PARTICIPANTS

Corporate Participants

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Stephen Kaufer – President, Chief Executive Officer & Director
Julie M. B. Bradley – Chief Financial Officer, Treasurer & Senior VP

Other Participants

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Douglas Anmuth – Analyst, JPMorgan Securities LLC
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Nathaniel Schindler – Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the TripAdvisor First Quarter 2012 Conference Call. Today's call is being recorded. At this time I would like to turn the conference over to Mr. Will Lyons, Senior Director of Investor Relations. Please go ahead sir.

Will Lyons, Senior Director, Investor Relations, TripAdvisor, Inc.

Thanks, Karen. Good afternoon, everyone, and welcome to TripAdvisor's first quarter 2012 earnings conference call. We appreciate your joining us today. I'm Will Lyons, Senior Director of Investor Relations for TripAdvisor. 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 today's presentation contains estimates and other statements that are forward-looking under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and involve a number of factors that could cause actual results to differ materially from those expressed or implied by such statements.

Additional information concerning these factors is contained in TripAdvisor's filings with the SEC, including our Annual Report filed on Form-10K which is available at www.sec.gov. The forward-looking statements included in this call represent the company's view on May 1, 2012. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances.

During the call, we will refer to non-GAAP financial measures that are not prepared in accordance with Generally Accepted Accounting Principles, including adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating expenses, non-GAAP net income, non-GAAP net income per diluted share and free cash flow. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure is available in the press release announcing our first quarter 2012 financial results. This press release as well as other important content is available in the Investor Relations section of our website www.tripadvisor.com.

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

Stephen Kaufer, President, Chief Executive Officer & Director

Thank you, Will, and welcome, everyone, to today's conference call. I will start by summarizing operating results for the first quarter and then do a deeper dive on a few important developments since our last call. I'll then turn it over to Julie who will provide a more detailed look at both our financial results and our outlook.

We had a strong start to 2012. We generated record quarterly revenue of $184 million further extended our market leadership position in content and traffic and continued our focus on providing the best user experience possible through partnerships and product innovation. Julie will provide more color on the Q1 results but suffice it to say that are better than expected revenue and profit performance was driven primarily by stronger hotel shopper growth which was up over 30% year-over-year as well as slightly better CPC pricing. From this position of strength, we chose to reinvest some of the revenue upside to continue to pursue our long-term growth strategies.

Driving traffic growth both domestically and internationally remains at the core of our strategic growth plan. With an average of over 50 million worldwide unique visitors in Q1 according to comScore data, TripAdvisor remains the largest travel site in the world. This comScore data reflects 39% year-over-year traffic growth to TripAdvisor sites. When we look at our internal logs, we see a similar growth rate but also consistently higher unique visitor count. More importantly it's the hotel shopper traffic – our monthly unique visitors who view a specific hotel page or listings of a hotel in a city on any TripAdvisor point-of-sale – that interests us most, as it remains the key driver of our click based revenue stream.

We are a global brand as evidenced by the fact that one-third of our hotel shoppers are visiting tripadvisor.com, the remaining two-thirds are on TripAdvisor's international websites. However, with the breadth and mass – even with our breadth and massive scale, TripAdvisor still represents less than 10% of worldwide travel unique visitors. We continued to see tremendous traffic growth opportunities ahead of us.

I'd now like to address several other key areas for the company in the past quarter, partnerships, social, and mobile. Our global partnership effort had a direct positive effect on our brand recognition and ultimately our traffic growth. Notably in March we announced a content licensing partnership with Wyndham Hotel Group, who saw conversion rates increase by 30% when they integrated TripAdvisor reviews onto the Wyndhamrewards.com site. In April we announced a deepening in this partnership where TripAdvisor will power a guest satisfaction survey in support of Wyndham's win review program, an online management tool the hotel group launched earlier this year. Reviews submitted through the survey will be available on Wyndham brand websites as well as on TripAdvisor.

This Wyndham relationship is just one example of our more than 400 content licensing partnership deals with major travel and destination sites around the world. We also have more than 50,000 smaller websites showing TripAdvisor content including self-service badges and widgets which are great for brand recognition.

Regarding social, TripAdvisor is a recognized pioneer in social travel planning through our Wisdom of Friends initiative. By the end of Q1, we had personalized the trip planning experience for nearly 120 million Facebook users, which is up 34% since the end of 2011. Our Cities I've Visited app continues to be one of the most used Facebook apps in the travel category. Generally speaking, Facebook connected users are more engaged on TripAdvisor sites as measured by page views per session and content contribution. Additionally, one out of every four reviews is written by a Facebook connected user. So we are pleased with the engagement that we've seen to-date.

