Total current assets	1,065	1,010
Investments in available-for-sale securities (note 4)	6	16
Property and equipment, at cost	228	225
Accumulated depreciation	(59)	(49)
	169	176
Intangible assets not subject to amortization:		
Goodwill	3,714	3,694
Trademarks	1,797	1,782
	5,511	5,476
Intangible assets subject to amortization, net	410	487
Other assets, at cost, net of accumulated amortization	132	117
Total assets	\$ 7,293	7,282

(continued)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.
Condensed Consolidated Balance Sheets (Continue d)
(unaudited)

	September 30, 2017	December 31, 2016
amounts in millions		
<i>Liabilities and Equity</i>		
Current liabilities:		
Deferred merchant and other payables	\$ 218	146
Accrued liabilities	128	132
Current portion of debt (note 5)	7	80
Deferred revenue	65	64
Other current liabilities	4	13
Total current liabilities	422	435
Long-term debt (note 5)	736	555
Deferred income tax liabilities	629	659
Other liabilities	229	209
Total liabilities	2,016	1,858
Equity:		
Preferred stock, \$.01 par value. Authorized shares 50,000,000; no shares issued.	—	—
Series A common stock, \$.01 par value. Authorized 200,000,000 shares; issued and outstanding 72,126,456 shares at September 30, 2017 and 72,046,485 at December 31, 2016	1	1
Series B common stock, \$.01 par value. Authorized shares 7,500,000; issued and outstanding 2,929,777 shares at September 30, 2017 and 2,929,777 shares at December 31, 2016	—	—
Series C common stock, \$.01 par value. Authorized shares 200,000,000; no shares issued.	—	—
Additional paid-in capital	244	245
Accumulated other comprehensive earnings (loss), net of taxes	(24)	(36)
Retained earnings	565	593
Total stockholders' equity	786	803
Noncontrolling interests in equity of subsidiaries	4,491	4,621
Total equity	5,277	5,424
Commitments and contingencies (note 6)		
Total liabilities and equity	\$ 7,293	7,282

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions, except per share amounts			
Service revenue	\$ 439	421	1,235	1,164
Other revenue	—	13	13	29
Total revenue, net	439	434	1,248	1,193
Operating costs and expenses:				
Operating expense, including stock-based compensation (note 2)	80	95	256	274
Selling, general and administrative, including stock-based compensation (note 2)	293	252	809	706
Depreciation and amortization	50	56	161	166
	423	403	1,226	1,146
Operating income (loss)	16	31	22	47
Other income (expense):				
Interest expense	(6)	(5)	(18)	(20)
Realized and unrealized gain (losses) on financial instruments, net	(9)	(1)	10	5
Gain (loss) on dispositions, net (note 1)	—	—	(18)	—
Other, net	(1)	—	2	(1)
	(16)	(6)	(24)	(16)
Earnings (loss) before income taxes	—	25	(2)	31
Income tax (expense) benefit	(7)	1	(21)	(3)
Net earnings (loss)	(7)	26	(23)	28
Less net earnings (loss) attributable to noncontrolling interests	6	27	5	42
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	\$ (13)	(1)	(28)	(14)
Basic net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 3):	\$ (0.17)	(0.01)	(0.37)	(0.19)
Diluted net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 3):	\$ (0.17)	(0.01)	(0.37)	(0.19)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	amounts in millions			
Net earnings (loss)	\$ (7)	26	(23)	28
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	17	(3)	52	(16)
Other comprehensive earnings (loss)	17	(3)	52	(16)
Comprehensive earnings (loss)	10	23	29	12
Less comprehensive earnings (loss) attributable to the noncontrolling interests	19	26	45	29
Comprehensive earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	\$ (9)	(3)	(16)	(17)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flow s
(unaudited)

	Nine months ended	
	September 30,	
	2017	2016
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ (23)	28
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Depreciation and amortization	161	166
Stock-based compensation	77	68
(Gain) loss on dispositions, net	18	—
Deferred income tax expense (benefit)	(32)	(39)
Other noncash charges (credits), net	(2)	(4)
Changes in operating assets and liabilities		
Current and other assets	(62)	(57)
Payables and other liabilities	66	95
Net cash provided (used) by operating activities	<u>203</u>	<u>257</u>
Cash flows from investing activities:		
Capital expenditures, including internal-use software and website development	(51)	(58)
Cash paid for acquisitions, net of cash acquired	—	(23)
Purchases of short term investments and other marketable securities	(16)	(145)
Sales and maturities of short term investments and other marketable securities	130	84
Other investing activities, net	(2)	1
Net cash provided (used) by investing activities	<u>61</u>	<u>(141)</u>
Cash flows from financing activities:		
Borrowings of debt	415	344
Repayments of debt	(314)	(419)
Payment of withholding taxes on net share settlements of equity awards	(15)	(13)
Option exercises	1	1
Shares issued by subsidiary	3	6
Shares repurchased by subsidiary	(250)	(21)
Other financing activities, net	(2)	—
Net cash provided (used) by financing activities	<u>(162)</u>	<u>(102)</u>
Effect of foreign currency exchange rates on cash	17	(6)
Net increase (decrease) in cash and cash equivalents	119	8
Cash and cash equivalents at beginning of period	654	644
Cash and cash equivalents at end of period	<u>\$ 773</u>	<u>652</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statement of Equity

Nine months ended September 30, 2017

(unaudited)

	Stockholders' equity								Total equity
	Preferred Stock	Common Stock			Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Retained earnings	Noncontrolling interest in equity of subsidiaries	
		Series A	Series B	Series C					
	amounts in millions								
Balance at January 1, 2017	\$ —	1	—	—	245	(36)	593	4,621	5,424
Net earnings (loss)	—	—	—	—	—	—	(28)	5	(23)
Other comprehensive earnings (loss)	—	—	—	—	—	12	—	40	52
Stock compensation	—	—	—	—	22	—	—	64	86
Issuance of common stock upon exercise of stock options	—	—	—	—	1	—	—	—	1
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(15)	—	—	—	(15)
Shares issued by subsidiary	—	—	—	—	(6)	—	—	9	3
Shares repurchased by subsidiary	—	—	—	—	(2)	—	—	(248)	(250)
Other	—	—	—	—	(1)	—	—	—	(1)
Balance at September 30, 2017	\$ —	1	—	—	244	(24)	565	4,491	5,277

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

During October 2013, the Board of Directors of Liberty Interactive Corporation and its subsidiaries (“Liberty”) authorized a plan to distribute to the stockholders of Liberty’s Liberty Ventures common stock shares of a wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. (“TripCo,” “Consolidated TripCo,” the “Company,” “we,” “our” or “us,” unless the context otherwise requires) (the “Trip Spin-Off”). TripCo holds its subsidiary TripAdvisor, Inc. (“TripAdvisor”) and held its former subsidiary, BuySeasons, Inc. (“BuySeasons”) until June 30, 2017. The Trip Spin-Off was completed on August 27, 2014 and effected as a pro-rata dividend of shares of TripCo to the stockholders of Series A and Series B Liberty Ventures common stock of Liberty. The Trip Spin-Off was accounted for at historical cost due to the pro rata nature of the distribution to stockholders of Liberty Ventures common stock. TripAdvisor’s financial performance tends to be highest in the second and third quarters of a year, as these are key periods for leisure travel research and trip-taking, which includes the seasonal peak in traveler hotel and vacation rental stays, and tours and attractions taken, compared to the first and fourth quarters which represent seasonal low points.

