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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to your TripAdvisor First Quarter 2013 Conference Call. [Operator Instructions] Later, there will be a question-and-answer session and instructions will be given at that time. [Operator Instructions] And as a reminder, today's conference is being recorded.

And now I would like to introduce your host for today Will Lyons, Senior Director of Investor Relations.

Will Lyons, Senior Director-Investor Relations

Thanks John. Good afternoon, everyone, and welcome to TripAdvisor's first quarter 2013 earnings conference call. I'm Will Lyons, and joining me on the call today are our CEO, Steve Kaufer; and our CFO, Julie Bradley.

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 7, 2013. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to today's earnings release and TripAdvisor's filings with the SEC for information concerning factors that could cause actual results to differ materially from those expressed or implied by such statements.

You'll also find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call in our Q1 earnings release, which is available on our IR site, ir.tripadvisor.com. Finally, unless otherwise stated, all references to selling and marketing expense, general and administrative expense and technology and content expense excludes stock-based compensation, and all comparisons on this call will be against our results for the comparable period of 2012.

With that, I will now turn the call over to Steve.

Stephen Kaufer, President and CEO

Thank you, Will, and welcome, everyone. 2013 has gotten off to a great start for TripAdvisor, as we strive to create the best experience for every user on every device in every geography. I'm going to highlight some key metrics, update you on our ongoing meta initiative and briefly discuss some notable developments pertaining to some of our strategic growth initiatives. Julie will then provide color on our financials and outlook.

We were pleased to see strong traffic growth during the first quarter, as total TripAdvisor unique monthly users grew at 54% year over year. Notably, unique hotel shoppers accelerated to 41% year-over-year growth, according to our log files, up from 35% growth that we saw in both last quarter and in Q1 2012.

TripAdvisor branded sites topped 200 million average monthly unique visitors during the quarter, according to Google Analytics. We were also thrilled to be able to announce that we now publish over 100 million reviews and opinions, further solidifying our leading position in the travel research funnel.

Our hotel shopper growth, coupled with strong pricing in all geographies, drove 24% revenue growth in our core click-based business. Our other products also fared well, as Display revenue reaccelerated to 14% growth, and subscription and other revenue grew 50% year over year. Collectively, this led to a strong Q1 total revenue in EBITDA growth of 25% and 30%, respectively.

Our underlying fundamentals are indeed very strong, providing a nice backdrop for our exciting product initiative that we outlined on our last earnings call, adding hotel metasearch functionality to all TripAdvisor websites.

To paraphrase consumer feedback, our new meta display has taken the work out of shopping for the best price. Users love finding out whether their hotel is available and how much their stay will cost, alongside all of the helpful reviews, traveler photos, room tips and the rest of the valuable user-generated content that we offer.

We began our metasearch rollout in Q4, initially to 100% of our smartphone traffic. We then started testing on desktop and tablet in Q1 and as of today, we have more than half of our worldwide traffic on meta. At this point, all traffic from Brazil, Canada, Germany, India, Ireland, Singapore and the UK have been fully transitioned to meta.

On the other points of sale, approximately 19% of our desktop and tablet users are seeing meta today, with the goal of ramping to 100% globally by the end of June. Partners are benefiting from this meta transition as well, as early data suggests that our hotel shopper leads are converting to booking at much higher rates.

We've seen our bid position and bid recommendation reports help partners make quicker, more informed ROI decisions. Additionally, upgrades to our bidding platform now allow partners the ability to change bids daily, and many large partners are updating bids several times per week.

These tools help us further deepen our relationships with our partners and we expect that our bidding platform will continue to become more efficient as we roll out to 100% meta implementation.

From a monetization standpoint, partners are paying us CPC rates that are several times greater than historical CPC rates, based upon the improved conversion of our leads.

And while we have made great progress toward our goal of revenue-neutral transition to meta, there is still work to be done. Namely, we must continue to improve the conversion rate of hotel, shoppers to revenue generating clicks, while simultaneously improving our client-facing bidding tools to help our partners spend effectively on our platform.

Remember that while we control the activity of improving conversion rates, final pricing is set by our clients in our auction. Based upon expected improvements in conversion rates and the natural competitive dynamics of an auction, we now expect to achieve revenue neutrality by the end of the year.

I'll now touch upon some interesting developments in a few of our growth initiatives. Our mobile offerings remain some of our fastest-growing products in terms of users, hotel shoppers and revenues. Average monthly mobile uniques of 62 million was up about 300% year over year. The new meta functionality is working great of both these devices. And two weeks ago, we introduced a significant update of our smartphone app experience. A key objective of this redesign was to provide a more refined, engaging interface that includes larger photos. And we're working on a similar refresh of our tablet app and tablet Web experience to make it easier and more delightful to quickly discover helpful travel information.

Also, through our recently announced Samsung partnership, TripAdvisor will be preinstalled on the new Galaxy smartphones. A device which, at an expected 10 million units per month, is likely to be a best seller for Samsung. We are excited by what this could mean for global brand distribution and in-market user engagement.

In addition to pre-installing TripAdvisor's industry-leading app, Samsung is using TripAdvisor's user-generated content to power its Travel Widget, Lock Screen Slideshow and City Information and Samsung Story Album.

In our Vacation Rental business, the big news is that we have launched a new free-to-list transaction-based option for property owners and early results are quite positive. Overall listings are up as well as inquiries. On the property owner's side, offering two distinct listing options increases choice and, thereby, expands our supply footprint.

As other transaction-oriented rental sites have shown, having a free option for owners is a great way to reduce sign-up friction and build inventory.