One of my favorite new social features on TripAdvisor is Friend of a Friend which allows me to tap into my Facebook friends' networks for travel advice, even if one of my friends hasn't left a review in a city. Through this feature, Facebook enabled TripAdvisor users are seeing friend content 10 times more than before. Users will continue to benefit from the wisdom of the crowds but our Friend of a Friend roll out is an innovative and important next step towards integrating social into the fabric of travel research and creating a more robust user experience.

In addition to social we continue to develop and improve our mobile offerings. We launched our SeatGuru mobile app and also announced a new HTML5 cross-platform tablet app, now available on Android and iOS. At the Mobile World Congress event in late February, we announced that a recent Distimo study dubbed TripAdvisor the second most downloaded travel app in the app store during 2011 behind Google Earth. This traction continues into 2012. During the first quarter we averaged over 25 downloads per minute and by the end of March reached 17 million cumulative mobile app downloads, up more than 300% year-over-year. According to our internal log, we averaged more than 21 million monthly unique visitors via mobile devices in Q1, which is up nearly 200% year-over-year. Also, more than a million TripAdvisor city guides were downloaded in Q1, up more than 300% since the end of 2011.

As we think about mobile, we bifurcate between smartphone and tablet in part due to the relative demographics of users on these devices but more so due to the richer experience on a larger screen and usage patterns for researching and booking travel. Over the past year our smartphone app is our largest absolute grower, but our tablet app is the fastest percent grower in terms of page views, sessions, and unique users.

Engagement increased as well as mobile page views were up more than 250% year-over-year driven by our smartphone app which accounted for more than 30% of total mobile page views. We've also seen the page views per tablet app session rise more than 40% during that timeframe.

Mobile is growing tremendously to be sure, but we currently do not optimize for commerce, which is a conscious decision on our part given that our strategic focus centers on increasing user engagement. As such we see smartphone sessions currently monetizing at roughly 10% to 20% of desktop while tablet sessions are monetizing at approximately 50% to 60% of desktop. This means that tablet users, both app and tablet website are currently driving nearly two-thirds of our mobile revenue. Mobile is a valuable extension of the TripAdvisor platform and if we can continue to build new mobile functionality, grow our content and improve the user experience, we believe that additional revenue opportunities will follow.

Beyond the success that we are seeing in our traffic, content, social, and mobile initiatives we have also had notable developments in our subscription-based and transaction products, Business Listings and vacation rentals as we continue to add to our sales and engineering teams.

Specifically, our Business Listing teams is executing on a very aggressive sales force hiring plan. At the simplest level, our Business Listing product allows businesses an easy, cost-effective way to market to tourists. Our consistent worldwide traffic growth fundamentally makes these marketing services more and more valuable each year. The team's objective is to capture this huge opportunity we have with our installed base of more than 570,000 accommodations and down the road to nearly a million restaurants and attractions that are listed on our site. We are pleased with the progress to-date and although we are slightly behind where we would like to be on hiring we are excited not only by the strong prospects for this product in the second half of 2012 but also the longer term opportunities that it represents.

Finally, as you know TripAdvisor Inc. encompasses many companies and 19 different travel brands all of which represent different stages of the trip planning value chain. In March, our Smarter Travel subsidiary launched Tingo, an innovative hotel booking product that is complementary in many respects to their other transaction oriented site SniqueAway. Tingo allows hotel shoppers to book hotels with confidence based on the fact that if the room rate dropped prior to their stay they will get the difference automatically refunded back to them. Initially feedback from customers has been quite positive and the early read on the booking window indicates that we are hitting our target audience as customers are booking an average of 40 days out which is significantly longer than the industry average.

In summary, we're very excited about the business and the progress we are making towards our vision of helping travelers plan and have the perfect trip. I'll now turn the call over to Julie who will provide some color on the results and our financial outlook.

Julie M. B. Bradley, Chief Financial Officer, Treasurer & Senior VP

Thanks, Steve, and good afternoon, everyone. Looking back on the past quarter, our first full quarter as a public company, we are very pleased with both our financial and operational results. Our employees have swiftly migrated off legacy Expedia systems and delivered financial results ahead of our expectations.

For the first full quarter, revenue increased -- for the first quarter revenue increased 23% to $184 million. Better than expected results were primarily driven by upside in click-based revenue. Click-based revenue was up 20% to $144.9 million significantly ahead of our expectations, primarily due to growth in hotel shoppers and to a much lesser extent, better pricing.

Let me take a moment to tie some of these numbers together. Click-based revenue was up 20% year-over-year on slightly better pricing while, as Steve mentioned, hotel shopper growth was up more than 30% in the same period. Most of the delta in year-over-year growth rates is due to our site redesign completed last year which reduced commerce, or said another way, reduced the number of monetization opportunities on our hotel pages. Display-based advertising grew 17% in Q1 to $21.6 million and in line with our 2012 expectations of mid to high teens. We saw CPM prices increase slightly as compared to Q1 of last year. As discussed, we've maintained a premium price in the CPM market and therefore have more inventory than we need.