On June 30, 2017, TripCo sold BuySeasons. The sale resulted in an \$18 million loss, which is included in Gain (loss) on dispositions, net in the accompanying condensed consolidated statement of operations. BuySeasons is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on TripCo’s operations and financial results. Included in Other revenue in the accompanying condensed consolidated statements of operations is \$13 million for the three months ended September 30, 2016, and \$13 million and \$29 million for the nine months ended September 30, 2017 and 2016, respectively, related to BuySeasons. Included in Net earnings (loss) in the accompanying condensed consolidated statements of operations are losses of \$2 million for the three months ended September 30, 2016, and losses of \$1 million and \$7 million for the nine months ended September 30, 2017 and 2016, respectively, related to BuySeasons. Included in Total assets in the accompanying condensed consolidated balance sheets as of December 31, 2016 is \$23 million related to BuySeasons.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with the current period presentation. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2016 as presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) recognition and recoverability of goodwill, intangible and long-lived assets, (ii) accounting for income taxes and (iii) stock-based compensation to be its most significant estimates.

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance, which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. The Company plans to adopt this new guidance under the modified retrospective method on January 1, 2018.

TripAdvisor has made significant progress toward completing its evaluation of the potential changes from adopting this new guidance. To date, TripAdvisor has evaluated the majority of its revenue streams and, based on preliminary analysis, expects the new revenue guidance will change the timing of revenue recognition for its instant booking revenue recorded under the consumption model. Upon adoption, instant booking revenue will be recognized at the transaction booking date for a hotel accommodation rather than upon completion of the stay by the traveler, which is how instant booking revenue is currently recorded. TripAdvisor does not currently expect this timing change to have a material impact to its financial statements, either on an annual or quarterly basis. In addition, the new guidance is expected to result in immaterial changes in the timing of certain other revenue streams. TripAdvisor currently does not expect any major reengineering required to its accounting systems or to its internal controls related to the above accounting changes or related to the additional disclosure requirements required by the standard. However, while TripAdvisor has made significant progress, and is in the implementation phase of this project, it is still evaluating less material revenue streams, and, in addition, its costs incurred to obtain or fulfill a contract. We will continue to update our assessment of the effect that the new revenue guidance will have on our consolidated financial statements, disclosures and related controls, and will disclose any material effects, if any, when known.

In February 2016, the FASB issued new guidance which revises the accounting for leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new guidance also simplifies the accounting for sale and leaseback transactions. The new standard, to be applied via a modified retrospective transition approach, is effective for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company anticipates adopting this new guidance on January 1, 2019. The Company has not yet determined the effect of the standard on its ongoing financial reporting. The Company is currently working with TripAdvisor to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, updating accounting policies, implementing technology solutions and collecting lease data. We will continue to provide updates of our assessment of the effect that this new lease guidance will have on our consolidated financial statements, disclosures, systems and related controls, and will disclose any material effects, if any, when known.

In August and November 2016, the FASB issued new accounting standards which add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows, and add guidance on the presentation of restricted cash in the statement of cash flows, respectively. The guidance in both standards is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, including adoption in an interim period, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. Upon adoption, an entity may apply the new guidance only retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and disclosures. The new guidance is expected to change the presentation of paid in kind interest in the period it is paid from financing to operating on the consolidated statements of cash flows.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

In October 2016, the FASB issued new accounting guidance on income tax accounting associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Upon adoption, an entity may apply the new guidance only on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company plans to adopt this guidance on January 1, 2018 and does not expect this new guidance to have a material impact on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance, which assists entities in evaluating when a set of transferred assets and activities is a business. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued. The Company is currently evaluating the impact of adopting this new guidance on its financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In May 2017, the FASB issued new accounting guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, an entity will not apply modification accounting to a share-based payment award if the award's fair value (or calculated value or intrinsic value, if those measurement methods are used), the award's vesting conditions, and the award's classification as an equity or liability instrument are the same immediately before and after the change. The guidance also states that an entity is not required to estimate the value of the award immediately before and after the change if the change does not affect any of the inputs to the model used to value the award. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and will be applied prospectively to awards modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued or made available for issuance. The Company is currently evaluating the impact of adopting this new guidance on its financial statements and related disclosures.

Spin-Off of TripCo from Liberty

Following the Trip Spin-Off, Liberty and TripCo operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Trip Spin-Off, TripCo entered into certain agreements, including the reorganization agreement, the services agreement, the facilities sharing agreement and the tax sharing agreement, with Liberty and/or Liberty Media Corporation ("Liberty Media") (or certain of their subsidiaries) in order to govern certain of the ongoing relationships between the companies after the Trip Spin-Off and to provide for an orderly transition.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Trip Spin-Off, certain conditions to the Trip Spin-Off and provisions governing the relationship between TripCo and Liberty with respect to and resulting from the Trip Spin-Off.

Pursuant to the services agreement, Liberty Media provides TripCo with general and administrative services including legal, tax, accounting, treasury and investor relations support. TripCo reimburses Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and TripCo pays a services fee to Liberty Media under the services agreement that is subject to adjustment semi-annually, as necessary.

Under the facilities sharing agreement, TripCo shares office space with Liberty Media and related amenities at Liberty Media's corporate headquarters in Englewood, Colorado.

The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and TripCo and other agreements related to tax matters. Pursuant to the tax sharing agreement, TripCo has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the Trip Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by TripCo (applicable to actions or failures to act by TripCo and its subsidiaries following the completion of the Trip Spin-Off).

Under these agreements, approximately \$1 million was reimbursable to Liberty for both of the three month periods ended September 30, 2017 and 2016 and approximately \$2 million was reimbursable to Liberty for both of the nine month periods ended September 30, 2017 and 2016.

(2) Stock-Based Compensation

TripCo Incentive Plans

TripCo has granted to certain of its directors and employees options to purchase shares of TripCo common stock ("Awards"). TripCo measures the cost of employee services received in exchange for an equity classified Award based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award).