On the consumer side, having more properties on display gives potential renters more choice and drives more inquiries and bookings. We've also seen that free-to-list property owners respond more quickly to inquiries, creating a much better user experience. We believe that supplementing our healthy and growing subscription-based option with the free-to-list model will help facilitate long-term sustainable growth in this product line.

Augmenting all of this organic growth and innovation, we have also been busy on the acquisition front. Late in Q1, we added a mobile postcard business, Tiny Post, and we will be integrating this ability to send postcards while in-destination in to both our TripAdvisor and City Guide apps.

Subsequent to the end of the quarter, we added the leading travel flash sale site, Jetsetter; cruise research and planning site, CruiseWise; and a leading Spanish vacation rental site, Niumba, to the TripAdvisor family. All are nice, strategic complements to our traveler value proposition. We continue to actively look for great ideas, teams and opportunities to accelerate our product roadmap and to enhance our global competitive positioning.

Finally, as I mentioned previously, when hotel metasearch is live to 100% of our traffic, we will kick off our offline branding campaign. We are scheduled to begin testing our first TV ad later this quarter, and you should expect us – expect to see us on air, in a meaningful way, starting in Q3 in the U.S. As always, we will test and learn but at this point, we expect to launch in at least a couple of other countries before the year is out.

In summary, we're off and running in 2013, investing in our people, technology, to deliver an even better user experience for our users and our customers. I want to acknowledge the entire TripAdvisor team and all TripAdvisor users for their contributions to making the site better every day.

I'll now turn the call over to Julie, who will provide some color on the financial results as well as our outlook.

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

Thanks, Steve, and good afternoon, everyone. As Steve just described, we're seeing very healthy traffic trends, and this is providing a nice backdrop for revenue growth. The first quarter came in better than we had expected, as hotel shopper growth and better pricing drove our core click-based business. Total revenue and profit growth accelerated to 25% and 30%, respectively. Assuming constant currency, total revenue would have been 1% lower.

Our Q1 click-based revenue was up 24%, fueled by hotel shopper growth of 41%. The delta between the two growth rates can be attributed to three factors; mobile, international and our transition to meta. Hotel shoppers on smartphones grew well over 100% this past quarter but monetize at less than 20% of desktop. To that end, we believe that approximately 5% to 10% of the delta between hotel shopper growth and revenue growth is and will likely continue to be due to smartphones.

We see a similar trend with international hotel shoppers. The geographic mix of our traffic growth continues to skew to higher-growth countries that monetize at lower levels. We believe the impact of this is a 5% to 10% delta between hotel shopper growth and revenue growth. The final reconciling item is meta. This past quarter, the meta rollout negatively impacted revenue growth by approximately 3% to 5%. We expect this negative impact will be greater in Q2 and then start to recover in the back half of the year as we approach revenue neutrality.

Specific to geographic mix, revenue from international points of sale was 50% of total revenue during the quarter, which was consistent with Q4 and up from 48% in the first quarter of 2012.

As previewed on our last call, we are now providing additional geographical color on North America, EMEA, LATAM and APAC, which is in line with how we measure the business internally. Specifically, hotel shoppers continued to grow rapidly on our APAC and LATAM points of sale. And we've seen pricing recover in every geography, except for APAC, where pricing was relatively flat.

In our Display-based business, revenue growth reaccelerated to 14% year over year, due to traffic growth, better sell-through rates and slightly higher pricing. Subscription, transaction and other revenue, which includes Business Listings, Vacation Rentals and our transaction businesses had a good Q1, growing 51% and in line with our full-year expectations.

2013 revenue and cost contribution from our CruiseWise, Jetsetter, Niumba and TinyPost acquisitions are factored into our forecast, starting in Q2, given the timing of those transactions.

As expected, overall expenses for the quarter decreased as a percent of revenue sequentially, primarily due to how revenue seasonality impacts our largely fixed cost structure.

This past quarter's hiring progressed lower than anticipated, so we're gaining some benefit there. But we continue to increase direct marketing costs on an absolute basis in an effort to diversify traffic, expand internationally and fuel user engagements through social networks. These investment initiatives, including our upcoming offline marketing campaign, are important pieces of our long-term growth strategy.

Moving on to taxes. Our Q1 GAAP effective tax rate was 26%, due to our continued geographic mix shift towards lower foreign tax jurisdictions. This is in line with our expectations that our 2013 effective tax rate would be in the mid- to high-20%s.

CapEx was $9.3 million for the quarter or 4% of revenue. Due to our continued strong traffic growth, we are slightly raising our CapEx expectations for the full year from approximately 4% of revenue to approximately 6% of revenue.

We ended the quarter with $597 million in cash, cash equivalents and short-term and long-term marketable securities. We have $370 million of long-term debt outstanding and a currently undrawn credit facility of $200 million.

With regard to shares outstanding, fully diluted share count was 144.7 million. We expect – we continue to expect fully diluted share count will increase 3% to 4% over 2012 year-end levels, based on employee equity grants at various stock price assumptions. However, it does not assume stock repurchases under our board-approved $250 million buyback program. Due to the timing of the approval of this program late last quarter, we were unable to buy back shares. But it is our intention to do so over the balance of the year.

With that, let me provide updated thoughts on our 2013 outlook. For click-based revenue, based on what we've seen so far in our meta rollout, we do not expect meta to be revenue neutral by the end of the second quarter, resulting in increased revenue headwinds for Q2 and Q3.

Baking in our better-than-expected Q1 results, including the assumption that hotel shopper growth will remain strong, offset by a longer-than-expected timeline to achieve revenue neutrality in our meta transition. We now expect click-based revenue growth in the high-teens to low-20%s for full-year 2013.