Subscription, transaction, and other revenue, which includes business listings, vacation rentals, and our transaction businesses, had a strong Q1, growing 67% to $17.2 million. We set very aggressive targets for these business lines. For example, Business Listings originally planned to complete the sales force build out in early Q1. We are making good progress but the sales force build out is running slightly behind plan. This leads to some expense savings but also make achieving annual revenue targets for this product more challenging. However, we did see strong bookings per rep and based on customer demand we remain optimistic for a strong growth in 2012.

As it relates to geographic mix, our revenue continues to diversify internationally to better match our traffic. Non-U.S. revenue was 48% of total revenue this past quarter compared to 43% in the first quarter of 2011 as measured by the website on which the transactions occur. With international revenue growing roughly three times faster than U.S. revenue, we continue to invest aggressively in our international markets given the opportunity that we see in front of us in international expansion.

As it relates to expenses, non-GAAP sales and marketing expenses were $66.3 million or 36% of revenue for the quarter slightly lower than our expected annual target range of high 30s to low 40s. This is primarily due to better than expected revenue performance and was partially offset by some investments we made to drive traffic diversification.

Non-GAAP tech and content expenses were $16.3 million, 9% of revenue for the quarter and in line with our expectations. We would expect this expense line to stay at a relatively consistent percent of revenue for the year.

Non-GAAP G&A expenses were $14.2 million, 8% of revenue and inline with our expectations. We believe that we have completed most of our investment in public company infrastructure and expect to see leverage on this line item on an annual basis going forward.

Depreciation and amortization totaled $6.1 million or 3% of revenue and stock-based compensation expenses were $4.7 million or 3% of revenue in the quarter. In 2012, we continue to expect depreciation and amortization to be consistent with 2011 and expect stock-based compensation expenses to be approximately 4% of revenue.

Our effective tax rate was approximately 32% for the quarter. As a reminder, the three key drivers of our effective tax rate are the mix of domestic versus foreign income, state taxes, and non-deductible stock compensation expense. For the balance of 2012 we expect our effective tax rate to remain relatively unchanged. In terms of liquidity, we paid down the $10 million of outstanding balance on our revolving credit facility leaving us with a full $200 million available and ended the quarter with $208.6 million in cash and cash equivalents.

Cash flow from operations was $29.7 million or 16% of revenue for the quarter. As I mentioned on our last call Expedia receivables are now paid in the normal course of business, versus being netted in inter-company accounts. This change resulted in a one time reduction in cash flows equal to the quarterly change in Expedia's receivable balance. For full year 2012 we expect cash flow from operations to track with adjusted EBITDA after providing for interest and taxes or low 30s a percent of revenue.

Q1 CapEx was 4% of revenue given our capital efficient business model; we continue to expect this line to remain in the low single digits as a percent of revenue for 2012. As a result, we generated $22.4 million of free cash flow during the quarter.

In terms of head count, we ended Q1 with just over 1,300 employees, up from just over 1,250 at the end of 2011. Hiring efforts for the balance of 2012 are focused on engineering, sales and marketing.

With that, let me turn to our outlook. This past quarter's revenue results exceeded our expectations as hotel shopper growth trended higher throughout the quarter and pricing was a little better than expected as well. However, given that we generate over 1 billion annual clicks for our clients, our forecast is extremely sensitive to even slight changes in pricing and assumed year-over-year growth rates. So, of course, we are wary of extrapolating forward metrics like hotel shopper growth and partner CPC pricing that can exhibit such high variability. However, we do expect 2012 revenue growth to trend above the mid-point of our previously provided mid to high teens revenue growth forecast driven mainly by recent trends in our click-based business and partially offset by our subscription and other revenue where we are working to catch up in our sales hiring plan.

With regards to the latter group, we now forecast 2012 subscription and other revenues to be a high double-digit revenue grower this year. We continue to expect display-based advertising revenue consistent with 2011. We forecast 2012 adjusted EBITDA to be slightly higher than 2011 in terms of absolute dollars based on the overachievement in Q1. Should the top line continue to beat our expectation, we will likely continue to reinvest most or all of the excess profits into our strategic growth opportunities and our traffic diversification efforts as we believe this is in the best long-term interest of the business. In closing, the first quarter was a great start to 2012.

We will now open the call to your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] In the interest of time we ask that you limit yourself to one question and one follow-up. Our first question comes from the line of Ross Sandler from RBC Capital Markets.