TripCo has calculated the GDFV for all of its equity classified Awards using the Black-Scholes-Merton model. TripCo estimates the expected term of the Awards based on historical exercise and forfeiture data. Since TripCo common stock has not traded on the stock market for a significant length of time, the volatility used in the calculation for Awards is based on a blend of the historical volatility of TripCo and TripAdvisor common stock and the implied volatility of publicly traded TripCo and TripAdvisor options; as the most significant asset within TripCo, the volatility of TripAdvisor common stock was considered in the overall volatility of TripCo's common stock. TripCo uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Included in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation, the majority of which relates to TripAdvisor as discussed below:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Operating expense	\$ 11	11	31	32
Selling, general and administrative expense	16	13	46	36
	<u>\$ 27</u>	<u>24</u>	<u>77</u>	<u>68</u>

Stock-based compensation expense related to TripAdvisor was \$26 million and \$22 million for the three months ended September 30, 2017 and 2016, respectively, and \$72 million and \$64 million for the nine months ended September 30, 2017 and 2016, respectively.

TripCo - Outstanding Awards

The following table presents the number and weighted average exercise price (“WAEP”) of the Awards to purchase TripCo common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining contractual life and aggregate intrinsic value of the Awards.

	Series A in thousands	WAEP	Weighted average remaining contractual life in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2017	661	\$ 14.99		
Granted	—	\$ —		
Exercised	(80)	\$ 10.27		
Forfeited/Cancelled	(2)	\$ 28.58		
Outstanding at September 30, 2017	<u>579</u>	\$ 15.61	2.3	\$ —
Exercisable at September 30, 2017	<u>505</u>	\$ 15.44	1.8	\$ —

There were no options to purchase shares of Series A common stock granted during the nine months ended September 30, 2017. There was no activity during the period related to the outstanding TripCo Series B options.

As of September 30, 2017, the total unrecognized compensation cost related to unvested Awards was approximately \$11 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

As of September 30, 2017, TripCo reserved 2.4 million shares of Series A and Series B common stock for issuance under exercise privileges of outstanding stock Awards.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

TripAdvisor Equity Grant Awards

The following table presents the number and WAEP of the Awards to purchase TripAdvisor common stock granted to certain officers, employees and directors of TripAdvisor.

	<u>TripAdvisor stock options</u> in thousands	<u>WAEP</u>	<u>Weighted average remaining contractual life</u> in years	<u>Aggregate intrinsic value</u> in millions
Outstanding at January 1, 2017	5,818	\$ 57.60		
Granted	1,529	\$ 42.81		
Exercised	(488)	\$ 29.49		
Cancelled or expired	(572)	\$ 68.82		
Outstanding at September 30, 2017	<u>6,287</u>	\$ 55.16	6.4	\$ 7
Exercisable at September 30, 2017	<u>3,337</u>	\$ 52.51	4.7	\$ 7

The weighted average grant date fair value of options granted was \$17.16 for the nine months ended September 30, 2017.

As of September 30, 2017, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately \$49 million and will be recognized over a weighted average period of approximately 2.4 years. The total intrinsic value of stock options exercised for the nine months ended September 30, 2017 and 2016 was \$8 million and \$23 million, respectively.

Additionally, during the nine months ended September 30, 2017, TripAdvisor granted 4,241 thousand service-based restricted stock units (“RSUs”) under its Amended and Restated 2011 Stock and Annual Incentive Plan for which the fair value was measured based on the quoted price of TripAdvisor common stock at the date of grant. The weighted average grant date fair value for RSUs granted during the nine months ended September 30, 2017 was \$42.65 per share. As of September 30, 2017, the total unrecognized compensation cost related to TripAdvisor RSUs was approximately \$229 million and will be recognized over a weighted average period of approximately 3.0 years.

(3) Earnings (Loss) Per Common Share (EPS)

Basic earnings (loss) per common share (“EPS”) is computed by dividing net earnings (loss) attributable to TripCo shareholders by the weighted average number of common shares outstanding (“WASO”) for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Excluded from EPS for both the three and nine months ended September 30, 2017 are 2 million

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

potential common shares, because their inclusion would be antidilutive. Excluded from EPS for both the three and nine months ended September 30, 2016 are 2 million potential common shares, because their inclusion would be antidilutive.

	Liberty TripAdvisor Holdings Common Stock			
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	number of shares in millions			
Basic WASO	75	75	75	75
Potentially dilutive shares	—	—	—	—
Diluted WASO	75	75	75	75

(4) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

The Company's assets and liabilities measured at fair value are as follows:

Description	September 30, 2017			December 31, 2016		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	\$ 26	25	1	53	53	—
Marketable securities	\$ 13	—	13	118	—	118
Available-for-sale securities	\$ 6	—	6	16	—	16
Variable postpaid forward	\$ 61	—	61	51	—	51

On June 6, 2016, TripCo entered into a variable postpaid forward transaction with a financial institution with respect to 7 million shares of TripAdvisor common stock held by the Company with a forward floor price of \$38.90 per share and a forward cap price of \$98.96 per share. TripCo borrowed \$259 million against the variable postpaid forward on June 23, 2016 (see note 5). The asset associated with this instrument is included in the Other assets, at cost, net of accumulated amortization line item on the face of the accompanying condensed consolidated balance sheets.

The fair value of Level 2 cash equivalents, marketable securities and available-for-sale securities were obtained from pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. The fair value of Level 2 derivative assets were derived from a Black-Scholes-Merton model using observable market data as the significant inputs.

LIBERTY TRIPADVISOR HOLDINGS, INC.**Notes to Condensed Consolidated Financial Statements (continued)****(unaudited)*****Other Financial Instruments***

Other financial instruments not measured at fair value on a recurring basis include trade receivables, trade payables, accrued and other current liabilities, current portion of debt and long-term debt. With the exception of debt, the carrying amount approximates fair value due to the short maturity of these instruments as reported on our condensed consolidated balance sheets. The carrying value of our debt bears interest at a variable rate and therefore is also considered to approximate fair value.

(5) Debt

Outstanding debt at September 30, 2017 and December 31, 2016 is summarized as follows:

	September 30, 2017	December 31, 2016
	amounts in millions	
TripAdvisor Credit Facilities	265	164
TripAdvisor Chinese credit facilities	7	7
TripCo margin loans	208	203
TripCo variable postpaid forward	263	261
Total consolidated TripCo debt	\$ 743	635
Less debt classified as current	(7)	(80)
Total long-term debt	\$ 736	555

TripAdvisor Credit Facilities

On June 26, 2015, TripAdvisor entered into a five year credit agreement, which among other things, provides for a \$1 billion unsecured revolving credit facility (the "2015 Credit Facility"). On May 12, 2017, the 2015 Credit Facility was amended to, among other things, (i) increase the aggregate amount of revolving loan commitments available from \$1.0 billion to \$1.2 billion; and (ii) extend the maturity date of the 2015 Credit Facility from June 26, 2020 to May 12, 2022. Borrowings under the 2015 Credit Facility generally bear interest, at TripAdvisor's option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBOR for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00% ("Eurocurrency Spread"), based on TripAdvisor's leverage ratio; or (ii) the Alternate Base Rate ("ABR") Borrowing, which is the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBOR (or LIBOR multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00% ("ABR Spread"), based on TripAdvisor's leverage ratio. TripAdvisor may borrow from the revolving credit facility in U.S. dollars, Euros and British pound sterling.