Assuming continued, strong traffic growth, good conversion metrics and stable pricing, in late 2013 and into 2014, we expect to see reacceleration, due to our strong top-of-funnel traffic trends.

Based on our strong Q1 results, we now expect Display-based revenue growth in the low double digits for the full year, with Q4 being the strongest quarter.

Given our better-than-expected new subscriptions in Business Listings and expected contributions from our recent acquisitions, we now expect full-year subscription, transaction and other revenue growth in the mid-50%s. Adding it up, we are reiterating our low 20% total revenue growth expectation for the full year.

As a reminder, this outlook does not contemplate a meaningful lift in repeat visits or traffic from our planned offline ad campaign. So that could provide some upside from a traffic and revenue standpoint.

On the expense side, our investment and hiring plans remain unchanged. So the increase in click-based revenue headwinds in Q2 and Q3 will fall directly to the bottom line. From a profitability standpoint, our meta transition, coupled with our ongoing investment plans, recent acquisitions and our fixed cost structure could result in negative EBITDA growth in Q3 and Q4, due to the timing of our offline ad campaign. Accordingly, we now expect 2013 EBITDA growth in the mid single-digit range.

In conclusion, we performed very well in the first quarter across many of our product and growth initiatives. We are seeing record total visitor and hotel shopper growth, and are making great strides innovating and improving the TripAdvisor experience for both users and advertisers on our site.

We'll now open the call up to your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Okay. So we'll take our first question, coming from Lloyd Walmsley from Deutsche Bank. Lloyd, please go ahead.

<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>: Thanks, guys. I was wondering if you can just comment on the revised guidance on the click-based revenue? It sounds like hotel shopper growth is firing on all cylinders and doing better than expected. And yet, it sounds like the headwinds from meta are a little bit stronger. Can you parse out what it is? Is it just people not clicking as much because prices are shown on the site versus not getting pricing lift as much as you thought?

And then when you talk to revenue neutrality, does that contemplate any pick-up in users who are using the site for commercial activity because it's a better user experience? Or is that purely kind of a pricing neutrality that doesn't contemplate any usage gains from just the better experience?

<A – Steve Kaufer – TripAdvisor, Inc.>: Certainly. So, as you – as Julie had bridged from the super-strong hotel shopper growth down to the revenue growth, you have the 5% to 10% in the increase in phone. You have the 5% to 10% for just the international skewed to the lower monetization. We would certainly expect that monetization in those newer points of sale to improve over time, but we're just reporting what we're seeing.

And meta, of course, is the most interesting for us to chat about, I think, because that's really the big transition that the company's going through. We had projected, sort of, fewer clicks per session; that came true. We had projected a much higher CPC for each of those clicks, and that came true. And so as we go forward, we're basically not at the point yet where I can swap them out and not see a revenue hit. We're still sort of in the negative. And we predict both an increase in the conversion rate, number of people that are going to generate clicks, as well as an increase in the average price that we're paid from our clients to hit the revenue neutrality.

To your question on – or to your point on, am I assuming anything by of people coming back more because the meta experience is better? The answer is no. I look at that as wonderful upside. But given that travel is rather episodic, I'm not I'm going to be able to see that with a month or a two versus the next trip. So I'm certainly counting on the fact over the long term – and this our big bet that we totally believe in – that by delivering this better experience – by delivering that not only can you pick the perfect hotel for you because of all this incredibly rich content. We've scoured the Internet, found you the best price as well. And there is, in a lot of part of world – in many parts of the world - a meaningful price discrepancy that we're now helping users sort through and save them money on the trip.

So you combine both of those, we get our message out and, yes, that'll be some short-term revenue pain that kind of we consciously decided we're willing to take right now because that user experience is that much better. And we expect to get it back in spades in outgoing years, not part of the revenue-neutral equation.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: Thank you. And our next question is from Nat Schindler from Bank of America Merrill Lynch. Please go ahead.

<Q – Nat Schindler – Bank of America Merril Lynch>: Yes. Hi, guys. Two questions. One, how are your large OTA clients reacting to you stepping up, seemingly, buying your own key words with Tinga – Tingo? And then additionally, your recent acquisition of Jetsetter kind of moving into more of the OTA space. Additionally, when you were – are testing out meta right now, have you instituted kind of minimum pricing to play ball in the kind of transition timeframe? Or is it just really going to no auction for these and let it – let the advertisers figure it out, the value of the increased conversions?

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. Thanks, Nate. I'll answer both. So I really haven't heard much from the large or the small OTAs on how they feel about Tingo buying on TripAdvisor, nor really anything on Jetsetter.We've been in the transaction space for quite some time now with SniqueAway and with Tingo. Vacation Rentals is now transaction. They're not part of TripAdvisor; they are part of the TripAdvisor Media Group. So the fact that we have these things in our other companies doesn't seem to be bothering our clients.

To the question of minimum pricing on meta? Yes, we do have minimum pricing. It's successfully moved to a per-property minimum pricing. And I'd view it more as a fail-safe or a preventative policy, just in case there's a single OTA and they're the only ones that can sell one of the properties that we have, and without a minimum price, they might bid $0.05, when the minimum price might be $1. So we force them to bid $1. We know they're making money on it, so it's not a challenge for us to enforce a minimum at this point.