<Q – Ross Sandler – RBC Capital Markets Equity Research>: Thanks. Just one quick question; so your revenue from Expedia came in at only down 4% year-on-year much better than I think what we had talked about last quarter. So I just wanted to get a little bit more color there. Are all the CPC initiatives and de-cluttering fully baked in that number or is it just a new kind of established run rate at kind of down 4% year-on-year. And then, a question on the non-Expedia customers of yours, that spend was up about – almost 40% year-on-year. Do you think that could see some acceleration as some of your non-Expedia advertisers get more aggressive throughout 2012, or is this the right run rate? Thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Thanks, Ross, for the question there. So, on the Expedia pricing, we feel like as the bidding marketplace has evolved, we've seen the changes that you would expect to see; the site redesign is all done; Expedia has had plenty time to adjust their bids to the new world order, if you will. So, Expedia lowered their pricing on the hotel clicks, but we're also sending them fewer of the photo or map clicks which were much lower priced. So, net-net the Expedia rev was down a bit but again it's highly variable depending on the type of the clicks that we sent them with respect to the actual pricing.

When we look at the non-Expedia revenue, obviously, with Expedia staying where it is, the other clients are happily taking up the slack, the slack being additional volume. So as a bidding environment, when we move forward, the degree to which we can grow our hotel shopper traffic, we have a high degree of confidence that there are plenty of customers very interested in those leads in all of our points of sale. We like it when there's a bidding war that we can get going in certain markets or certain regions. But we haven't baked in anything like that into our plan going forward.

<Q – Ross Sandler – RBC Capital Markets Equity Research>: Okay, thanks guys and nice quarter.

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

<A – Julie Bradley – TripAdvisor, Inc.>: Thank you.

Operator: Thank you. And our next question comes from the line of Heath Terry from Goldman Sachs.

<Q – Heath Terry – Goldman Sachs & Co.>: Great, thanks. I was wondering if you could give us a sense of the type of traffic that you're seeing from a mix perspective, just as you see the restaurant activity, hotel mix shifting one way or the other and to what extent you see opportunities in monetizing that non-hotel traffic as it continues to grow?

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. Again, good question, the traffic mix, we're talking about hotel shoppers and we're now disclosing to you that that's up 30%. comScore up, I think they've said it was 39% and we said our internal logs showed something similar. So we're giving you the notion that well, yes, we have -- a lot of our traffic on the site is hotel shoppers – the growth rate on the other stuff is clearly higher, because it's averaging out according to comScore at 39%. We've been clear; we don't make much money and we certainly sell CPM ads against all of it, and some sponsorships against all of it, but the click-based revenue comes primarily from the hotel shoppers.

What I alluded to at the end of my prepared remarks was that the Business Listing organization as it has been growing, we've clearly focused it on the opportunity for hoteliers because their return on the purchase of the Business Listing is so straightforward, it's so amazing and it's relatively easy for us to reach those 0.5 million hoteliers – relatively easy – compared to the million restaurants and attractions, some of whom are frankly barely on line.

When you look out a couple of years we see -- we project continued growth in overall traffic, probably a higher growth in the restaurant and attraction type traffic as we have more and more tourists on our site for all sorts of things. So – where we have eyeballs, we feel optimistic that we would be able to monetize them for attractions and restaurants and tour guides and other things to do once in destination. I don't believe it we will be as significant as what we can do for the hotelier. But we do think both on desktop and mobile that those will become valuable eyeballs to us in the outlying -- in the future years, not so much 2012.

<Q – Heath Terry – Goldman Sachs & Co.>: Great, thank you very much.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure thing.

Operator: Thank you. And our next question comes from the line of Doug Anmuth from JPMorgan.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: Great, thanks for taking my question. I wanted to ask you a couple of things; first, just in terms of the 30% hotel shopper growth, can you just talk about some of the drivers here? Do you think this is more sort of overall market, or is it clear signs that some of the efforts you've made in terms of de-cluttering and other improvements are starting to pay off? And then, can you also give us an update in terms of how you're thinking about some of the format changes that Google has done and also some their travel products as well? Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure, boy, I wish I had better answers or more complete answers to those questions. So -- we're still very proud of the site redesign that we've done. We think the user experience is much better. We've added a lot of photos to the site; that always sort of enhances usability and customer feedback. It's darn hard for me to tie that to the growth in hotel shoppers.

We see growth across all of our significant channels, be it free search, paid search, email, domain direct, pretty much anything that amounts to a meaningful channel that we source is growing and is growing in just about every corner of the world. So, international growing faster than our U.S. point-of-sale as we've otherwise shared with you. So, again, across the board, we're probably mildly affected by – I say probably; it's really just a guess on my part – affected by the ongoing challenges in Southern Europe but I can't really point to the de-cluttering being the reason why our traffic has grown.

