

## — PARTICIPANTS

### Corporate Participants

**Will Lyons** – Senior Director-Investor Relations, TripAdvisor, Inc.

**Stephen Kaufer** – President, Chief Executive Officer & Director, TripAdvisor, Inc.

**Julie M. B. Bradley** – Chief Financial Officer, TripAdvisor, Inc.

### Other Participants

**Lloyd Walmsley** – Analyst, Deutsche Bank Securities, Inc.

**Dean J. Prissman** – Analyst, Credit Suisse Securities (USA) LLC (Broker)

**Mike J. Olson** – Analyst, Piper Jaffray & Co (Broker)

**Michael B. Purcell** – Analyst, Stifel, Nicolaus & Co., Inc.

**Ron Zember** – Analyst, Nomura Securities International, Inc.

**Tom White** – Analyst, Macquarie Capital (USA), Inc.

**Mark S. Mahaney** – Analyst, RBC Capital Markets LLC

**Naved A. Khan** – Analyst, Cantor Fitzgerald Securities

**Erhan Soyer-Osman** – Analyst, Morgan Stanley & Co. LLC

**Heath P. Terry** – Analyst, Goldman Sachs & Co.

**Douglas T. Anmuth** – Analyst, JPMorgan Securities LLC

**Peter C. Stabler** – Analyst, Wells Fargo Securities LLC

**Brian T. Nowak** – Analyst, Susquehanna Financial Group LLLP

## — MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the TripAdvisor First Quarter 2014 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference is being recorded.

I'd now like to turn the conference over to your host for today, Mr. Will Lyons. Sir, you may begin.

### Will Lyons, Senior Director-Investor Relations

Thanks, Dan. Good afternoon, everyone, and welcome to TripAdvisor's first quarter 2014 earnings conference call. I'm Will Lyons, Senior Director of Investor Relations for TripAdvisor, and joining me on our call today are our CEO, Steve Kaufer; and our CFO, Julie Bradley.

As is typical, we distribute our earnings release through our Investor Relations website located at [ir.tripadvisor.com](http://ir.tripadvisor.com). In today's earnings release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also, please note that financial tables in our earnings release and 10-Q now reflect numbers rounded to millions.

Before we begin, I'd like to remind you that the estimates and other forward-looking statements included in this call represent the company's views as of today, May 6, 2014. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to today's earnings release and TripAdvisor's filings with the SEC for more information concerning factors that could cause actual results to differ materially from those expressed or implied by such statements.

Finally, unless otherwise stated, all references to selling and marketing expense, general and administrative expense, and technology and content expense are non-GAAP measures as defined in our earnings release and our comparisons on this call will be against our results for the comparable period of 2013.

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

**Stephen Kaufer, President, Chief Executive Officer & Director**

Thank you, Will, and welcome, everyone. TripAdvisor has started 2014 firing on all cylinders. We've strengthened our content and community, we continue to lead in mobile, we're experiencing tailwinds from our recent product enhancements, and we're very excited to mark our entry into the international restaurant reservation space. I'll summarize these and some other recent developments and then I'll hand the call over to Julie, who will provide more color on our solid Q1 financials and more importantly, our improved 2014 outlook.

On the content side, the flywheel continues to hum. We topped 150 million reviews and opinions and accelerated to over 100 contributions per minute as members continue to engage with our platform and improve our product at record levels.

We're quickly adding more businesses to review as well, with more than 810,000 hotels, inns and B&Bs and 600,000 vacation rental listings on our site at the end of Q1. With more than 1.4 million listings of places to stay, we are the travelers' largest and most comprehensive accommodations resource on the web.

In addition to helping travelers find an accommodation, we also help navigate other phases of travel planning and trip taking. Our 2.2 million restaurant listings and more than 420,000 attraction pages are up 90% and 60% year-over-year, respectively. These pages drive greater user engagement throughout the travel cycle, especially on mobile devices, creating important touch points during their trip. In turn, this is opening up attractive advertising opportunities for businesses that want to market to our massive, globally diverse community on travelers and locals looking for places to eat and things to do.

This community continues to grow at a fast clip off of a large base, as we averaged more than 0.25 billion average monthly unique visitors during Q1, up 27% year-over-year, and finished March on a high note, as our 267 million unique visitor count was our second highest all-time, bested only by our seasonally high August 2013 unique user count of 277 million.

So far this year, we've launched localized versions of our TripAdvisor websites in Austria, South Africa, Philippines, New Zealand and Vietnam. We now have 39 points-of-sale with content in 22 different languages and plan to launch seven more countries in 2014.

Hotel shoppers, the users on our site who view a listing of hotels in a city, such as Chicago Hotels, or look at a specific hotel page, such as The Langham Chicago, rose 14% during Q1 despite some very tough comps from SEO wins last year. More importantly, hotel shopper conversion, turning a hotel shopper into revenue on our site is getting better and better.

As a result, coming off a strong Q4, CPC pricing growth continued in Q1 to record levels, and has continued to rise in April. Q1 showed the first positive year-on-year growth in revenue per hotel shopper since we began rolling out metasearch. We are very pleased that not only did our metasearch transition create a better user experience and deliver higher quality leads to our clients, but now we've also demonstrated an improved economic model for TripAdvisor.

We're using these tailwinds to our advantage, re-investing in such areas as SEM where we can bid more to drive a wonderful growth cycle. We don't typically provide this type of insight into traffic channel trends, but it seems appropriate to do so on this call given our incredibly strong start to Q2.