There is no specific repayment date prior to the maturity date for borrowings under the 2015 Credit Facility. During the nine months ended September 30, 2017, TripAdvisor borrowed an additional \$415 million and repaid \$241 million of outstanding borrowings under the 2015 Credit Facility. As of September 30, 2017, based on TripAdvisor's leverage ratio, borrowings bear interest at LIBOR plus an applicable margin of 1.25%, or the Eurocurrency Spread. TripAdvisor is currently borrowing under a one-month interest rate period or a weighted average rate of 2.50% per annum as of September 30, 2017, using a one-month interest period Eurocurrency Spread, which will reset periodically. Interest will be payable on a monthly basis while TripAdvisor is borrowing under the one-month interest rate period.

TripAdvisor is also required to pay a quarterly commitment fee, at an applicable rate ranging from 0.15% to 0.30%, on the daily unused portion of the 2015 Credit Facility for each fiscal quarter and additional fees in connection with the

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

issuance of letters of credit. As of September 30, 2017, TripAdvisor's unused revolver capacity is subject to a commitment fee of 0.15%, given TripAdvisor's leverage ratio. The 2015 Credit Facility includes \$15 million of borrowing capacity available for letters of credit and \$40 million for Swing Line borrowings on same-day notice. As of September 30, 2017, TripAdvisor had issued \$3 million of outstanding letters of credit under the 2015 Credit Facility.

TripAdvisor may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans. Certain wholly-owned domestic subsidiaries of TripAdvisor have agreed to guarantee TripAdvisor's obligations under the 2015 Credit Facility.

The 2015 Credit Facility contains a number of covenants that, among other things, restrict TripAdvisor's ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change TripAdvisor's fiscal year. The 2015 Credit Facility also requires TripAdvisor to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility. Additionally, the 2015 Credit Facility includes a subjective acceleration clause, which could be triggered by the lenders if a representation, warranty or statement made by TripAdvisor proves to be incorrect in any material respect, which in turn would permit the lenders to accelerate repayment of any outstanding obligations. TripAdvisor believes that the likelihood of the lender exercising this right is remote and, as such, borrowings under this facility are classified as long-term debt.

On September 7, 2016, TripAdvisor entered into an uncommitted facility agreement with Bank of America Merrill Lynch International Limited (the "Lender"), which provides for a \$73 million unsecured revolving credit facility (the "2016 Credit Facility" and together with the 2015 Credit Facility, the "TripAdvisor Credit Facilities") with no specific expiration date. The 2016 Credit Facility is available at the Lender's absolute discretion and can be canceled at any time. Repayment terms for borrowings under the 2016 Credit Facility are generally one to six month periods or such other periods as the parties may mutually agree and bear interest at LIBOR plus 112.5 basis points. TripAdvisor may borrow from the 2016 Credit Facility in U.S. dollars only and it may voluntarily repay any outstanding borrowing at any time without premium or penalty. Any overdue amounts under or in respect of the 2016 Credit Facility not paid when due shall bear interest in the case of principal at the applicable interest rate plus 1.50% per annum. In addition, TripAdvisor, LLC, a wholly-owned domestic subsidiary of TripAdvisor, has agreed to guarantee TripAdvisor's obligations under the 2016 Credit Facility. There are no specific financial or incurrence covenants.

TripAdvisor repaid all outstanding borrowings on the 2016 Credit Facility during the first three months of 2017, and, as of September 30, 2017, had no outstanding borrowings.

TripAdvisor Chinese Credit Facilities

TripAdvisor's Chinese subsidiary is party to a \$30 million, one-year revolving credit facility with Bank of America (the "Chinese Credit Facility—BOA") that is currently subject to review on a periodic basis with no specific expiration period. Borrowings under the Chinese Credit Facility—BOA currently bear interest at a rate based on the People's Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing.

In addition, TripAdvisor's Chinese subsidiary is party to a RMB 70,000,000 (approximately \$10 million) one-year revolving credit facility with J.P. Morgan Chase Bank (the "Chinese Credit Facility—JPM"). Borrowings under the Chinese Credit Facility—JPM generally bear interest at a rate based on the People's Bank of China benchmark, including

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

certain adjustments which may be made in accordance with the market condition at the time of borrowing. As of September 30, 2017 and December 31, 2016, TripAdvisor had \$7 million of outstanding borrowings under the Chinese Credit Facility—JPM at a weighted average rate of 4.35%.

TripCo Margin Loans and Variable Postpaid Forward

On August 21, 2014, a wholly owned subsidiary of TripCo entered into two margin loan agreements, which aggregated total borrowings of \$400 million. Interest on the margin loans accrued at a rate of 3.65% plus LIBOR for six months and 3.25% thereafter. Interest on the margin loans was paid in kind and added to the principal amount on the loans.

In connection with the variable postpaid forward transaction entered into on June 6, 2016, as described in note 4, TripCo borrowed \$259 million against the variable postpaid forward on June 23, 2016. The term of the variable postpaid forward is four years. At maturity, the accreted loan amount due is approximately \$272 million. The proceeds from the variable postpaid forward were used to repay \$200 million in principal and \$29 million of paid in kind interest on the margin loans with the remainder being used for general corporate purposes.

On June 23, 2016, TripCo amended the terms of the margin loan agreements with respect to the remaining borrowings of \$200 million. Common Stock and Class B Common Stock of TripAdvisor were pledged as collateral pursuant to these agreements. Each agreement contains language that indicates that the Company, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that TripCo agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or certain other restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The agreements also contain certain restrictions related to additional indebtedness and margin calls. The initial margin call would require the outstanding balance to be reduced to \$150 million if at any time the closing price per share of TripAdvisor common stock were to fall below certain minimum values. Pursuant to the amendments, interest on the margin loans accrues at a rate of 2.0% plus LIBOR per year to be paid in kind or cash at the election of TripCo. The Company expects that interest on the loan will be paid in kind and added to the principal amount on the loan. The term of the loan is three years and the maturity date is June 21, 2019.

For the nine months ended September 30, 2017, TripCo recorded \$5 million and \$2 million of non-cash interest related to the amended margin loans and variable postpaid forward, respectively.

As of September 30, 2017, the values of TripAdvisor’s shares pledged as collateral pursuant to the margin loan agreements and variable postpaid forward, determined based on the trading price of the Common Stock and on an as-if converted basis for the Class B Common Stock, are as follows:

Pledged Collateral	Number of Shares Pledged as Collateral as of		Share value as of September 30, 2017
	September 30, 2017		
amounts in millions			
Common Stock	18.2	\$	736
Class B Common Stock	12.8	\$	519

The outstanding margin loans contain various affirmative and negative covenants that restrict the activities of the borrower. The loan agreements do not include any financial covenants.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Debt Covenants

As of September 30, 2017, each of the Company and TripAdvisor was in compliance with its respective debt covenants.