With regard to Google's activities, the second part of your question, we certainly see them in the search results with their Hotel Finder occupying the very top position for frequent, for major city hotel searches. We can't at the moment see a meaningful loss of traffic to us because of that. Again, that's not to say it couldn't happen in the future and it's possible that we just can't measure it well enough to note it yet. And, of course, they're just starting to roll that out so we would expect more coming in that direction. Of course, we've used the product ourselves as well and when you look at what it does versus the rich community that we provide, we don't -- how do I say this, we're not particularly concerned if the customer were to give both products a try.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: And if I could just follow up with one thing and I may have missed this on CPC, so I apologize, but did you talk about what your outlook is for the year relative to the flattish that you had previously indicated?

<A – Stephen Kaufer – TripAdvisor, Inc.>: So, I guess, Julie had mentioned; it's hard for us to forecast this because as you know we don't set the prices. Our clients come to us on occasion and say they want to bid more for certain parts of the traffic that we can supply. So as we look forward, we're seeing Q1; it was slightly better, and I emphasize slightly, which is great news that it wasn't down a lot. And we weren't forecasting it to be up a lot, and so it hasn't really changed – when we look forward, it hasn't really changed our forecast, or that part of our model hasn't changed going forward.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: Great. Thanks, Steve.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure thing.

Operator: Thank you. And our next question comes from the line of Tom White from Macquarie.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Hi, guys, thanks for taking my question. I guess, on your selling and marketing line, any color you can give, I guess, between the direct and the indirect breakout and, I guess, specifically looking to see if I can get any comment from you about just sort of the U.S. versus foreign market spending. I guess, where are you in terms of those markets, where you guys might be more aggressively seeding kind of a local content from the local population? Thanks.

<A – Julie Bradley – TripAdvisor, Inc.>: So, this past quarter the breakout between direct and indirect was 70-30, which is consistent with what we saw last quarter and for all of last year. The international spend we don't break out specifically. International expansion is definitely one of our key long-term growth strategies, and so as you can imagine a good part of that spend is directed towards international growth.

Operator: Thank you. And our next question comes from the line of Nathaniel Schindler from Bank of America.

<Q – Nathaniel Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Yeah, hi. I wanted to ask you a little bit more on the traffic detail, have you noticed any correlation between increased content in the site and acceleration in unique user growth? Also on your domestic versus international growth, if you – your domestic growth at 12% in the U.S. roughly and 17% for last year, while international is growing roughly three times faster than that with roughly, what, twice the traffic. Is this just a catch up in the monetization of that international traffic? In which case you would expect it to go look more like the U.S. once that monetization has occurred? Or is there something else? And can you characterize a little bit more about traffic growth you saw on 30% hotel shoppers, how'd that growth look in the U.S.?

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

<Q – Nathaniel Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Sorry, if I asked a lot of questions.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Good questions. I tried to take notes as we went long. So in order, certainly we do see content growth related to overall traffic growth. The more visitors we have – this has always been true – the more visitors, the more review contributions we have, and that's part of our challenge when we start in brand new markets where we have not a lot of traffic, we don't get a lot of reviews and we need to jump start that process. We've since especially over the past, essentially over the past 12 months or so, done a fair amount of focus on helping to reward our members. We have badges and such to help get them more engaged in our community to write more reviews and we certainly have seen that pay off with higher reviews per user contribution rates. So, we've proven to ourselves at least that if we spend a little bit more time engaging with our members, we can get more content out of it.

To your second question, the relative U.S. growth, so, it is a little more complicated. When we looked in this exact same question ourselves, it is a little more complicated than on the face value. One of the things that's going on is when we look at U.S. visitors, so people, sorry, I'll be even clearer. When we look at people who live in the U.S., and they're coming to tripadvisor.com usually, and the growth rate there is actually higher than that sort of 12% might imply. But the traffic on – but then you ask, well, why is the traffic on tripadvisor.com isn't growing as much, and the answer is, or partial answer is, we had a fair amount of traffic over the past year that was coming from other English-speaking parts of the world: Canada, UK, Ireland, Australia, India that had been ending up on tripadvisor.com and so we would count it as domestic revenue because it's off of our dot com site. We've seen very strong growth in our non-dot com English language sites recently. And so, part of that delta in international growth versus U.S. growth is actually, to some degree, it's English speakers who live outside the U.S. now going to their local point-of-sale.