The money – most of the CPC money that we make – are the OTAs and suppliers that are bidding for that number-one or number two-slot. And those are almost always above the minimum because the auction is going. So, yes, we have minimum, but the actual level that we set it at isn't determining a big portion of our revenue because all – the vast majority of our properties have a healthy auction going. And the auction determines the revenue.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: And our next question comes from Scott Devitt from Morgan Stanley. Scott, please go ahead.

<Q – Nishant Verma – Morgan Stanley & Co. LLC>: Hey. This is Nishant for Scott Devitt. You mentioned a 5% to 10% headwind from hotel shopper to CPC revenue growth, due to international. I was just wondering, do you expect the monetization gap between international and domestic to narrow? And then what'd be the main drivers? Or is it – is some of it just structurally different?

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. So, I want to be clear. Some international countries have wonderfully healthy CPC rates, even though they might be slightly newer geographies for us. So I can't lump all of international, but there're certainly some countries out there that are quite large and fast growing, where the general hotel landscape isn't lending itself to the higher CPCs at this point in time.

Japan might have been an example where CPCs, even though it's certainly a mature market or robust market, the merchant model doesn't play as strong a role for domestic properties as, perhaps, in some other countries. So the average CPC might be lower.

I'd say, overall, we like the general trend. More properties come online; more competition comes online. And as more transactions happen online, the hoteliers pay more attention to the channel and are more interested in the traffic. And we're one of those sources of traffic. So, overall, trends in our favor, would expect that to continue. And very few markets have anything that I would say is a structural issue in place that would prevent CPCs from approaching our mature markets.

<Q – Nishant Verma – Morgan Stanley & Co. LLC>: All right. Thank you.

Operator: Thank you and our next question is coming from Michael Purcell from Stifel. Michael, please go ahead.

<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>: Yeah. Great. Thank you, everybody. On the mobile side, you gave the AppData; you're up about 300% to 62 million downloads. And if I remember correctly, I think you're up about 200% the last quarter, so it's clearly accelerating.

You gave what the monetization was, at 20%, and that's for the smartphone. But I was wondering if you could update us on the tablet monetization; if it's similar to the desktop now or close to? And secondly, I'm just wondering if you're seeing an improvement, just from your internal logs, on the conversion rates within the mobile apps. Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Okay. So let me go back and correct some of that stuff. The 300% growth was kind of all mobile. So it's mobile Web, mobile app, tablet and phone. It was 62 million visitors – monthly visitors – not downloads. So we have grown downloads, but that was a different number.

We've, I think, modestly improved the monetization on our smartphone. And that is something we pay attention to because we do see that 100% hotel shopper growth on the phone. And while it's not going to grow at 100% for the next five years, we still expect, for the next year for it to grow strong. And we need to start monetizing that better. And we're just turning our attention to it now, as the numbers have gotten larger.

Tablet, we're already approaching the same monetization levels as desktop. I don't, frankly, see any reason why they won't be the same or even better in the not-too-distant future. So, the extent to which tablet replaces desktop for folks planning a vacation, that's fine with me. I don't think TripAdvisor is necessarily any better or worse off. Arguably, we're better because we have a really nice app, and it's a great user experience, better for photos. And you get to use your fingers to swipe and all the rest of that.

So – very comfortable with tablet growth – and we're seeing a ton of it. Smartphone, working on monetization now and expect to see improvements going forward. And I think that covered it.

<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>: Okay. And my apologies. It's 36 million app downloads. I had the numbers backwards, but thank you.

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

Operator: Thank you. And our next question is from Douglas Anmuth from JPMorgan.

<Q – Doug Anmuth – JPMorgan Securities LLC>: Thanks for taking the question. I was just hoping you'd provide a little bit more color on the impact from the meta transition. So of the – just trying to understand the 3% to 5% sort of drag in 1Q, and then the greater than that in 2Q. Is that being driven more on the volume side or the pricing side, relative to your expectations? And then can you comment on the speed of which OTAs and other advertisers are adjusting their prices relative to conversion rates? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. So two great parts to the question there, Doug. The meta transition, so we had started at 10% or so in the beginning of the quarter and have ramped up to the point where we're close to 50% on our desktop, tablet traffic base. We'd already rolled out 100% on phone. So the 3% to 5% drag in Q1 was a relatively – was a much lower percentage rollout, on average, than what you'll see in Q2, at a worse monetization rate because we hadn't done the onsite conversions. And our partners had not had a chance to adjust their bids – or some of them had, but a bunch of them hadn't. And so we were going through.

And part of the backstory is, as you will, humping out at a 10% level, we have to get our partners' attention to, "hey, come on. Start bidding up on meta. You're losing share here due to a competitor." Yeah, but it was only losing some percentage of share on a 10% slice of our traffic.so again, not the wake-up call that we wanted to send saying, "get ready, guys. This is coming." And we kind of need that wake-up call to move the bid. So we work pretty darn closely with our major clients, pressing them, working on the tools, working on being able to allow them to make changes, making recommendations. Hey, here's where you can, for a small amount of extra money, bid up and start to gain share on your competition.

In order to move the pricing towards what we'll call breakeven pricing – breakeven's the wrong – what we'll call fair pricing on the part of the client side, where they're still spending on TripAdvisor at the same efficiency that they were before. And we feel that that's a perfectly reasonable goal. So the OTAs – the big OTAs – are now up speed. They're bidding as frequently as they're ready to in most markets.

And since we're fully rolled out in a number of big markets, including the UK, which is a very big market for us, we're seeing a robust bid environment. We think our clients are still learning where they sit; they're still digesting some share reports from us. They're still playing around with what happens when you bid up and bid down. But we always knew it would take little time for them to figure out the right level of efficiency versus share. As in Q2, you can say, all right, well, it's mid-May, and you got close to 50% of our desktop traffic on meta now. And by end of June, you're at 100%. So you can take a reasonable guess as to the pretty significant average percentage for the quarter, while we still haven't recovered as much as we would have liked to in the conversion in the pricing.