(6) Commitments and Contingencies

Litigation

In the ordinary course of business, the Company and its subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Although it is reasonably possible that the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

(7) Segment Information

TripCo, through its ownership interests in subsidiaries and other companies, is primarily engaged in the online commerce industries. TripCo identifies its reportable segments as (A) those consolidated companies that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of TripCo's annual pre-tax earnings.

TripCo evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, and revenue or sales per customer equivalent. In addition, TripCo reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

TripCo defines Adjusted OIBDA as revenue less cost of goods sold, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). TripCo believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. TripCo generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the nine months ended September 30, 2017, TripCo has identified the following consolidated company as its reportable segment:

- TripAdvisor - an online travel research company, empowering users to plan and maximize their travel experience.

TripCo's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments are the same as those described in the Company's Summary of Significant Accounting Policies included in the Annual Report on Form 10-K for the year ended December 31, 2016.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Performance Measures

	Three months ended September 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
TripAdvisor	\$ 439	95	421	114
Corporate and other	—	(2)	13	(3)
Consolidated TripCo	\$ 439	93	434	111

	Nine months ended September 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
TripAdvisor	\$ 1,235	269	1,164	294
Corporate and other	13	(9)	29	(13)
Consolidated TripCo	\$ 1,248	260	1,193	281

Other Information

	September 30, 2017	
	Total assets	Capital expenditures
	amounts in millions	
TripAdvisor	\$ 7,209	50
Corporate and other	84	1
Consolidated TripCo	\$ 7,293	51

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

The following table provides a reconciliation of Consolidated segment Adjusted OIBDA to Operating income (loss) and Earnings (loss) before income taxes:

	Three months		Nine months	
	ended September 30,		ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Consolidated segment Adjusted OIBDA	\$ 93	111	260	281
Stock-based compensation	(27)	(24)	(77)	(68)
Depreciation and amortization	(50)	(56)	(161)	(166)
Operating income (loss)	16	31	22	47
Interest expense	(6)	(5)	(18)	(20)
Realized and unrealized gain (losses) on financial instruments, net	(9)	(1)	10	5
Gain (loss) on dispositions, net	—	—	(18)	—
Other, net	(1)	—	2	(1)
Earnings (loss) before income taxes	\$ —	25	(2)	31

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for products and services and the ability of our company to adapt to changes in demand;
- competitor responses to products and services;
- the levels and quality of online traffic to our businesses’ websites and the ability to convert visitors into contributors or consumers;
- the expansion of social integration and member acquisition efforts with social media;
- the impact of changes in search engine algorithms and dynamics or search engine disintermediation;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission and adverse outcomes from regulatory proceedings;
- changes in our business models, including the rollout of TripAdvisor, Inc.’s (“TripAdvisor”) instant booking feature;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of “Brexit” and those which result in declines or disruptions in the travel industry;
- consumer spending levels, including the availability and amount of individual consumer debt;
- costs related to the maintenance and enhancement of brand awareness;
- advertising spending levels;
- rapid technological changes;
- failure to protect the security of personal information about customers, subjecting us to potentially costly government enforcement actions or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- fluctuations in foreign currency exchange rates; and
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world.

[Table of Contents](#)

For additional risk factors, please see Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2016, as well as Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto.

See note 1 to the accompanying condensed consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

The accompanying financial statements and the other information herein refer to the consolidation of TripAdvisor and BuySeasons, Inc. (“BuySeasons”) as “TripCo,” “Consolidated TripCo,” the “Company,” “us,” “we” and “our” unless the context otherwise requires. We own an approximate 22% economic interest and 58% voting interest in TripAdvisor as of September 30, 2017. All significant intercompany accounts and transactions have been eliminated in the accompanying condensed consolidated financial statements.

On June 30, 2017, TripCo sold BuySeasons. The sale resulted in an \$18 million loss, which is included in Gain (loss) on dispositions, net in the accompanying condensed consolidated statement of operations. BuySeasons is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on TripCo’s operations and financial results.

Our “Corporate and other” category includes our former interest in BuySeasons and corporate expenses.

Results of Operations—Consolidated—September 30, 2017 and 2016

General. We provide in the tables below information regarding our consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our principal reportable segment. The “Corporate and other” category consists of those assets or businesses which we do not disclose separately. For a more detailed discussion and analysis of the financial results of the principal reporting segment, see “Results of Operations—TripAdvisor” below.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
<i>Revenue</i>				
TripAdvisor	\$ 439	421	1,235	1,164
Corporate and other	—	13	13	29
Consolidated TripCo	\$ 439	434	1,248	1,193
<i>Operating Income (Loss)</i>				
TripAdvisor	\$ 19	36	36	65
Corporate and other	(3)	(5)	(14)	(18)
Consolidated TripCo	\$ 16	31	22	47
<i>Adjusted OIBDA</i>				
TripAdvisor	\$ 95	114	269	294
Corporate and other	(2)	(3)	(9)	(13)
Consolidated TripCo	\$ 93	111	260	281

Revenue. Our consolidated revenue increased \$5 million and \$55 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year, primarily due to increases of \$18 million and \$71 million at TripAdvisor, respectively. Corporate and other revenue decreased \$13 million and \$16 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. On June 30, 2017, TripCo sold BuySeasons, the only consolidated subsidiary in Corporate and other. See “Results of Operations—TripAdvisor” below for a more complete discussion of the results of operations of TripAdvisor.

Operating Income (Loss). Our consolidated operating income decreased by \$15 million and \$25 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The decrease for the three and nine months ended September 30, 2017 is due to decreases in operating results at TripAdvisor. See “Results of Operations—TripAdvisor” below for a more complete discussion of the results of operations of TripAdvisor.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of goods sold, operating expenses and selling, general and administrative (“SG&A”) expenses (excluding stock-based compensation), adjusted for specifically identified non-recurring transactions. Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business’s ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 7 to the accompanying condensed consolidated

[Table of Contents](#)

financial statements for a reconciliation of Adjusted OIBDA to operating income (loss) and earnings (loss) before income taxes.