Now, when we were buying our traffic through SEM, we would naturally buy it to the appropriate point-of-sales so no change there. But Google's algorithm over the past year has changed and has favored local points of sale more; we have lots of local points of sale. So, the Australian citizens are now hitting tripadvisor.com.au instead of tripadvisor.com. You see that in international revenue going up. We see that revenue that was on dot com moving over to Australia. From a commerce perspective, it is neutral to us because when that Australian was visiting tripadvisor.com, they were seeing Australian commerce partner, the local OTAs in Australia anyway. So, it's just the way we're measuring it, ending up on different points of sale.

Finally, we do have a very active sales force in all parts of the world that are constantly signing up more hotel chains and more of the local OTAs. It's just the fact that whenever we have more inventory in a given country, more properties that we can have our Show Prices button activated for and more choice in the Show Prices because we don't have just two OTAs, we have four. We don't have just one supplier and one OTA, we have a supplier and three OTAs; we make more money. That's the choice aspect that we strive for. And Q1, just like in prior quarters, we added more choice on newer points of sale. That improves the monetization rates. So, we make a bit more money on our international IPs. And I think that covered all three of the questions there.

<Q – Nathaniel Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: I think that did and thank you. That was actually a very great answer. Thank you.

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

Operator: Thank you. And our next question comes from the line of Peter Stabler from Wells Fargo Securities.

<Q – Peter Stabler – Wells Fargo Securities LLC>: Good afternoon, thanks for taking the question. I'm wondering if you could provide a little bit more color on DoaDoa and Kuxun the level of your investment in China and whether you're going to give us any sort of magnitude of loss on your investment there and maybe what kind of ramp you are looking at toward profitability in that market? Thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Certainly, Peter, it's a very good question, we've sort of discussed it internally. Unfortunately, we're not sort of ready to disclose the loss and the path to profitability numbers yet. We're continuing to work on a couple of meaningful initiatives in that part of the world and identifying additional ways where we can bring the work we're putting in to both sites into a more common framework if you will. We do continue to lose money there; we do continue to invest because, we see the price there being quite meaningful and the model, we certainly believe, will work in China.

At this point, Kuxun is doing quite well on the flight side, certainly a strength in that part of the business as they've hooked up with a lot of individual agents as well as several of the OTAs to really help the clients find the better price than what they can do on other sites. And on DoaDoa, again the focus remains on helping the user find the best hotel and overall the best travel experience. We're starting to leverage some of our additional world wide sales activities because there's lot of other western hotel companies looking to break into the China market and we're a company that they're used to dealing with and, of course, domestic traveler on the outbound trip as everyone would tell you is more valuable in the domestic traveler even though a much smaller number but a more valuable commodity and we have far and away the most reviews of anyone when you look at the entire set of places that the Chinese outbound traveler would go to. So we remain optimistic but not a lot of detail I can report in terms of progress.

<Q – Peter Stabler – Wells Fargo Securities LLC>: All right. Thanks.

Operator: Thank you. And our next question comes from the line of Herman Leung from Susquehanna.

<Q – Herman Leung – Susquehanna Financial Group LLP>: Great, thanks. Hey, Steve, hey Julie, two quick questions. I guess, first, on your hotel shopper trends you talked about much stronger than expected growth of 30%. I was wondering if you can kind of give us a context of how that growth has progressed, I guess, compared to last year's seasonality and how that's progressing in the first quarter and early view into the second. And then second is, on volume and pricing growth, you talked about a little bit of pricing growth that you're seeing today. So – and I know that it's predicated on a lot of the competitive bidding but wondering what your guidance today implies from a pricing and volume standpoint. Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. So I don't have offhand kind of the monthly image of the hotel shopper growth last year. I do recall our February call where it was looking a lot, a lot darker at that time when we were looking at our January hotel shopper growth. So, January was a tougher start when we looked at overall numbers as best we could tell and then the quarter looked like it -- the quarter did get better. We also did make some monetization improvements over the course of the quarter. So, the hotel shoppers was a challenge, the monetization of the hotel shoppers as we were still pulling out of the site redesign and we're pleased to report that we were able to make some monetization progress, i.e., the 30% of the hotel shoppers that we're visiting earlier in the quarter were converting less and by the end of the quarter they were stronger. So, we were able to recover some of that loss. The CPC growth, I really wouldn't counsel or I can say we are not modeling a growth in CPC over the course of the rest of the year. And, again, it's the bidding model as I've said but we'd be quite uncomfortable assuming a price increase as we look forward.

<Q – Herman Leung – Susquehanna Financial Group LLP>: Great, thanks.

Operator: Thank you. And our next question comes from the line of Chad Bartley from Pacific Crest.

