Angela Opening Remarks:

Good afternoon and welcome to Tripadvisor's third quarter 2024 financial results call. Joining me today are Matt Goldberg, President & CEO, and Mike Noonan, CFO.

Earlier this afternoon, after the market close, we filed and made available our earnings release. In that release you will find reconciliations of non GAAP financial measures to the most comparable GAAP financial measures discussed on this call.

Before we begin, I'd like to remind you that this call may contain estimates and other forward looking statements that represent management's views as of today, November 6, 2024. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release, as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward looking statements.

With that, I'll turn the call over to Matt.

Matt Goldberg, CEO

Thanks Angela, and good afternoon everyone.

Our financial performance this quarter reflects the strong execution and operational focus of our teams across Tripadvisor Group. As we continue on our multi-year journey to transition from optimizing legacy offerings to scaling strategically-focused growth drivers, we have the benefit of a diverse portfolio that we're managing for growth and profitability.

For the third quarter, on a consolidated basis we delivered $532 million in revenue, flat to last year, and in line with our expectations given the anticipated headwinds in our legacy hotel meta offering, offset by healthy growth at Viator and The Fork. Our adjusted EBITDA came in at $122 million, with all three of our segments delivering profitability, which gives us confidence in how our teams have delivered, and to reaffirm our full-year estimates. Mike will provide more details in his section.

I'd like to take this opportunity to reflect on the meaningful progress we've made and the opportunities ahead. I'll also cover how this comes together as we think about 2025.

Starting with the **experiences category.** Our ambition is to extend our leadership position in this large and expanding market, with our scaled global platform and attractive financial profile. This is one of the most exciting opportunities in travel given the secular tailwinds, low online penetration, and the growing recognition of experiences as the most meaningful and important part of travel. This positions experiences to grow faster than the travel industry as a whole over the foreseeable future. We still have much work to do, but with our unique assets – some of the most trusted brands in travel, sizable high-intent audiences, the deepest source of supply online, extensive third-party distribution, and the review platform of choice for operators - we are confident in our leadership position.

In the Viator segment, we've been balancing growth and investment to drive scale and contribute an increasingly larger share of revenue and profit to the Group. As a reminder, this includes contributions from the Viator and Tripadvisor B2C points of sale, as well as our B2B offerings for operators and third-party distributors. In Q3, revenue was $270 million, growing 10% year-over-year, and gross booking value, or GBV, grew 9% to approximately $1.1 billion. Adjusted EBITDA was $30 million, or 11% of revenue.

We believe we are still in the early innings in the experiences category with meaningful distinct advantages to serve travelers. The Tripadvisor brand is one of the most trusted brands in travel, and its largest and fastest growing audience comes to the site to discover and book experiences. Its broad reach and position in guidance and planning helps capture upper funnel travelers at the start of their planning journey. The Viator brand is well positioned to capture high-intent travelers further down the funnel as the leading experiences marketplace with the most scaled source of supply and a strong foothold with U.S travelers. While each of these brands serves different audiences with unique products and distinct marketing strategies, the scale we've reached allows us to unlock new opportunities across product, supply, data, and geographic expansion that leverage our combined assets and capabilities.

We've made good progress with our priority investments at Viator this year. Year-to-date, we've seen higher than average growth in bookings from direct and other low-cost channels, which reflects our increasing scale and our progress in building awareness beyond search. We continue to improve the product across the board such as landing pages tailored to traffic sources that have improved the user experience and yielded conversion wins. Our effort to drive more bookings to the app is working – app bookings in Q3 grew faster than any other surface and the mix of app bookings has almost doubled since 2022. We're seeing strong and stable repeat booking growth, which, combined with large cohorts of new customers that we expect to mature into repeat travelers, gives us confidence in our durable foundation for future growth. We're also increasingly leveraging generative AI to improve our product and customer experience. Not only are we using the technology to better assist customer service agents in serving travelers, but we're also leveraging genAI to provide better product recommendations that drive higher conversion, and generate communications for agent follow-up.

Shifting to Brand Tripadvisor, where our teams continue the work to transform the business and shift from our historical reliance on the profitable but pressured legacy hotel meta offering. This transition is reflected in Brand Tripadvisor's Q3 financial performance, with revenue of $255 million, a year over-year-decline of 12%, which was within our expectations, and adjusted EBITDA of $87 million, or 34% of revenue, which came in above expectations due to the timing of certain investments. Mike will discuss this further shortly.