Consolidated Adjusted OIBDA decreased \$18 million and decreased \$21 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. These changes were primarily due to the operating results of TripAdvisor. See “Results of Operations—TripAdvisor” below for a more complete discussion of the results of operations of TripAdvisor.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
<i>Interest expense</i>				
TripAdvisor	\$ (4)	(3)	(11)	(10)
Corporate and other	(2)	(2)	(7)	(10)
Consolidated TripCo	<u>\$ (6)</u>	<u>(5)</u>	<u>(18)</u>	<u>(20)</u>
<i>Realized and unrealized gains (losses) on financial instruments, net</i>				
TripAdvisor	\$ —	—	—	1
Corporate and other	(9)	(1)	10	4
Consolidated TripCo	<u>\$ (9)</u>	<u>(1)</u>	<u>10</u>	<u>5</u>
<i>Gain (loss) on dispositions, net</i>				
TripAdvisor	\$ —	—	—	—
Corporate and other	—	—	(18)	—
Consolidated TripCo	<u>\$ —</u>	<u>—</u>	<u>(18)</u>	<u>—</u>
<i>Other, net</i>				
TripAdvisor	\$ (1)	—	2	(1)
Corporate and other	—	—	—	—
Consolidated TripCo	<u>\$ (1)</u>	<u>—</u>	<u>2</u>	<u>(1)</u>

Interest expense. Interest expense increased \$1 million and decreased \$2 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. Interest expense primarily consists of interest accrued, commitment fees and debt issuance cost amortization. TripAdvisor’s interest expense increased \$1 million during both the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year, due to higher average outstanding borrowings and effective interest rates during the first nine months of 2017. Interest expense for Corporate and other remained flat and decreased \$3 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year, due to lower interest rates on outstanding borrowings.

Realized and unrealized gains (losses) on financial instruments, net. Realized and unrealized gains (losses) on financial instruments, net is primarily comprised of the change in the fair value of the variable postpaid forward as described in notes 4 and 5 to the accompanying condensed consolidated financial statements.

Gain (loss) on dispositions, net. On June 30, 2017, TripCo sold BuySeasons. The sale resulted in an \$18 million loss, which is included in “Gain (loss) on dispositions, net” in the accompanying condensed consolidated statement of operations.

Other, net. Other, net expense increased \$1 million and decreased \$3 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding prior year periods. During the three months ended September 30, 2017, TripAdvisor recognized a loss on one of its cost-method investments, partially offset by gains due to the fluctuation of foreign exchange rates. The decrease in other, net expense for the nine months ended September 30, 2017 was due to higher transaction gains as a result of the fluctuation of foreign exchange rates.

Income taxes. During the three months ended September 30, 2017 and 2016, we had earnings before income taxes of zero and \$25 million, respectively, and we had income tax expense of \$7 million and income tax benefit of \$1 million, respectively. During the nine months ended September 30, 2017 and 2016, we had losses before income taxes of \$2 million and earnings before income taxes of \$31 million, respectively, and income tax expense of \$21 million and \$3 million, respectively. For the three and nine months ended September 30, 2017, the Company recognized additional tax expense related to changes in valuation allowance, changes in unrecognized tax benefits, the recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary, and the recognition of excess tax benefits and shortfalls related to stock-based compensation. These expense items were partially offset by the tax benefit of earnings in foreign jurisdictions taxed at a rate lower than the U.S. federal tax rate and an increase in federal tax credits. For the three and nine months ended September 30, 2016, the Company recognized additional tax benefits related to earnings in foreign jurisdictions taxed at a rate lower than the U.S. federal tax rate and an increase in federal tax credits, partially offset by changes in valuation allowance, changes in unrecognized tax benefits, and recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary.

Net earnings (loss). We had net losses of \$7 million and net earnings of \$26 million for the three months ended September 30, 2017 and 2016, respectively, and net losses of \$23 million and net earnings of \$28 million for the nine months ended September 30, 2017 and 2016, respectively. The change in net earnings was the result of the above described fluctuations in our revenue and expenses.

Liquidity and Capital Resources

As of September 30, 2017, cash and cash equivalents primarily consist of cash on hand in global financial institutions, money market funds and marketable securities with maturities of 90 days or less.

The following are potential sources of liquidity: available cash balances, proceeds from asset sales, monetization of our investments, outstanding or anticipated debt facilities, debt and equity issuances and dividend and interest receipts.

As of September 30, 2017, TripCo had a cash balance of \$773 million. Approximately \$750 million of the cash balance, at September 30, 2017, is held at TripAdvisor. Although TripCo has a 58% voting interest in TripAdvisor, TripAdvisor is a separate public company with a significant non-controlling interest, as TripCo has only an approximate 22% economic interest in TripAdvisor. Even though TripCo controls TripAdvisor through its voting interest and board representation, decision making with respect to using TripAdvisor's cash balances must consider TripAdvisor's minority holders. Accordingly, any potential distributions of cash from TripAdvisor to TripCo would generally be on a pro rata basis based on economic ownership interests. Approximately \$567 million of the TripAdvisor cash balance is held by foreign subsidiaries of TripAdvisor which is generally accessible but certain tax consequences may reduce the net amount of cash TripAdvisor is able to utilize for domestic purposes. Historically, TripAdvisor's operating cash flows have been

[Table of Contents](#)

sufficient to fund its working capital requirements, capital expenditures and long term debt obligations and other financial commitments and are expected to be sufficient in future periods.

	Nine months ended September 30,	
	2017	2016
	amounts in millions	
Cash flow information		
TripAdvisor cash provided (used) by operating activities	\$ 220	276
Corporate and other cash provided (used) by operating activities	(17)	(19)
Net cash provided (used) by operating activities	\$ 203	257
TripAdvisor cash provided (used) by investing activities	\$ 64	(140)
Corporate and other cash provided (used) by investing activities	(3)	(1)
Net cash provided (used) by investing activities	\$ 61	(141)
TripAdvisor cash provided (used) by financing activities	\$ (163)	(133)
Corporate and other cash provided (used) by financing activities	1	31
Net cash provided (used) by financing activities	\$ (162)	(102)

During the nine months ended September 30, 2017, TripCo's primary use of cash was approximately \$250 million of share repurchases under TripAdvisor's authorized share repurchase program. TripCo's primary sources of cash included cash on hand, cash provided by operations, approximately \$99 million in net debt borrowings and approximately \$114 million in net purchases, sales and maturities of short term investments and other marketable securities.

The projected use of TripCo's corporate cash will be to pay fees to Liberty Media for providing certain services pursuant to the services and facilities sharing agreements, which are not expected to exceed \$4 million annually, and to pay any other corporate level expenses. We anticipate TripCo's corporate cash balance (without other financial resources potentially available as discussed above) to be sufficient to maintain operations through a refinancing arrangement on the margin loans and the variable postpaid forward. The debt service costs of the margin loans described above are paid in kind at the election of TripCo and become outstanding principal. At the maturity of the margin loans, a number of options are expected to be available to satisfy the loans as discussed above in potential sources of liquidity.

TripAdvisor's cash and marketable securities, combined with expected cash flows generated by operating activities and available cash from its credit facilities, are expected to be sufficient to fund TripAdvisor's foreseeable working capital requirements, capital expenditures, existing business growth initiatives, debt obligations, lease commitments, and other financial commitments. TripAdvisor's future capital requirements may include capital needs for acquisitions, share repurchases, and/or other expenditures in support of its business strategy; thus potentially reducing its cash balance and/or increasing its debt.