Hotel shopper growth remains the way we gauge audience growth at the top of the Click-based revenue funnel, but as we continue to improve conversion in the middle of the funnel through metasearch and complement that with our new Instant Booking feature, we believe that revenue per hotel shopper, as well as other factors, will gain prominence in our Click-based revenue model.

I'll note that we have emerged from the toughest monthly hotel shopper comps in March and April, which now start to lessen as we move into Q2 before they ease in Q3 and Q4. We are now also comping over our meta rollout last year, progressing from approximately 25% of hotel traffic at the end of March 2013 to 100% of traffic by the beginning of June in 2013. Putting it all together, we're very pleased that revenue per hotel shopper has improved so much already and we believe there is further upside as comps ease between now and October.

One bit of housekeeping. As our traffic grows and our site evolves, so too does the number of pages on which a user can engage with the TripAdvisor brand. For example, by reading hotel reviews and room tips, viewing photos, comparing prices and finding available properties. We've captured these pages in our hotel shopper count and have recast historical hotel shopper growth metrics back to Q1 2013 on our supplemental financial information file that was posted to our IR site today. You'll notice no material change to any quarter.

Mobile adoption continues to grow. 44% of our traffic visited via mobile devices, roughly three quarters of which was on smartphones. In March, the mobile traffic jumped to 47% of total. During the quarter, we eclipsed 100 million app downloads according to our log files. And mobile market data expert, Distimo, recently announced that TripAdvisor is now the most popular travel app in the world.

Our DaoDao brand also launched a new app on iOS and was chosen as one of the best new apps in the App Store in China. As I'll talk about in a minute, our strengthening position throughout the travel planning and trip-taking funnel puts us in the driver's seat to capture a large and growing mobile opportunity. TripAdvisor has the most listings, the most traveler reviews, the most monthly users, the best mobile products and the most powerful global reach of any travel brand, and we're leveraging this leadership position, investing heavily for long-term growth.

One of the most exciting new channels we're leveraging to amplify our global brand is television advertising. Armed with both the successes and lessons from our test campaign last year, we have chosen a new creative partner and plan to launch new TV ad campaigns in a couple of weeks from now, in time for the busy travel planning season. Our TV ads will initially run in the U.S. and two other significant markets and will reinforce the notion that planning a trip with TripAdvisor will lead to a better vacation because of our community's rich and valuable insights. Stay tuned.

On the product side, we continue to innovate and make each phase of the travel planning cycle simpler and more engaging for every user on every device in every geography. I'll highlight personalization, meta-search and booking hotels and restaurants on TripAdvisor.

As previewed last quarter, we've started rolling out our new Just For You personalization feature on hotel pages. Over 15% of users looking at listings of the hotels are seeing a more engaging, more personalized experience with the goal of hitting 100% later in Q2. And while it's still very early, we're already seeing a positive revenue uplift.

As for metasearch, we're winning on all fronts. It's clearly a better user experience, which leads to higher value leads for partners and higher monetization for us. On the user side, we're seeing increases in average time per session and repeat usage. On the partner side, we're seeing a

healthy, bidding landscape for our high value leads. Additionally, we're seeing greater partner engagement with our bid recommendation reports, tools that help them bid more efficiently and compete more effectively on our platform.

But we aren't a company that takes a break. Just as meta has turned revenue positive, we're excited to release our latest hotel booking feature, Instant Booking, which allows travelers to complete their reservation on their smartphones while still on TripAdvisor. Currently live to approximately 10% of our US-based iOS, Android and mobile web traffic, Instant Booking offers users a, quote, Book on TripAdvisor, unquote, button to move seamlessly through the booking process by selecting a room, inputting their personal information and credit card number and completing their booking, all without leaving the TripAdvisor interface. This means less friction, less confusing hand-offs and a much more enjoyable shopping experience. Instant Booking is available on approximately 150,000 properties today, roughly one-third of the commerce-enabled properties on our platform. Similar to the early phases of our metasearch rollout last year, we're moving very quickly and we expect to onboard many more partners as this feature matures.

We are excited about how Instant Booking will deliver a more comprehensive, seamless, end-to-end hotel shopping experience and could help close the monetization loop on smartphones. Barring unforeseen circumstances, we expect to be live to 100% of our smartphone sessions in most of our major markets by the end of Q2 and we are already designing a new desktop and tablet experience in anticipation of the successful smartphone rollout.

We are very excited today to announce that we will be entering the international restaurant reservation category. We have entered into exclusivity to acquire La Fourchette, also known as The Fork for those who don't speak French. La Fourchette is the leading internet and mobile restaurant reservation system in France and Spain, helping over 12,000 restaurants manage their tables and fill their restaurants with diners. La Fourchette has already achieved scale in these two large markets; they have shown they can operate at a profit while growing at a fast clip and they are loved by their restaurant partners and diners alike.

La Fourchette is growing rapidly and TripAdvisor can help fuel even faster future growth by turning some portion of our incredible amount of global restaurant traffic into seated diners. This restaurant traffic, which now accounts for over 200 million restaurant page views per month will translate into more demand for existing restaurants, providing another compelling reason why even more restaurants should sign up for the La Fourchette offering.

From the TripAdvisor user perspective, we're offering the convenience of online restaurant reservations; something that both travelers and locals can appreciate. We expect to close this transaction by the end of the month and have already begun to develop a winning strategy for moving forward. We've chartered the La Fourchette team with an aggressive mission to expand beyond their core markets of France and Spain, and we have plenty of investment capital at our disposal to put more sales and marketing teams on the ground across the European continent.