<Q – Chad Bartley – Pacific Crest Securities LLC>: Hi, thanks very much. Slightly different questions on the Expedia and the redesign topics and I guess headwinds. I think earlier in the year you talked about Expedia and the CPC's there being a headwind to growth of about 5 points, the site redesign being a headwind to growth of about 2 to 3 points. It seems like perhaps that's a little conservative. And I'm curious if you're -- what your new results and what your new guidance, excuse me, implies as far as the headwinds from those two topics, thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure, thanks, Chad, as I say, it would seem that the CPC headwind from Expedia was balanced by the site redesign sending fewer lower value clicks combined with the pricing moves of our clients. So net, net we're back to a flat number. So when we look forward, it's kind of – all of that site design, all of the Expedia transition is behind us and we're just looking forward saying, okay, CPCs we're modeling flattish going forward and now it's all about the traffic growth and international expansion and the other interesting initiatives that we have. So, I guess, I'd suggest we leave some of those things behind us and kind of model on Q1 going forward as, obviously, adjusted for the seasonality of our business.

<Q – Chad Bartley – Pacific Crest Securities LLC>: Okay. All right, thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Okay.

Operator: Thank you. And our next question comes from the line of Mike Olson from Piper Jaffray.

<Q – Andrew Connor – Piper Jaffray, Inc.>: Hey, guys, this is Andrew Connor in for Mike. The question is we've seen very impressive RevPAR growth in Latin America during the last several quarters and we've also seen a very strong correlation between RevPAR and TripAdvisor revenue, so first of all, just curious how do you explain that strong correlation between RevPAR and your guys' revenue. And then, second, if you could just talk about the growth rates you're seeing in Latin America and what is really driving that 50% plus rest of world growth? Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. I mean, it's a fair question, Andrew. The RevPAR when the hotelier or when the OTA is making more money because of a lead we send because RevPARs has gone up, they can literally afford to spend more of that. So, if for example, an OTA is willing to share 60% of the revenue that they make with us just as an example some pay more, some pay less, as that RevPAR goes up, we would see that increase. So, if RevPARs are up 5% it's fair to think of TripAdvisor deserving a 5% increase as our percentage. Do we always get that? No. That's a part of a negotiation with our sales rep and the client and it's part, competition for that click if in any particular country, a hotelier is battling against an OTA for the lead, the hotelier has a lot more margin they can offer and RevPAR going up, they can offer even more. They have a bigger piece of the pie than what the OTA has so they might be able to outbid. So, again, relatively straightforward correlation with RevPAR, relatively straightforward correlation with booking rates in whatever particular country. If its a highly engaged online country that has a high online conversion rate, that's great for us as well versus a country where there's a lot of lookers but most of the actual transaction happens offline ergo we wouldn't get a lot of credit for those transactions, therefore, a client wouldn't be able to pay us a lot on a per-lead basis.

To your other part of your question the continued growth in our rest of world is really a function of a lot of our initiatives and focuses around driving traffic throughout the globe, really not just in the U.S. Plus the fact that our U.S. and U.K. points of sale are really the most mature; they're the most well known so there's just a lot more room to attract new visitors in other markets and I would expect that overall trend to certainly continue going forward.

<Q – Andrew Connor – Piper Jaffray, Inc.>: Okay. Thanks a lot.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure, thanks.

Operator: Thank you. And our next question comes from the line of Brennan Diaz from Viking Global.

<Q – Brennan Diaz – Viking Global Investors LP>: Hey, guys. Two quick questions. Just first off, you have, I think, people asking a couple of different ways but would love to hear your commentary around linearity of growth throughout the quarter, I guess, really, how growth, especially in CPC revenue looked in January versus March and whether it was kind of fair to assume that that Expedia revenue number got better as we got throughout the quarter? And then, the second question really just around the Business Listings product and we'd just love to step back and, Steve, get your thoughts in terms of where that business can go in terms of percent of penetration of the overall market and just thoughts around how you think about potentially sizing that business over time? Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure, Brennan. Again, excellent questions. I don't really recall how Expedia's CPCs may have changed Jan,Feb, March. The fact that I don't remember them being on a big upswing or downswing might lead you to fairly believe it wasn't something I was carefully watching for any particular reason. So, they manage their bids carefully. Again, I can't say one thing for sure or not but it wasn't something I was focused on certainly. Overall, again, it's a bidding environment so all the other partners are moving their things up and down. And we do see a fair amount of fluctuation kind of on a weekly basis where some are moving up and some are moving down; our averages tend not to change all that much.