Results of Operations—TripAdvisor

TripAdvisor, Inc. Our economic ownership interest in TripAdvisor is approximately 22% and TripCo’s results include the consolidated results of TripAdvisor and the elimination of approximately 78% of TripAdvisor’s net income (loss), including purchase accounting adjustments, through the line item for net earnings (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of operations. TripAdvisor is a separate publicly traded company and additional information about TripAdvisor can be obtained through its website and its public filings. We believe a discussion of TripAdvisor’s standalone results promotes a better understanding of the overall results of its business. TripAdvisor’s revenue, Adjusted OIBDA and operating income on a standalone basis for the three and nine months ended September 30, 2017 and 2016 were as follows (see tables below for a reconciliation of TripAdvisor’s standalone results to those amounts reported by TripCo):

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
Revenue				
Hotel	\$ 312	320	952	939
Non-Hotel	127	101	283	225
Total revenue	439	421	1,235	1,164
Operating expense	69	70	209	210
SG&A	275	237	757	660
Adjusted OIBDA	95	114	269	294
Stock-based compensation	26	22	72	64
Depreciation and amortization	27	26	82	74
Operating income as reported by TripAdvisor	\$ 42	66	115	156

Revenue

TripAdvisor’s Hotel revenue decreased \$8 million and increased \$13 million during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016. The increase in Hotel revenue is detailed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
TripAdvisor-branded click-based and transaction	\$ 195	206	619	596
TripAdvisor-branded display-based advertising and subscription	76	73	215	214
Other hotel revenue	41	41	118	129
Total Hotel revenue	\$ 312	320	952	939

TripAdvisor-branded click-based and transaction revenue includes cost-per-click-based advertising revenue from its TripAdvisor-branded websites as well as transaction-based revenue from its hotel instant booking feature. For the three and nine months ended September 30, 2017, 63% and 65%, respectively, of TripAdvisor’s total Hotel segment revenue was derived from its TripAdvisor-branded click-based and transaction revenue. For the three and nine months ended September 30, 2016, 64% and 63%, respectively, of TripAdvisor’s total Hotel segment revenue was derived from its TripAdvisor-branded click-based and transaction revenue. TripAdvisor-branded click-based and transaction revenue during the three months ended September 30, 2017, decreased \$11 million, when compared to the same period in 2016, primarily due to a decrease of 11% in revenue per hotel shopper, which was partially offset by an increase of 7% in average

[Table of Contents](#)

monthly unique hotel shoppers. TripAdvisor-branded click-based and transaction revenue during the nine months ended September 30, 2017, increased \$23 million, when compared to the same period in 2016, primarily due to an increase of 9% in average monthly unique hotel shoppers during the nine months ended September 30, 2017, which was partially offset by a decrease of 4% in revenue per hotel shopper.

Revenue per hotel shopper decreased 11% during the three months ended September 30, 2017, when compared to the same period in 2016, according to TripAdvisor's internal log files. The decrease was driven primarily by lower cost-per-clicks ("CPCs") received in TripAdvisor's click-based metasearch auction, as TripAdvisor observed partners increase marketing efficiency on TripAdvisor's channel during the third quarter of 2017 resulting in lower CPC bids in all geographic areas, as well as the general trend of a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and apps on mobile phones.

Revenue per hotel shopper decreased 4% during the nine months ended September 30, 2017, when compared to the same period in 2016, according to TripAdvisor's internal log files. The decrease was driven primarily by the factors noted above, as well as by factors that primarily impacted TripAdvisor during the first six months of 2017, including dilution from product testing related to the second-quarter 2017 launch of TripAdvisor's redesigned website and applications, foreign currency fluctuations and the timing of TripAdvisor's instant booking feature rollout in certain non-U.S. markets during the first half of 2016, partially offset by strong growth in U.S. revenue per hotel shopper during the first six months of 2017.

TripAdvisor's aggregate average monthly unique hotel shoppers on TripAdvisor-branded websites increased by 7% and 9% during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016, according to TripAdvisor's internal log files. The increase in hotel shoppers for the three and nine months ended September 30, 2017 was primarily due to the success of TripAdvisor's paid online marketing strategy, as well as the general trend of an increasing number of hotel shoppers visiting TripAdvisor's websites and apps on mobile phones, partially offset by increased brand advertising spend related to TripAdvisor's television campaign as part of its marketing mix, which TripAdvisor believes has a longer term return in comparison to online marketing spend.

TripAdvisor-branded display-based advertising and subscription revenue primarily consists of revenue from display-based advertising and subscription-based hotel advertising revenue. TripAdvisor-branded display-based advertising and subscription revenue increased by \$3 million or 4%, during the three months ended September 30, 2017, when compared to the same period in 2016. Display-based advertising revenue increased primarily due to an increase in impressions sold, partially offset by a slight decrease in pricing and the general trend of increasing traffic visiting TripAdvisor websites and apps on mobile phones. While TripAdvisor continues to focus on new product initiatives to drive growth, the subscription revenue was flat primarily as TripAdvisor works to enhance its product offering to hoteliers and increase its sales pipeline in this business, as well as hotel industry consolidation. TripAdvisor-branded display-based advertising and subscription revenue increased slightly during the nine months ended September 30, 2017, when compared to the same period in 2016.

TripAdvisor's other hotel revenue primarily includes revenue from non-TripAdvisor branded websites, such as bookingbuddy.com, cruisecritic.com, and onetime.com, including click-based advertising revenue, display-based advertising revenue and room reservations sold through these websites. Other hotel revenue was flat and decreased by \$11 million during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016, primarily due to increased focus on return on marketing spend from paid marketing channels within this revenue stream.

TripAdvisor's Non-Hotel segment revenue increased by \$26 million or 26%, and \$58 million or 26%, during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016, primarily driven by increased bookable supply, user demand, and increased bookings in TripAdvisor's Attractions and Restaurant businesses.

TripAdvisor's strong revenue growth in its Attractions business has been driven by the following factors: growth in bookings sourced by TripAdvisor, growth in bookable products, which leads to better consumer choice, as well as growth

[Table of Contents](#)

in free and paid traffic sources. Another contributing factor is the improved shopping experience from the introduction of new features, such as attractions instant booking for mobile phone, which enables users to purchase tickets and tours seamlessly without leaving the mobile app. These factors are all contributing to more consumer choice and continued revenue growth as a result of increased bookings. Similarly, in TripAdvisor's Restaurants business, continued strong revenue growth can be attributed to increased bookings in TripAdvisor's most established markets, growth in mobile bookings, a continually improving user experience and an increase in bookable supply of restaurant listings during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016.