There are two reasons we chose to enter the international restaurant reservation space. First, it is something that we can make much bigger and better with our restaurant traffic and reviews as it is such a clear natural adjacency to travel. Second, the international opportunity for online restaurant reservations is extremely underpenetrated. Unlike the U.S., where approximately 20% of existing restaurant reservations are made online, this percentage is in the single digits, in some cases low-single digits, in nearly every international market. We see a clear opportunity to match our demand with more restaurant supply in more cities, in more countries, with a focus on international markets. We are very excited about entering into the restaurant reservation category and look forward to welcoming the entire La Fourchette team to the TripAdvisor family.

We're also excited to welcome two more teams to TripAdvisor, Vacation Home Rentals and Tripbod. Both are nice complements to our fast-growing vacation rental and trip-planning platforms.

We continue to actively look for great ideas, teams and opportunities to accelerate our product roadmap and enhance our global competitive positioning.

In summary, we are off and running in 2014. Our business fundamentals are strong and are getting stronger, we are delivering high, profitable growth and are in the early stages of capturing huge additional opportunities.

I'll now turn the call over to Julie.

**Julie M. B. Bradley, Chief Financial Officer**

Thank you, Steve. We're very pleased to see users and partners engaging more and more on our platform. From content and community, to metasearch, to booking hotels and restaurants on TRIP, we're well positioned for growth and are really excited about where the business is headed.

First quarter total revenue grew 22% to \$281 million with FX providing a little over 1% tailwind. On the bottom line, Adjusted EBITDA growth accelerated to 12%. Click-based revenue growth of 16% was driven by stronger CPC pricing from our metasearch leads. After reaching meta revenue neutrality in December, revenue per hotel shopper was fully recovered, accelerating sequentially from negative 9% in Q4 to positive 1% in Q1, and up from negative 19% in Q3, further evidence of the strong and increasing value of our hotel shopper leads. Steve alluded to our continued strength in early Q2, and I am pleased to say that April click-based revenue growth was over 30%.

Coming off a really strong fourth quarter and a stellar 2013, our display business saw continued strength in Q1, growing 28%. Sold impressions were up 30% during the year due to a larger, more productive global sales force, coupled with our Delayed Ad Call product innovation which continues to differentiate our offering to a growing list of advertisers – all of whom have access to our audience of more than a 0.25 billion monthly visitors.

Subscription, transaction and other revenue was significantly ahead of expectations as well, growing 62% in the quarter, led by our two largest products in that area: Business Listings and Vacation Rentals. In Business Listings, our sales team continues to roll out our value-based pricing schedule, that more closely matches a hotel's Business Listings subscription fee to the page views and bookings we generate for them.

In Vacation Rentals, our Free-to-List model is helping us to increase inventory and transactions. We now offer travelers approximately 600,000 listings to choose from, up approximately 100% year-over-year. More than 40% of our listings are eCommerce-enabled, giving travelers and property owners a faster and more convenient transaction experience. Our focus remains on driving even more efficiencies in the transaction funnel.

Specific to geographic mix, our core US and UK markets showed notable relative strength in traffic and revenue growth. Revenue to sites other than dot.com, increased slightly as a percent of total growth based on hotel shopper growth globally and strong performance on our display and Business Listings products overseas.

On the expense side, total expenses decreased sequentially from 75% to 57% of revenue, driven primarily by our selling and marketing line due to the timing of our TV ad campaign. Expense increases in Q1 were driven primarily by head count additions to pursue our product and global expansion initiatives.

Also, while Q1 selling & marketing growth included investments in traffic acquisition, we have just started our investments in our new TV campaigns during the quarter and continue to expect to incur the bulk of our 2014 offline investment during the second and third quarters.

Moving on to taxes, our Q1 GAAP effective tax rate was 28%, which remains a good proxy for our expected effective rate for 2014, dependent on jurisdictional revenue and expense mix, among other factors.

We had 146 million diluted shares outstanding during Q1, and we estimate that our diluted share count will increase roughly 1 to 2% by the end of 2014, subject to our stock price movement, potential share buyback and new share issuances.

Q1 CapEx was \$20 million, or 7% of revenue, driven by capitalized engineering salaries and leasehold improvements to support global office expansion. We continue to expect 2014 CapEx to be in-line with 2013's exit rate of approximately 8% of revenue.

From a liquidity standpoint, our cash, cash equivalents and short-term and long-term marketable securities increased by \$75 million during the quarter to \$745 million driven primarily by free cash flow of \$89 million. We have just over \$100 million remaining under our existing share repurchase plan, outstanding borrowings of \$330 million, as well as an undrawn credit facility of \$200 million.

With that, let me provide our updated 2014 outlook. With all of the positive trends that we have seen year-to-date, we are increasing our full year revenue growth outlook from mid 20s% to high 20s% to low 30s%.

Based on strong auction dynamics, we are raising expectations for Click-based revenue growth from low 20s% to high-20s% and we continue to expect sequential acceleration throughout the next couple of quarters as we lap the metasearch transition.

We continue to expect mid-to-high teens Display-based revenue growth for 2014, as our worldwide traffic growth gives us a unique position in the marketplace and our differentiated CPM products allows us to maintain premium pricing. Note that we are up against some very strong 2013 comps and this forecast does not include a repeat of 2013's Q4 growth rate.

We are also increasing our expectations for our Subscription, transaction and other business lines from low 50s% to high-60s% growth, based on solid organic performance and the inclusion of the acquisitions discussed today.

On the expense side, we are tracking to similar investment levels as compared to 2013 as we invest in talented people, global brand amplification, and traffic growth to capture the many opportunities in front of us. As the continued improvement in revenue per hotel shopper has allowed us to bid more for traffic, our SEM expenses have grown with the increase in revenue. Therefore, we continue to expect to grow EBITDA at roughly the same percentage growth level as total revenue.