To the question on Business Listings, so we do some simple math on the, I think, it's 570,000 accommodations on the site and we have, I think, over half of them as registered owners now and most of the registered owners are properties that have reviews. And so, we qualify by properties that are popular enough to have a bunch of reviews, so the owner has probably -- heard of TripAdvisor because people have shown up saying, hey, I read about you on TripAdvisor so there's some knowledge built in. And then, from memory, the different ways we try to qualify out of that 570,000, it was well over half that we thought were perfectly reasonable folks who would be interested in the Business Listing subscriptions. It might have been something closer to three quarters who were potential and then we take out the properties that really don't have a good reputation on the assumption that most of them probably wouldn't want to pay us for something. And we come with, again, well north of a couple hundred thousand viable prospects. We then look and say, well, a viable prospects for what; well, we say there's fixed annual subscription, the telephone number, the e-mail, then there's the special offers and then there is the placement on the mobile devices and then there is incremental eyeballs that we might be able to offer down the road with additional marketing in that or advertising services. And for these properties, it's pretty hard to be able to identify an audience looking to come in a particular timeframe, because they have dates often for a particular city, that are looking for a hotel. Wow, we've got that audience. We have the person doing a search for a specific date in a specific city where this hotel is located so that's already a highly qualified customer and services down the road to help each of those individual hoteliers put their unique message in front of those folks.

Right now, we have an annual subscription but there's nothing inherent in our business model that says it couldn't be CPA or CPC or a CPM additional upsell in the years to come. And then, we recognize that we have a ton of additional travelers that I alluded to earlier who have already picked out their hotel and now they are looking for something to do or they are looking for something to do first and then they'll find a place to stay or they're trying to figure out where they want to eat when they're on that trip and all of those have the same dynamic of, it's a traveler coming into the local market that the business owner really has a tough time reaching in a timely basis. And we can think of a restauranteur who may put a 2-for-1 coupon in the concierge desk of a hotel and say, hey, I'm willing to offer a 2-for-1 special to out-of-town guests who are asking the concierge of the hotel where to eat. That's a nice opportunity for the restaurant to get a customer that wasn't already a local, that wasn't already going to be eating there or i.e. the restaurant wasn't going to be giving a 2-for-1 away to an existing customer. Well, that's the TripAdvisor eyeball as well. So, I'm not pre-announcing any product, I'm not talking about some functionality that's out the next day. But we recognize that all of the business owners who are represented on TripAdvisor and some who aren't even represented on TripAdvisor now but have a product or service to sell to the traveler that TripAdvisor is a fantastic kind of media opportunity for them and with the self-service capabilities we've built Business Listings with the worldwide sales force to reach the folks that aren't self-service inclined. We feel we're in a pretty good position to take advantage of those opportunities.

<Q – Brennan Diaz – Viking Global Investors LP>: Great. Thanks, guys.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure thing.

Operator: Thank you. And our final question comes from the line of Brian Nowak from Nomura.

<Q – Brian Nowak – Nomura Securities International, Inc.>: Thank you. I have two quick ones. So, first, I want to go back to Herman's question and kind of the hotel shopper growth compares. Because I know that last year, Google made a lot of changes throughout the year. So, I was just curious if there's anything happened with the hotel shopper growth trends throughout last year; and how we should think about the cost per click growth, because the compares do get easier throughout this year if you're advertising. So, is there any reason we should not expect an acceleration in the cost per click growth revenue? And then, the second one is in the quarter, just curious, is there impact at all from kind of the Easter shift, the Easter shift being earlier in April this year than last year and then what was the benefit of leap year? Thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Well, I think, I can really only answer the very last question leap year probably added 3% to our February revenue. It added one extra day that's nice. So, the hotel's shopper growth last year I'm really -- I look around I'm really not sure I can add much color to the notion of it getting easier just because I don't recall a particular fall off of hotel shoppers. And yes, Google made changes throughout the year, but we expect Google to make changes throughout this year as well. So I don't, aside from lapping the site redesign in Q4, I don't see any other non-seasonal effect looking over the course of this year that would be material to our numbers.

<Q – Brian Nowak – Nomura Securities International, Inc.>: Okay and then Easter impact is there any impact of that at all in the quarter?

<A – Stephen Kaufer – TripAdvisor, Inc.>: I think it's a shift kind of April traffic to April traffic so certainly nothing that we've modeled in to any of our numbers and, yeah, no, I don't think there is any effect.

<Q – Brian Nowak – Nomura Securities International, Inc.>: Okay, thank you.

Operator: Thank you. And we have no further questions at this time. I would like to turn the conference back over to CEO, Steve Kaufer for any closing remarks.

Stephen Kaufer, President, Chief Executive Officer & Director

Excellent. Well, again, I want to thank you, thank everyone for joining us on our first quarter call. Before I close, I also want to thank all of our employees around the globe whose dedication and hard work are really greatly appreciated. I also want to thank all of the users of the TripAdvisor community for their contributions as these are folks that play an integral role in making TripAdvisor the largest travel site in the world. So, again, thanks very much to everyone. We look forward to talking to you next quarter.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. And you may now disconnect. Everyone, have a good day.