So that's why we're saying, hey, Q2's going to be a bigger revenue hit as we work through improving the conversion and pricing through Q3. So if we're able to hit our rollout objectives, you'll have all of Q3 and beyond at 100%, but will have clawed back a lot of the revenue loss through pricing gains and conversion.

Our basic philosophy was – or to preempt another question, perhaps, why hurry up and do this? It's basically, we looked at that user experience and said, wow, it's really that much better. And since TripAdvisor has so many travelers visiting every single day, we really didn't want to spend any more time than we had to teaching new travelers about the old pop-up window mechanism versus showing the brand new meta experience, which is so much better. So it's a bit more pain earlier than we had thought before but, in our view, clearly worth it when you take the 2014-and-beyond view.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

<Q – Doug Anmuth – JPMorgan Securities LLC>: Okay. Thanks, Steve.

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

Operator: Thank you. And our next question is from Tom White from Macquarie. Tom, please go ahead.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Great. Thanks for taking my question. On the offline ad campaign, I was hoping maybe you guys could provide a bit more detail on precisely when that might launch; is it a 3Q or 4Q event? And then how can we think about your expectations about how sort of rebranding the property with this new metasearch functionality might help kind of convert a bigger part of your traffic into traffic that generates real revenues for you guys?

And then just secondly, on the revenue guidance. I think you affirmed guidance, but could you parse out the impact of the recent M&A deals? I imagine Jetsetter's the biggest piece, but maybe in aggregate, kind of what that's contributing in terms of revenues this year. Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: So, thanks, Tom. I'll try to answer some of those, at least. The offline ad campaign, again, very pleased that we're able to get a test ad out this quarter, fingers crossed. And that'll help us both test the message as well as test our ability to measure the impact of that ad. And so I'm not necessarily talking raw dollars. But, hey, are we generating more traffic to our site? Are we generating some more awareness that is measurable? Because we want to test it before it rolls out.

When we look at – that's one of the reasons we're starting in the U.S., it's just easier for us to measure some of the stuff. In terms of the better color in Q3, we really don't know at this point what the media campaign would look like and where it would ramp. It's not ideal from a timing perspective because, ideally, you'd love to have everything already in-market in Q2, Q3 because that's sort of peak travel season around here. Whereas, we're still learning and trying all sorts of different stuff in Q3 as we continually ramp our spend. And Q4 may not be the best time from a ROI perspective. But unfortunately, product wasn't ready to start the campaign earlier, so there we have it.

In terms of rebranding. We don't expect meta to have a meaningful impact on taking folks who are currently not hotel shoppers and turning them into hotel shoppers, if that was the question. We a get a ton of free traffic, looking at restaurants and attractions or offline branding – our stickers or campaigns – drive people to come and look on TripAdvisor. What do I want to do when I'm in a city? If they weren't the hotel shopper before, they're probably not going to be a hotel shopper now because those attraction pages aren't fundamentally changing.

Our hope is that folks will start to spread the word on their own, having a great experience on the meta product. And so we would see a lift in overall repeat usage of hotel shoppers. And a bunch of that other traffic eventually needs to book a hotel. So hopefully, they'll come back to TripAdvisor to do it.

To the financial impact of acquisitions, I'll turn it over to Julie. I'm not sure there's much that we'll be willing to add there.

<A – Julie Bradley – TripAdvisor, Inc.>: Yeah. So we're not going to be breaking out the exact impact of the recent acquisitions. But I will say that a key driver in increasing the guidance in our subscription, transaction and other revenue line is related to the four recent transactions. And just [indiscernible] (39:35). And on the decrease in our EBITDA guidance, the contributing factor there, too, was the recent acquisitions we made.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: Thank you. And our next question is from Mike Olson from Piper Jaffray.

<Q – Mike Olson – Piper Jaffray, Inc.>: Hey. A quick follow-up to the – to beat the dead horse here on meta – I understand that you won't be at overall company-wide revenue neutrality for meta until year end. But in those markets where the transition is 100% complete, like in the UK, could you provide an indication if you are at or near revenue neutrality now in those markets?

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. We are not at revenue neutrality in those markets now. If we were, then I'd – we haven't been 100% live in the UK for that long. So if we had achieved revenue neutrality in both conversion and pricing in a few short weeks, wow, I would have given a completely different set of expectations. So again, to be clear, there's a fair amount of our best guess in this.

We're convinced the transition is the right thing for the company, for our visitors, for our long-term growth, for the user experience. We may make up the revenue in terms of all on the conversion side. We make it all up in pricing. We may make half and half. We may do x percent better in both, and it may end up being a revenue positive.

At this point, since we've made the decision to switch over 100%, in a sense, we're just back to our standard operating procedure of, hey, we're always looking to maximize the revenue from every hotel shopper or from all visitors but primarily hotel shoppers as they come to the site. Because we have an experience set in classic and we know what our clients were paying and, in some cases, we know how many bookings they were getting for the amount that they were paying. We can do a before and after and say, hey, there's still certainly room for our clients to bid up higher and still be just as profitable. And that gives us optimism to be able to pricing going up.