Note that these expectations are based upon April data, historical patterns, and other factors. While we attempt to be appropriately conservative, this represents our best-thoughts as of today. As a reminder, our Click-based revenue is highly sensitive to fluctuations in hotel shopper growth as well as partner CPC pricing, which are risks. Conversely, our forecast does not contemplate any meaningful lift in CPC prices or additional on-site conversion improvements from where we are today, nor does it contemplate any revenue from our Instant Booking initiative, nor does it include any positive impact from our TV ad campaigns, so those represent potential upside from a traffic and/or revenue standpoint.

In summary, 2014 is off to a great start and it is nice to have so many tailwinds at our back.

We will now open the call up to your questions.

## QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question today comes from the line of Lloyd Walmsley of Deutsche Bank. Your line is open. Please go ahead.

**<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>**: Thanks, guys. Wondering if you can just square the deceleration in hotel shopper growth in the first quarter, even on a two-year basis with the shocking increased guidance in terms of magnitude, do you expect that shopper growth to kind of turn around and reaccelerate? Or is most of the guidance increase focused around price? It doesn't sound like there's much of a benefit you kind of planned from TV, can you just kind of help us understand the dynamics between that shopper growth number and the guidance increase?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Sure. Thanks, Lloyd. Perfectly fair question. So we did see a deceleration. We're finding that the business is much more attuned towards that revenue per hotel shopper metric that we started talking about. So, as we get – I mean, if you look at the large scheme of things that 260-some-odd million visitors a month, and half of those being hotel shoppers approximately, we have so much traffic to our site already that with our focus on converting those shoppers into revenue to us and lead to our clients, it's that conversion metric that's turning out to play a much bigger deal for us.

Last year, hey, as we started to lap meta, we were benefiting from some great wins in the search engine front, SEO wins as we call them. We're not seeing that magnitude of wins, but those hotel shopper number is still growing. As we look forward in Q2, Q3 onward, we're lapping easier wins on the hotel shopper number. But what we've seen in the conversion, in part from the metasearch implementation, it's better for the consumer, they're coming back more, they're engaged more. So it's turning those shoppers into real revenue for us much more.

So in terms of going forward, I look -- hotel shopper is still at the top of the funnel, it's an important metric, but it's not the one that I'm actually looking at much more closely on a day-to-day basis. It's what's happening once those shoppers are already on our site. And as you can tell from our kind of bullish tone and increased guidance, we're seeing a lot of good stuff, especially as we're lapping over the big meta headwinds in Q2 and Q3.

**<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>**: And so a follow up, if I may. It sounds like this big step-up in guidance isn't even contemplating much of a benefit from TV or much of a benefit from the booking path. And so as we look forward, the shopper comp is about flat in the second quarter, then eases in the back-half, your pricing comp eases in the second and third quarter and you'll have the benefit of the new booking path and the TV. So it seems like a lot of that isn't even incorporated in guidance. Is that right?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: So when we plan going forward, we assume that pricing is not going to go up. We assume it's not going to go down either; it's just called out as a risk factor. We're not assuming we're going to get amazing new wins in terms of conversion on our site because we hope to be able to make some improvement, but we're not planning a lot into it there.

We're planning in nothing for TV. After we see those wins, I'll tell you about them. But before we see them, I'm not going to put them into my forecast. So we don't count TV. And Instand Booking on the phone, the phone still represents a relatively small amount; we think it'll be positive. We hope so. It's not counted into the plan. If it was counted into the plan at the moment or early stages, it wouldn't be particularly material.

So you're right. We have some TV. We have some Instant Booking, and that could be much more material on the desktop, but neither of those are in our current plan going forward. But we are looking at the existing pricing holding, we are looking at the existing on-site conversion holding or

doing slightly better and we're just doing the math on a lap of meta from last year where the effect was even more pronounced than what we had thought originally going into the year.

**<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>**: Thanks a lot, guys.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Surely.

Operator: Thank you. Our next question comes from the line of Dean Prissman of Credit Suisse. Your line is open. Please go ahead.

**<Q – Dean Prissman – Credit Suisse Securities (USA) LLC (Broker)>**: Thanks for taking the questions. So did Easter falling in Q2 negatively impact your hotel shopper growth? And, if so, by how much? And then with your new TV advertising campaign, as you think about the objectives, how are you prioritizing the degree to which the focus is on driving awareness of real-time availability and pricing features of meta versus just broad-based brand awareness and reach? Thank you.

**<A – Julie Bradley – TripAdvisor, Inc.>**: Sure. It's Julie. I'll take the first half. So the fact that Easter fell into Q1 versus Q2 was really less than 1% negative impact for us. And I'll let Steve take the TV question.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: And on the TV question, we really believe our long-term value proposition, what travelers love about our site is the ability to find the right hotel room, the right restaurants, the right things to do when you're there, to plan the whole trip. Getting a great price, that's part of it, but not the core value proposition that we would be touting in the TV ads. The fact that you'll be able to come to TRIP, plan the perfect trip and get the best price that's out there, because that's part of the functionality we have, excellent. But you won't see it as a direct sort of price comparison hit-you-over-the-head type ad.

**<Q – Dean Prissman – Credit Suisse Securities (USA) LLC (Broker)>**: Great. Thanks.

Operator: Thank you. Our next question comes from the line of Mike Olson of Piper Jaffray. Your line is open. Please go ahead.