Revenue by Geography

TripAdvisor's U.S. revenue increased \$20 million or 9%, during the three months ended September 30, 2017, when compared to the same period in 2016. U.S. revenue represented 56% and 53% of total revenue during the three months ended September 30, 2017 and 2016, respectively. This increase in the U.S. was due primarily to growth in TripAdvisor's Attractions business. Revenue outside of the U.S., or non-U.S. revenue, decreased \$2 million, or 1%, during the three months ended September 30, 2017, when compared to the same period in 2016. Non-U.S. revenue represented 44% and 47% of total revenue during the three months ended September 30, 2017 and 2016, respectively. The decline in TripAdvisor's non-U.S. revenue, as a percentage of total revenue during this period was primarily due to growth in TripAdvisor's Attractions business in the U.S. and a higher growth rate in mobile phone hotel shoppers and a higher percentage of total hotel shoppers from mobile devices in non-U.S. markets during the period.

TripAdvisor's U.S. revenue increased \$72 million or 11%, during the nine months ended September 30, 2017, when compared to the same period in 2016. U.S. revenue represented 57% and 54% of total revenue during the nine months ended September 30, 2017 and 2016, respectively. This increase was due to an increase in U.S. TripAdvisor-branded click-based and transaction revenue, driven by growth in U.S. revenue per hotel shopper during the nine months ended September 30, 2017, when compared to the same period in 2016, as well as growth in TripAdvisor's Attractions business. Revenue outside of the U.S., or non-U.S. revenue, decreased \$1 million or 0%, during the nine months ended September 30, 2017, when compared to the same period in 2016. Non-U.S. revenue represented 43% and 46% of total revenue during the nine months ended September 30, 2017 and 2016, respectively. The decline in TripAdvisor's non-U.S. revenue, as a percentage of total revenue during these periods, was primarily driven by the factors noted above, as well as, foreign currency fluctuations and the timing of TripAdvisor's instant booking feature rollout in certain non-U.S. markets during the first half of 2016.

Operating expense

The most significant driver of operating expense is technology and content costs which decreased \$2 million during both the three and nine months ended September 30, 2017, when compared to the same periods in 2016. The decreases were primarily due to a decrease in contingent staff costs, partially offset by an increase in personnel and overhead costs to support TripAdvisor's mobile phone and website initiatives, as well as to support business growth.

Selling, general and administrative

Selling and marketing costs consist of direct selling and marketing costs and indirect costs, such as personnel and overhead. Selling and marketing costs increased \$37 million during the three months ended September 30, 2017, when compared to the same period in 2016, driven primarily by an increase of \$42 million in costs incurred related to the launch of TripAdvisor's television campaign in June of 2017, partially offset by a decrease in other advertising costs. SEM and other online traffic acquisition costs were essentially flat during the three months ended September 30, 2017, when compared to the same period in 2016, as TripAdvisor shifted marketing spend to its television campaign.

Selling and marketing costs increased \$98 million during the nine months ended September 30, 2017, when compared to the same period in 2016, driven primarily by an increase of \$58 million in costs incurred related to the launch of TripAdvisor's television campaign in June of 2017, as well as an increase in SEM and other online traffic acquisition costs of \$43 million, partially offset by a decrease in other advertising costs.

[Table of Contents](#)

General and administrative costs increased \$1 million and decreased \$1 million during the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016. The increase for the three months ended September 30, 2017 was due to increases in personnel and overhead costs and professional service fees. Professional service fees and other increased \$2 million during the three months ended September 30, 2017, when compared to the same period in 2016, primarily due to an increase in bad debt costs and non-income taxes, partially offset by a decrease in consulting costs. Professional service fees and other decreased \$3 million during the nine months ended September 30, 2017, when compared to the same period in 2016, primarily due to a decrease in consulting costs and non-income taxes, partially offset by an increase in bad debt costs.

Operating income (loss)

Operating income, on a standalone basis, was impacted by the above explanations, combined with an increase in the amortization of capitalized software and web development costs and amortization of intangible assets acquired from recent TripAdvisor acquisitions.

The following is a reconciliation of the results as reported by TripAdvisor, used for comparison purposes as discussed above, for a greater understanding of the standalone operations of TripAdvisor, to the results reported by TripCo (amounts in millions):

	Three months ended September 30, 2017			Nine months ended September 30, 2017		
	As Reported by TripAdvisor	Purchase Accounting Adjustments	As Reported by TripCo	As Reported by TripAdvisor	Purchase Accounting Adjustments	As Reported by TripCo
Revenue	\$ 439	—	439	1,235	—	1,235
Operating expense, excluding stock-based compensation	(69)	—	(69)	(209)	—	(209)
Selling, general and administrative, excluding stock-based compensation	(275)	—	(275)	(757)	—	(757)
Adjusted OIBDA	95	—	95	269	—	269
Stock-based compensation	(26)	—	(26)	(72)	—	(72)
Depreciation and amortization	(27)	(23)	(50)	(82)	(79)	(161)
Operating income (loss)	\$ 42	(23)	19	115	(79)	36

	Three months ended September 30, 2016			Nine months ended September 30, 2016		
	As Reported by TripAdvisor	Purchase Accounting Adjustments	As Reported by TripCo	As Reported by TripAdvisor	Purchase Accounting Adjustments	As Reported by TripCo
Revenue	\$ 421	—	421	1,164	—	1,164
Operating expense, excluding stock-based compensation	(70)	—	(70)	(210)	—	(210)
Selling, general and administrative, excluding stock-based compensation	(237)	—	(237)	(660)	—	(660)
Adjusted OIBDA	114	—	114	294	—	294
Stock-based compensation	(22)	—	(22)	(64)	—	(64)
Depreciation and amortization	(26)	(30)	(56)	(74)	(91)	(165)
Operating income (loss)	\$ 66	(30)	36	156	(91)	65

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations by our subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We plan to manage our overall exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this will protect us from interest rate risk. We expect that over time we will achieve this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity and (ii) issuing variable rate debt with appropriate maturities and interest rates. As of September 30, 2017, our debt is comprised of the following amounts of variable and fixed rate debt:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
	amount in millions			
TripAdvisor	\$ 272	2.5 %	—	N/A
TripCo debt	\$ 208	3.3 %	263	1.3 %

TripCo is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of TripAdvisor's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of parent's equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, TripCo may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

No shares of Liberty TripAdvisor Holdings, Inc. Series A common stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended September 30, 2017.

[Table of Contents](#)

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit No.	Name
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

* Filed herewith

** Furnished herewith

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty TripAdvisor Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2017

/s/ GREGORY B. MAFFEI

Gregory B. Maffei

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Brian J. Wendling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty TripAdvisor Holdings, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2017

/s/ BRIAN J. WENDLING

Brian J. Wendling

Senior Vice President and Chief Financial Officer

Certification**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty TripAdvisor Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chairman, President and Chief Executive Officer

Date: November 7, 2017

/s/ BRIAN J. WENDLING

Brian J. Wendling
*Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)*

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.