Now, in the true bid, prices could go up even higher. I have a harder time seeing how efficient we are vis-à-vis Google, the other major competitor for traffic. In terms of conversion, we've been at it for a long time. We had some meaningful conversion gains last year in our classic product. So I pretty much – I have a lot of confidence that with the constant iteration that we're good at – and really, I have to tip my hat to the engineering and product team right now and sales folks because they've just done an excellent job reclaiming a bunch of the loss that we've seen in the past – in the past quarter.

And I have every reason to believe that we'll continue on that trajectory. The more we optimize, the harder it is to get the next percent or two of revenue gain. So it slows down a bit, which is why we've sort of set the expectations that it may take us the rest of the year to get back.

We'll talk again in three months, and I'll give you the update then as to how far we've come. But I don't – it's hard for me to share anything more because I don't actually have the crystal ball that says how quick we can get there.

<Q – Mike Olson – Piper Jaffray, Inc.>: Thank you.

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

Operator: Thank you. And our next question will be from Peter Stabler from Wells Fargo.

<Q – Peter Stabler – Wells Fargo Securities LLC>: Good afternoon, and thanks for taking the question. So one for Julie. Julie, last quarter, you helped us size the amount of spending that you guys were allocating towards the offline spend. And you kind of helped us back into what EBITDA growth would have been, absent the expected investment. So I guess my question is, if you guys implement a test in a handful of markets in the U.S., and you don't see what you want to see because you guys are rigorous in terms of analytics and ROI. So you don't see what you want to see. Do you still go forward? Or do you turn back money to the bottom line? Do you scale back.

I guess another way to put the question is, what are the contingency plans if you don't see a kind of traffic lift in ROI from the test that you're expecting right now? How should we think about the total spending? And could this be a upside to EBITDA for the year?

<A – Julie Bradley – TripAdvisor, Inc.>: Okay. So I'll now start off and then hand it over to Steve. So right now, all of our investments that we laid out the beginning of the year is intact, as we embark on what we think is a pretty exciting investment opportunity. I think it's going to take time to understand how TV impacts our business. And we will do that testing and measuring and retesting it and re-measuring. So I think as this early onset, we are staying put on our investment plans – that they're intact. But we'll see how it goes.

I'll turn it over to Steve and see if he has any more color on that.

<A – Steve Kaufer – TripAdvisor, Inc.>: Hi. It is a great question that I think about frequently. So, right. We've allocated the funds, and we intend to spend them. I think the odds of a, oh, fantastic, obvious ROI answer; great, let's go pick it up and talk about spending more, yeah, it's probably not going to happen. We – I can't find folks that have that success record with TV. There's test and learn. There's try it; recover from the failure; move forward.

The bigger question for us, given that some of the stuff may take a little while to deliver decent results on, is how quickly do we go international? I'm a believer in being able to have enough evidence that something is working before blowing it out on a global basis. And we had set a reasonable – we had set a – what we thought was what we believed to be a reasonable amount that will allow us both in the U.S. and to test some of the markets where, perhaps, we're not as well known.

So the way I look at it, there's going to be lots of different things that we can test. And it'll be most interesting when it comes to our 2014 budgeting plan. Have we found enough things that we believe are working? But that's probably the better perspective to look at it, rather than having a big impact on Q4.

<Q – Peter Stabler – Wells Fargo Securities LLC>: Thank you.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: Thank you. And our next question's from Laura Martin from Needham & Company.

<Q – Laura Martin – Needham & Co. LLC>: Hi. Thanks for taking the question. One for Steve; one for Julie. So, Julie, on yours – CapEx, going from 4% to 6%, maybe you could give us some granularity on what's driving that.

And, Steve, I'm really interested in your acquisition strategy here. How you do think about the mix of international versus U.S.? And when you think about kind of where you want to go next specifically in the U.S., I'm really curious as to, are you doing mobile? Are you doing more social integrations? How are you think about the acquisition plan, specifically in the U.S.? Thanks, guys.

<Q – Laura Martin – Needham & Co. LLC>: Sure. So on the CapEx side, it's really simple. We are – our traffic is growing at record rates right now. And we still are able to operate at a fairly small percentage of revenue of additional CapEx. And we are – our assumption is that traffic growth rates are going to continue, and we are adding hardware and data center to support that. So that's really the backdrop between the slight raise from 4% to 6%.

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. Thanks for the question, Laura. So the one or two liners for the four acquisitions that we've done. TinyPost, we look at and say, fun product, already built, mobile and social, combined. And how cool it is to send a postcard when you're on the road. What a great way to share the TripAdvisor brand with all of your friends in a fun way. And we have a lot of travelers in market. So could be kind of really nice brand extension, not looking at it from a – I'm going to charge you $1 a postcard. That's just not on the table right now.

Niumba, Vacation Rentals, clearly, we're growing in Vacation Rentals. We've done two acquisitions, this is a third, and expands our inventory footprint. Go back to the user perspective, and if you want to rent a place in Spain, we've just added a ton of great inventory to help you find the right place. We already have the infrastructure to – we already have the traffic; we already have infrastructure. So it just kind of fits in with where we're going.

CruiseWise and Jetsetter, two acquisitions kind of led by other TripAdvisor Media Group businesses. And so as running the whole media group, whenever any one of your businesses identifies a company out there that can make their core value proposition bigger, better, or scalable, or can extend them into a new market that's particularly interesting – these two aren't examples of that. But I would generally look favorably upon it because I like to let the – most of the businesses – run on their own.

So that kind of explains the CruiseWise and the Jetsetter. The other way I – the other lens through which I look at acquisitions is really furthering the core TripAdvisor offering globally. So we'd look at either something that adds lots of traffic in a market where we're not strong in, or something that adds technology or features to something that, in fact, we can roll out globally. Because again, we're trying to leverage our traffic base, our content base, our reach, our membership. And those are pretty powerful assets that, if we bought a technology or a team, we can often make some nice hay with that.