**<Q – Mike Olson – Piper Jaffray & Co (Broker)>**: Hey. Good afternoon. I think you recently had mentioned that you had over 25 million restaurant reviews. So it makes sense that you're trying to find ways to increasingly monetize that content. Is allowing for bookings to be done directly through the site the only way to monetize that are or are there other things you're looking at like other advertising opportunities or deal offerings or other ways to monetize that content? And then secondly and separately, so just to be clear on the guidance, the assumption for Q2 and beyond, is that revenue per hotel shopper does not improve from here, or did I misinterpret that comment? Thanks.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: I think we'll see – so to answer the latter and we may see some seasonal changes in revenue per hotel shopper going forward. Compared to last year, it's going to be great because of the meta lap, but half the revenue per hotel shopper is the actual price we're getting paid for the leads and we're not counting on an increase in pricing from our clients. It may happen, but we're not counting on it.

To the question on restaurants, wow, to say it's early chapter would be an understatement. So, we bought a leader in – or, pending under exclusivity, a leader in Europe and we are delighted to use that as a beachhead for our international expansion. We just have a lot of traffic that, frankly, TripAdvisor has not spent a lot of time thinking about other than watch it grow as an asset. One of the best ways to leverage all the folks looking for where to eat and, to be clear, it's a bunch of locals looking for a place to eat in their hometown and travelers looking for a place to eat when they're

taking their trip. And having an online reservation experience, both on the TripAdvisor app or TripAdvisor desktop as well as the La Fourchette app when you're making a reservation for this very night in the town in which you live, we think that is clearly a part of our collective digital future and we intend to be a very big player in that space.

We get to bring the traffic that TripAdvisor already has, our reference point as a source of reviews, because our restaurant reviews are just very, very popular on the continent. Frankly, globally, but particularly so in Europe. And so bringing that demand to the restaurants that are already signed up on La Fourchette as well as others that will join to get access to that demand we think is a good picture. Long winded answer, doesn't rule out other couponing or other deals or other certificates or other ways to help our travelers dine or help locals find the best spot, but we think there's a very straightforward path to a meaningful amount of opportunity right in front of us.

**<Q – Mike Olson – Piper Jaffray & Co (Broker)>:** Okay. You mentioned international a few times, does that suggest that you're less interested in domestic?

**<A – Steve Kaufer – TripAdvisor, Inc.>:** It simply points out that it's greenfield in so many parts of the world and that's really where it happens to match to our restaurant demand, the traffic that we have on the site, the sheer liquidity of the reviews that we have. So, I don't want to sound like it's easy because there's nothing easy in any of our businesses, but it's very straightforward we think to match our restaurant demand throughout the continent with the product that La Fourchette already has, and aggressively encourage that team to add supply where we also have demand.

**<Q – Mike Olson – Piper Jaffray & Co (Broker)>:** Thank you.

Operator: Thank you. Our next question comes from the line of Michael Purcell of Stifel. Your line is open. Please go ahead.

**<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>:** Yes, hi. Thanks for taking the question. Steve, I was wondering if we could get a little update on the Instant Booking. I know it's just rolling out, but I think you said it's available to – did I hear right, one-third of the properties in the system right now?

**<A – Steve Kaufer – TripAdvisor, Inc.>:** Right. So it's available on approximately 150,000 properties if you are a U.S. traveler using a lucky slice or lucky segment of our app traffic or if you're using our mobile web version and you're looking at a hotel in roughly speaking New England or Europe, at the moment. So with all those qualification which we round to about 10% of our mobile traffic, you'll see the book on TripAdvisor button. You don't have to hunt and text for too much because in short amount of time we'll be rolling that out to a larger and larger segment until everyone gets to see it shortly.

**<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>:** Well, great then. And so it will be a geographic rollout? And then I guess another question is, is it available both to suppliers to bid on and the OTAs?

**<A – Steve Kaufer – TripAdvisor, Inc.>:** Yes. We're in fact – we've been fortunate enough to have Choice Hotels, one of the leading brands and certainly one of the most innovative and one of the most focused on the opportunity that mobile presents to hop on board as the launch partners. So if you go to a Choice Hotel on our mobile web product in one of those geographies I talked about, then you'll see the Book on TripAdvisor powered by Choice. And again, we're thrilled. We certainly expect over time as the product matures many other suppliers as well as all of our traditional – or most of our traditional OTA partners to hop on board as well.

**<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>:** Okay. And did you give any timing when you think this will be 100% to the platform?

<A – Steve Kaufer – TripAdvisor, Inc.>: By the end of Q2.

<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>: Okay, great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Anthony DiClemente of Nomura. Your line is open. Please go ahead.

<Q – Ron Zember – Nomura Securities International, Inc.>: Hi, there. This is Ron Zember on for Anthony. I was wondering, the hotel shopper growth number of 14% that you guys reported, does that include native app users on the mobile end as well as the Instant Booking mobile users, the 10% that you mentioned? And then when we're thinking about hotel shoppers in general, how should we think of them in terms of the percentage of total visitors you're getting?

<A – Steve Kaufer – TripAdvisor, Inc.>: So the 14% number does include mobile app users, all devices, all geographies. The folks heading down the Instant Book path on TripAdvisor are by definition hotel shoppers because if you're looking at a hotel page, you are a hotel shopper no matter whether you click off to the meta world or go down in Instant Book path, so that's kind of separate. And then we say roughly half of our traffic is – half of our overall unique users is hotel shopper traffic roughly.

<Q – Ron Zember – Nomura Securities International, Inc.>: Got you. Thank you for taking the questions.

<A – Steve Kaufer – TripAdvisor, Inc.>: Certainly.

Operator: Thank you. Our next question comes from the line of Tom White of Macquarie. Your line is open. Please go ahead.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Thank you for taking my questions. First, congratulations on the pending La Fourchette deal. When we think about other opportunities for you guys around in-destination services or on-site purchases, can you talk maybe a bit more about other revenue models you guys could explore beyond restaurants and in particular, I am interested whether that might include your hotel partners for transactions at their physical locations? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: So, I'd say it's fair to assume that we will leverage the tremendous amount of global traffic that we have and the traveler demand that we represent and expand beyond hotels, vacation rentals, flights and now restaurants into additional activities. You could say our CPM activity already targets a number of other folks in category. It's a bit early for us to say where else exactly we would choose to monetize, but just as we're super proud of the La Fourchette team and our ability to tap into restaurants now, you're correct in pointing out, we have some other traffic that is currently remaining under monetized.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Thank you.

Operator: Thank you. Our next question comes from the line of Mark Mahaney of RBC. Your line is open. Please go ahead.

<Q – Mark Mahaney – RBC Capital Markets LLC>: Great. Thanks. Two questions. Just a follow-up on that last question about the monetization of non-hotel shopper traffic. Can you be a little more specific in terms of the attractions, local attractions traffic and your thoughts on monetization? Is that still – is that skunkworks, drawingboard, beta, where is that maybe? And then this offline brand campaign that you're going to be rolling out in the next couple of weeks. I guess you're relatively confident in that, and maybe that's behind some of the increase in the guidance for the year. To what extent have you actually been able to test it maybe in small local markets, just can you help

us think how much risk there is if the TV campaign doesn't work or isn't as effective, and how you try to think to that risk? Thank you.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Sure. To answer the second question first, we do have a big campaign launching. We are personally, and I think the team is quite excited about it. We have zero revenue dollars associated with it, so in essence there is no risk in the guidance we've provided on the TV campaign working. There is all upside and hopefully we will see something material that we can measure.

When we look back at our last TV campaign, we were able to see very specific lists. When we're running the campaigns, we saw which markets perform better than others, we saw to some degree which types of ad buying gave us a better return on our investment. It wasn't successful enough for us to continue with those same campaigns in January, February, March. We wanted to retool and come out with frankly a more emotionally connecting message or harder-hitting message that's going to drive to the site, and we would expect to see a better return on our investment for that ad spend. And I'm cautiously optimistic on it, but I haven't put anything in the forecast for it.

In terms of the first part of the question, attractions, we do recognize that attractions have a lot of page views on TripAdvisor, a lot of money changes hands when travelers go in market and go to do stuff. Tours, day trips, whatever the activities are, and travelers are relying on TripAdvisor for those reviews. We have several excellent partners right now, where we send leads to go buy those attractions and that works fine for us. But it's not as fulfilling to the traveler and we know it's not the full potential for what we can do. No timeline to announce at this point as to when and if we decide to tackle that area.

**<Q – Mark Mahaney – RBC Capital Markets LLC>**: Thank you, Steve.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: You're welcome.

Operator: Thank you. Our next question comes from the line of Naved Khan of Cantor. Your line is open. Please go ahead.

**<Q – Naved Khan – Cantor Fitzgerald Securities>**: Yeah. Hi. Thanks. Steve, I want to go back to your comments about improving conversion rates on the site and then I think Julie talked about increasing SEM spending. And if I want to tie the two together, is it that you are seeing the increase in conversion rates exceed while spending money on search to drive traffic and then maybe even turning that into faster shopper growth. Is that the right way to understand?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Well, I believe you're on the right track there. So as we improve the on-site conversion, we get more shoppers to actually click on the links we want them to click on i.e. more shoppers are finding the right hotels that they're interested in buying. And we get increased pricing from our clients, because the leads we're sending are higher price, then net-net math says we make more revenue per hotel shopper. As we make more revenue per hotel shopper, that allows us to buy more traffic through all channels, we can pay an extra penny, we can pay an extra nickel, whatever the number is, because we're making a bit more when that hotel shopper actually lands on our site.

**<Q – Naved Khan – Cantor Fitzgerald Securities>**: Okay.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: So it's not a change in our traffic acquisition strategy. It's just, hey, we can afford more because the site's monetizing better.

**<Q – Naved Khan – Cantor Fitzgerald Securities>**: Right. Okay. And then on the Instant Booking, what's the response you're getting from the OTA partners so far?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: I'd say the OTAs are looking carefully at participating in the Instant Booking process. We're very careful when we're talking with them and the suppliers, that we want consumers to understand that they're booking, while on TripAdvisor, they're booking a room that is supplied by the OTA partner or the supplier. We are very clear as we go through the product that questions or changes or anything having to do with the actual room purchased is a question for the supplier or the OTA. And so as the product continues to roll out, I know you'll be seeing more and more partners in the store. Each works to their own timeframe and each has their own decision-making process. So you'd kind to have to ask them on each of those, but we're confident in our continued partner growth.

**<Q – Naved Khan – Cantor Fitzgerald Securities>**: Okay. And then you did mention that the test is live to roughly 10% of the shoppers on mobile, what's the initial change in conversion rate that you're seeing there?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Excellent question. I asked the team the other day. They said, oh, come on Steve, give me a moment. We just launched it a couple of days ago. We don't have enough data to answer that yet. 10% of just mobile times conversion rate. And I smiled and said, yep, I'll ping you again next week. So, sorry, I just don't have – literally we just launched a couple of days ago. So we don't have any data yet.

**<Q – Naved Khan – Cantor Fitzgerald Securities>**: Great. Thanks.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Jordan Monahan of Morgan Stanley. Your line is open. Please go ahead.