And then sort of TripAdvisor for Business as separate group, serving up subscriptions to hoteliers and other folks interested in attracting – other businesses interested in reaching the eyeballs of travelers. That's kind of another leg of the company that could be up for acquisitions in the future, simply because we have the sales force, we have the traffic and we have the travelers. So maybe there are some additional products that would fit there.

In almost all of the acquisitions that we do, talent plays a key role. So it's not that – obviously, we innovate and we build a lot of stuff ourselves. But we're certainly not a company known for a not bent-to-tears (52:17) situation, as I think these folks would make it up to 15 acquisitions or 20 acquisitions that we've done. Something like that.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

<Q – Laura Martin – Needham & Co. LLC>: Very helpful. Thanks so much.

<A – Steve Kaufer – TripAdvisor, Inc.>: Thank you.

Operator: Thank you. And our next question's from Heath Terry from Goldman Sachs.

<Q – Heath Terry – Goldman Sachs & Co.>: When we look at what you're – the roadmap for moving to meta on mobile – and I realize we've talked about meta a lot tonight. But as we look at the roadmap for that, any sense how meta, on mobile, is going to work for you, relative to what you're seeing in the early stages of desktop? Is there at least a sense that sort of the monetization gap within a meta environment is different in some way from what you see in the current model you're using within mobile?

<A – Steve Kaufer – TripAdvisor, Inc.>: Heath, that's a really good question. The challenge on meta on mobile kind of, in our mind, moves to booking on mobile. And the meta experience is far and away better than the old check rates experience, where you had a bunch of different tabs or windows. But on mobile, you're still left with, all right. It's $199 a night for this property. And I click over, and I'm left on, God forbid, a webpage – hopefully, a mobile webpage for going in, entering all your information on that reservation site.

On your phone, that's still a reasonably painful experience. So we think that there's more that can be done, especially on the phone, to make the experience better. For us, at this point, it's a lower priority than the full desktop/tablet transition. And the improvements that we get to make on tablet going forward with some of the brand refresh and some of the interface refresh that we're planning on. So I don't think there's interesting lessons to learn from the phone onto the desktop – and sorry – I guess I interpreted your question as to phone as opposed to tablet. But I tangented over to there being more that we think we can do on the phone, over time.

<Q – Heath Terry – Goldman Sachs & Co.>: Great. Thanks, Steve.

Operator: Thank you. And our next question is from Eric Sheridan from UBS.

<Q – Eric Sheridan – UBS Securities LLC>: Thanks for taking the questions. Two quick ones. One, on the related-party revenue from Expedia. It looks like based on our math that it was a nice bump up in the percentage of Expedia's overall marketing spend. Can we sort of drill down a little deeper on what you're seeing from OTA partners, and whether you be might be taking budget of their overall marketing spend, as you see the meta transition roll out? That's number one.

And then number two, I guess, Julie, more of a guidance question. On the Display, given the 14% growth in Q1, I'm sort of trying to understand what you saw in Q1 that might lead to sort of weakness in the middle part of the year so that the beat on Q1 in Display doesn't sort of roll through more for the full-year number for Display. Thanks, guys.

<A – Steve Kaufer – TripAdvisor, Inc.>: Okay. I'll start on that. So we don't think in the transition to meta that we're taking budget share from other folks at this point, as it's a revenue-negative transition for us so far. So by the time we get to a breakeven, that's when we hope the new auction in the meta system would actually kick it into high gear and will start being – that combined, with the bidding tools – a better platform to go spend incrementally, vis-à-vis Google, which is kind of really the only other competitor that we're fighting for budget share for. So I think, again, I'd be happy for an increased wallet share. But we don't see that dynamic happening yet. To the question on....

<A – Julie Bradley – TripAdvisor, Inc.>: Yeah. Just – on Display, really, we're just – we're seeing strong traffic growth. Prices are up slightly. The real difference in the quarterly growth rates, Q1 being strong. Q4, we expect, will be strongest which, of course, implies that we'll have a little bit of seasonal weakness in Q2 and Q3, just has to do more about the quarters that they were comping last year. And we had some – we had a tough comp in the fourth quarter of last year, and we had an easier comp in the first quarter of last year. And that's kind of how those year-over-year growth rates fall out.

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: Thank you. Our next question's from Ken Sena from Evercore Partners.

<Q – Ken Sena – Evercore Partners (Securities)>: [inaudible] the 10 basis points that you talked about being a headwind for mobile. Can you say how much of that is just continued transition in terms of usage, versus, is there anything implied in that number as far as closing the monetization gap? And how much do you think you can close that monetization gap if you look further out? Thank you.

<A – Steve Kaufer – TripAdvisor, Inc.>: So, I say – as we study the behavior of our phone traffic versus desktop, we see it kind of improving on the conversion level, maybe because people are getting used to doing more things on the phone, maybe because we're attracting a different audience that's loyal to TRIP and is now on the phone. We're just not sure. As phone continues to grow, mobile hotel shoppers continue to a headwind. But to be clear, if you do the math backwards, yes. Our desktop and tablet hotel shoppers continue to grow at a very strong rate. So, it may be cannibalizing some, but kind of healthy on all fronts.

I do expect our mobile monetization to improve as we essentially pay more attention to it and optimize the meta experience and the meta pricing on the phone. As more and more transactions happen on the phone on our client sites, believe me, they start paying more attention to buying traffic that is on the phone. And so we're able to sell our phone traffic for more. We would predict – I'm tough to go on – or tough to get me to go on record on that because we haven't seen a lot of that yet.