**<Q – Erhan Soyer-Osman – Morgan Stanley & Co. LLC>**: Hi. This is Erhan Soyer-Osman in for Jordan. I'm wondering if maybe you can touch a bit more on the CPC growth and how the pricing is driving that growth? And especially maybe if you can elaborate on TripConnect and whether you think that some of the smaller hotels are making the platform more competitive and basically the auction place is what's driving that growth?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: Certainly, Erhan, and that's a very good question. So when we look at TripConnect, we see consistent week-over-week growth. There's been number of partners, the number of independent hotels participating, their bid levels, the dollars we're charging. Having said that, even having a lot of independents in the store, when the store has 500,000 or so different properties that are – we call them commerce enabled that you can book online, even at that growth, it's still a pretty small percent of the overall bookable inventory. So, while, yes, those TripConnect properties are helping to drive the auction, we think of it more as the long-term play to pick up the long tail in both the meta auction and then down the road the Instant Book platform, especially on the phone where many of those properties don't have good mobile websites.

What's driving more of the pricing we believe is that the work we've done on our site to maintain, in many cases, improve the quality of the leads that we send downstream to our clients. And then the tools that we've been able to provide that help our clients bid effectively on the properties that they're most able to pay the highest rates on. So you can kind of imagine into a perfect information, a set of clients would bid high on the properties that they know they convert really well because they have great pricing, they have a good margin on, so they can win, while on some properties where they're in a less competitive position, a different client, supplier or a different OTA will take the high bid position. And everyone is kind of unhappy when that's out of balance and everyone is happier when that's in balance. And from our perspective, happier clients means we're getting a higher amount of money because our clients are making more bookings. So our share of that increases.

And, frankly, from the consumer perspective, we're sending the person to the right place to book because the right place has the best price and because of that conversion they're often in the top

slot. So it kind of works all around. We've seen sort of steady bid ups on almost all countries from most players over essentially the course of the year that we've been out in meta. And so to be clear, we're not projecting increased bid ups going forward. Even at the level we're at today, it's just noticeably better than the beginning of the year and a heck of a lot better than sort of Q2 and Q3 when we first launched and had our big troughs.

**<Q – Erhan Soyer-Osman – Morgan Stanley & Co. LLC>:** Thank you.

**<A – Steve Kaufer – TripAdvisor, Inc.>:** Certainly.

Operator: Thank you. Our next question comes from the line of Heath Terry of Goldman Sachs. Your line is open. Please go ahead.

**<Q – Heath Terry – Goldman Sachs & Co.>:** Great. Thanks. Steve, just curious with the deceleration that we've seen in hotel shopper growth over the last couple of quarters and clearly it's obviously not having any impact on the rate of revenue growth. Has there been any impact on that due to improvements in your ability to measure users across devices? So to what degree is it that we're just getting a much cleaner hotel shopper number? And then on the improvement that you've talked about seeing in conversion rate, would you say that there's been any sort of disproportionate improvement on mobile versus desktop as you've improved your user experience there?

**<A – Steve Kaufer – TripAdvisor, Inc.>:** So a couple of good questions. No, we really haven't solved the deduping hotel shoppers across different devices. So, no, I don't think that's playing into the equation. We have seen modest conversion of revenue improvement on the phone. We see magnitude-wise it's just much more meaningful when we do any of that on the tablet and desktop simply because that's where so much more of our revenue is coming from. So I'd say when you look at trying to match the lower hotel shoppers with the higher revenue growth, you first want to think about conversion on desktop/tablet and the pricing as it plays into it as the main driver.

**<Q – Heath Terry – Goldman Sachs & Co.>:** Got it. Thanks, Steve.

**<A – Steve Kaufer – TripAdvisor, Inc.>:** Okay.

Operator: Thank you. Our next question comes from the line of Douglas Anmuth of JPMorgan. Your line is open. Please go ahead.

**<Q – Douglas Anmuth – JPMorgan Securities LLC>:** Thanks for taking the question. Just first wanted to ask about Europe and if you could give any comments there in terms of macro environment, what you're seeing, particularly in the travel space there? And then just secondly, you talked about pricing being up in April, but then you're sort of not building much in there as you go through the year. Can you just talk about why you're not being more optimistic given what you've seen so far here in terms of CPCs? Thanks.

**<A – Steve Kaufer – TripAdvisor, Inc.>:** Sure. So I think some of the colder weather probably had a bit of a negative effect if I were to guess as to some of the traffic that we saw on the site in Q1. April has been stronger than when we left March, so that's warmer and it's a positive sign for us. EU in general has been I'd say on the road up, whereas collectively we were unhappy with our progress past year. It's on the recovery stream, if you will.

And why haven't we built in pricing for the rest of the year? Because I can't articulate why it should be. I'm not certain that our leads will become a higher quality, so I don't know that the clients will be able to afford as a rev share or as a percentage of the booking much more. It might end up going up nicely because of Instant Book, but a still big unknown there. And then it's just we provided the tools, they're bidding up. I guess you could just say I'm uncomfortable assuming something that I'm not in control of there. So it might happen, but that's up to our clients, not me.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: Okay. Thank you.

<A – Steve Kaufer – TripAdvisor, Inc.>: Certainly.

Operator: Thank you. Our next question is from Peter Stabler of Wells Fargo. Your line is open. Please go ahead.

<Q – Peter Stabler – Wells Fargo Securities LLC>: Good afternoon. Thanks for taking the question. Julie, in the past, you've been willing to give us some guidance on the level of investment that you are contemplating behind the marketing push, television in particular, just wondering if you're willing to do that again this year? And if the television campaign doesn't meet your expectations, would you look to deploy the funds in a different way or do you think that this could go back to the bottom line and just be counted as a lesson?