And just be clear, we do price our leads differently when they come from the phone versus desktop/traffic, so – tablet. So the bidding – when I talk about a partner bidding on meta across 20 different points of sale or 50 different IP levels, times it by two because they're putting in a different bid price for the phone versus desktop.

<Q – Ken Sena – Evercore Partners (Securities)>: Great. Thank you.

Operator: And our next question's from Kevin Kopelman from Cowen & Company. Kevin, please go ahead.

<Q – Kevin Kopelman – Cowen & Co. LLC>: Hi. Thanks. I wanted to ask about advertising expense. You saw nice leverage in sales and marketing this quarter, and it does seem like lot of that was related to the comp. But can you give us any color on the ad environment and paid search and your other main ad channels in Q1 and what you're seeing Q2 to date?

<A – Steve Kaufer – TripAdvisor, Inc.>: So, I'm not sure I can add much. I wouldn't say there's been any big shifts or big movements that I'm currently aware of in our existing paid channels when we're buying traffic. And on the client side, just by way of color, we're not seeing – in our classic markets, we weren't seeing big price increases or decreases from our kind of standard clients. CPM, similar, I think it might've going up a little bit, but not a big meaningful trend jump.

We're all – we've been – pricing wise, we've all been all been focused on the meta, and that just kind of disrupts any and all comps. And on the traffic acquisition side, which I think was the point of your question, I wouldn't really say any big changes in Q1.

<A – Julie Bradley – TripAdvisor, Inc.>: Yeah. I'd just – I'd also add that we're a little bit behind in hiring in sales and marketing.

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

<A – Julie Bradley – TripAdvisor, Inc.>: So that's part of the reason.

<A – Steve Kaufer – TripAdvisor, Inc.>: Fair enough.

<Q – Kevin Kopelman – Cowen & Co. LLC>: Okay. Thanks a lot.

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

<A – Will Lyons – TripAdvisor, Inc.>: Next question?

Operator: Your next question's from Brian Fitzgerald from Jefferies. Whoops. One moment, Brian? Your line is open.

<Q – Brian Fitzgerald – Jefferies LLC>: Hello.

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

<Q – Brian Fitzgerald – Jefferies LLC>: Hey, guys. Hey, a couple quick questions. Personalization and social were key areas of focus that you've discussed previously. Any specific metric or trends to highlight there coming out of the social sphere, engagement or conversion rates? And then a second real quick one. I don't know if you've touched upon it yet. You're showing good growth rates – accelerating growth rates out of EMEA. Any different trends for Europe versus the rest of EMEA there? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: I – so I'd say on – in the major countries in EMEA, we had seen some recovery. It's a little hard to say if it's macro or, well, it was just so bad a year ago that we're now back to the new normal phrase. To the personalization/social, we have continued our efforts on social in a pretty big way, working on some things that are on the TripAdvisor site, as well in our Cities I've Visited Facebook app.

The partnership with Facebook continues to go great guns. More and more of our reviews are social enabled, so they're seen and sharable on Facebook to your friends. And there's a consistently higher and higher chance that when you come to TripAdvisor, even if you're just instantly personalized because you happen to have Facebook open, you're going to see your friends have been on TripAdvisor. And you're going to see reviews and ratings from your friends. So, it's a long build, if you will.

It's a slow build in terms of the amount of reviews and content that we can share. But it's an incredible advantage that we now have that's growing like clockwork, every month, over every other player. Because our view – and we're very public about it – is that being able to annotate the wisdom of the crowds with the wisdom your friends is going to beat everyone else when it comes to the quality and the insight you get from reading reviews. And you can go to other major OTA sites and you can see plenty of reviews. You'll frequently see a half a dozen reviews from us as well.

And then you come to TripAdvisor, and you see not only the incredible volume, but you see the ones from your friends or the – or your friends of a friend. So that just kind of cements, yeah, why should I bother reading the reviews anywhere else? Let me go to the source, TripAdvisor. So, true, I didn't mention it; didn't give much air-time in my talking points, but it remains a dedicated focus of TripAdvisor; dedicated product team, dedicated engineering team, an ongoing effort.

Personalization. I, in a sense, wish we had done more in year to date. We feel we have an incredible base of users that we can help make better recommendations for, based upon friend activity, browsing history, all sorts of stuff that we have. But this was a prioritization call on my part to say, hey, we're going to slow that one down in order to assign as many as available resources onto the meta transition as we could.

So would like to able to report more growth there. We believe in it. We believe it's another incredible competitive advantage that TripAdvisor has over everyone else. We just have so much content and information about our users that we can make a better recommendation. But I fully acknowledge that we don't do a great job of it now. And hopefully – or – not hopefully – and you will see some more activity on the personalization front over the course of this year.

<Q – Brian Fitzgerald – Jefferies LLC>: Great. Thanks, Steve.

<A – Steve Kaufer – TripAdvisor, Inc.>: Thank you.

Operator: Okay. So, ladies and gentlemen, this does conclude our question-and-answer portion. I would now like to turn it back to Steve Kaufer, CEO, for closing remarks.

Stephen Kaufer, President and CEO

All right. Well, thank you, everyone, for joining us today. And thank you to all TripAdvisor employees from our growing list of 20 travel brands. This hard work has allowed us to turn some huge goals into reality. We look forward to updating everyone on our progress in the coming months. Until then.

Operator: Okay. Ladies and gentlemen, this does conclude your conference. You may now disconnect. And have a great day.