And then secondly for Steve, wondering if you could comment, just broadly on user behavior, 44% of activity now through mobile devices, has this had any impact qualitatively or quantitatively on review submission? Thanks very much.

<A – Julie Bradley – TripAdvisor, Inc.>: So, I'll take on your investment question. So, the way we think about our business is that we are always looking to make as many investments as we can as we see as valuable for our long-term growth. So, last year, we embarked on TV advertising really to test and learn because we believe over the long-term, this will be a vehicle to grow. We're taking those learnings and retooling our campaign and planning to invest this year.

In the past, we've invested in other traffic acquisition initiatives, social initiatives, we measure our best success. If we go and find what's the ROI that we're looking at, we definitely have the discipline to, let it's drop to the bottom line. For TV specifically, I think that we've seen other competitors, travel industry has done quite well in the TV using that as a marketing vehicle. We have a lot headroom for brand amplification. So we are hopeful that we will enjoy successes there and look to increase our spend in the future.

<A – Steve Kaufer – TripAdvisor, Inc.>: This is Steve, on the mobile question, we look at our increasing mobile traffic as a great opportunity. So it was a headwind in terms of revenue, but we feel Instant Booking is going to address that and as we look forward to user adoption, buying more and more expensive things, more considerable purchases being made comfortably on the phone, we're going to be in a great position, because we have incredibly rich content. You can do the experience, you'll be able to do the research on the phone or the desktop. You'll be able to finish your booking on the phone or the desktop. You'll be able to find the right hotel, compare all the prices, pick which one you want, book it, it's kind of a nice complete solution.

And then we're the company with the best rationale for being with you throughout the trip. So you plan the trip with TripAdvisor, you book the trip with TripAdvisor, you went in market and we help you find where you're going to eat. Someday we'll help you do something even more than what we currently do in the attractions activity space. And it's kind of a full cycle and, of course, you had a wonderful vacation. You came home and we're asking you to tell your friends about how TripAdvisor helped you do everything.

<Q – Peter Stabler – Wells Fargo Securities LLC>: Thanks, Steve.

Operator: Thank you. Our next question comes from the line of Brian Nowak of SIG. Your line is open. Please go ahead.

<Q – Brian Nowak – Susquehanna Financial Group LLLP>: Thanks. I have two. The first one, Steve, I guess in the past you've given us rough ranges on the mobile impact, the international

impact, and then ultimately it looks like the meta tailwinds, the Click-based revenue growth this time. I just wondered if you could help us out kind of this quarter what the impact of mobile, international, and then meta was in the quarter. And then I have one follow-up.

**<A – Steve Kaufer – TripAdvisor, Inc.>**: No. We really haven't sort of broken it out this way and I don't really look at the business in that direction so much anymore. I tend to look at it from how we take the hotel shoppers on any particular device and turn those into monetization events.

**<A – Julie Bradley – TripAdvisor, Inc.>**: Yeah.

**<Q – Brian Nowak – Susquehanna Financial Group LLLP>**: Okay.

**<A – Julie Bradley – TripAdvisor, Inc.>**: I would say that you have the key elements there of mobile and international and I think they still remain parts of the equation. But with the transition to meta and the tough year-over-year comps for the hotel shoppers, we've seen more of a divergence from that. So we're, as Steve said, we're really focusing on [indiscernible] (58:23) in converting those hotel shoppers.

**<Q – Brian Nowak – Susquehanna Financial Group LLLP>**: Okay. And then the follow up I had, where are we now in kind of the percentage of hotel shoppers that click on a monetizable meta link and how are you thinking about that progressing over the course of the year in your guidance? Said another way, how many meta clicks do you see now per hotel shopper?

**<A – Steve Kaufer – TripAdvisor, Inc.>**: It's a fair question. We don't disclose the particular number. It is one of the things that we look at. Arguably the most important thing that we look at when we talk about our on-site conversion. Pricing, look, we try to deliver the right reports to our clients so that they can bid most effectively, but fundamentally that's their call. The on-site conversion, some of our folks that make a meta click will make two or three, but we know they're only going to make one actual booking.

So our objective is to get that user to the right hotel as soon as possible to make one click as we're showing them the right place to book and be done. So in a weird sense, I might make more money at the moment by getting someone to click on six different hotels as they compare along, because I get to charge six times for the click, but the downstream conversion, at the end of the day, they're going to buy one property.

So if my clicks per shopper goes up, it's not clear that that's a good thing. I could argue the clicks per shopper going down is the desired results of our personalization efforts, where we're helping you find really the right hotel so you don't have to shop around as much, but the quality of that lead downstream is going to be much higher. Said another way, with Instant Booking, our own purchase path funnel, we're going to convert that intent into a booking at a much higher rate because it's going to be, kind of, the right hotel for the person. So at the end of the day, it turns out to be the revenue per hotel shopper. That's the best metric measured in bookings when all is said and done.

Operator: Thank you. And ladies and gentlemen, that does conclude our Q&A session for today. I'd like to turn the conference back over to management for any closing remarks.

#### Stephen Kaufer, President, Chief Executive Officer & Director

Super. Let's just say we are pleased with the quarter. We're thrilled with the way April is going. We've a lot of nice stuff in front of us. I want to take a moment to really thank all the folks on the TripAdvisor team that specifically delivered the Instant Booking ahead of schedule. So we said we would do in 2014, we're pleased to have it out in May already. So thank you, entire team, and it may be a bit premature, but we look forward to the formal welcome of the La Fourchette to the

family, say hi to the Vacation Home Rentals, Tripbod, and we'll give you another update in another quarter. So thanks very much, everyone.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect. Have a great rest of your day.

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