Our strategy is to address these well-known headwinds by innovating around **travel planning and guidance** – still one of the most labor intensive and time consuming parts of travel. We believe we are uniquely positioned to solve this pain point for travelers with our trusted brand, high quality content, and extensive data. And our indicators of traveler engagement with the new products we rolled out this year only strengthen our conviction.

Our monthly active users (MAUs) have stabilized and returned to growth year-to-date, and importantly our engagement trends in monthly active members and app users have continued to improve quarter-by-quarter. We see the benefits of this growth among our most engaged users in our channel mix, where our direct channel has added more MAU's than any other year-to-date, achieving more than 30% growth vs. 2023. As I've noted in prior quarters, we continue to see our strongest performance across these metrics in the US market, where we typically launch new products first, and we increasingly see fast-follow markets outside the US following a similar trajectory.

Of course, this progress in our engagement strategy must translate to financial impact at scale. This means continuing to grow these audiences, innovating our product – particularly in our hotels and experiences marketplaces – and actively managing the structural headwinds in hotel meta. We continue to shift our focus and resources to the areas where we are differentiated and have the highest conviction about future growth.

Our execution will center on a few key pillars. **First,** we're focused on growing our mobile app — through a host of UX changes that have resulted in higher engagement and repeat rates, evolving our trip planning feature, and optimizing conversion in our hotels and experiences booking capabilities. As we continue to scale in-app hotel booking in the US, we are seeing higher click-thru rates, 4 times better monetization per booker, and significantly higher experiences revenue and review and photo submissions versus in-app meta. **Second,** we're focused on accelerating experiences growth by more effectively serving the diverse global demand we see in Brand Tripadvisor's funnel. This includes improving discovery, cross-selling on hotel detail pages, and expanding supply partnerships in new categories and geographies. We are also leading with experiences when we launch new guidance features, like our chat-based AI assistant on destination pages, which is designed to help travelers navigate the best of our billion-plus reviews, forum posts, and other guidance content to find the most relevant things to do. **Finally,** we're focused on rolling out new membership-enhancing features, including rewards, promotions, and an achievements program, that are driving higher conversion and meaningful uplift in member contributions. This also includes member-only capabilities like AI-powered trip planning and in-app hotel booking, as well as leveraging our proprietary data to deliver more personalized, cross-category recommendations to each member.

Now, turning to the **dining category**, where we see ample opportunity for growth, as evidenced in our Q3 results at **TheFork**, the segment's best financial performance on record. Revenue accelerated sequentially to $49 million, or 17% year-over-year growth. Adjusted EBITDA in the quarter was $5 million, or 10% of revenue, a significant improvement from last year. This is a strong trajectory and we're well positioned to sustain the momentum. We have a defensible position as the largest dining reservations platform in Europe, serving both diners and operators. Our unit economics continue to improve, through a combination of marketing efficiency and sales productivity that are driving healthy growth in new and repeat diners, as well as our restaurant base, providing a strong foundation for the future.

Continuous product improvements at The Fork have positioned us well on both the B2C and B2B fronts. For diners, our user experience, largely on app, is increasingly personalized, with more relevant content and AI-powered review summaries, tailored onboarding flows and special offers, which are driving better conversion rates. We've also strengthened our B2B offering to provide more value for our restaurant operators, which is driving an uplift in ERB usage and accelerated growth. Our upgrades include AI-driven predictive analytics, better service and table views, mobile optimization, and enhanced revenue management insights.

Following our recently announced Vodafone partnership to introduce new diners to TheFork, we continue to gain traction with strategic partners as a trusted dining brand with a strong consumer value proposition. We recently entered into a relationship with Mastercard, and will work together to provide premium restaurant experiences across Europe and preferred treatment for Mastercard cardholders utilizing TheFork Pay. While this won't begin to scale fully until next year, this is a testament to our brand value and reliability in our payments technology. To further enhance this collaboration, Mastercard will also become the title sponsor of our annual event, TheFork Awards.

Throughout 2024 we've delivered tangible evidence of the progress we're making across multiple categories, in each of our segments, which we believe will set us up to deliver our desired financial profile going forward. This is critical input for us as **we solidify plans for**

2025. While it's premature to provide specifics, I do want to take the opportunity to share some thoughts on our emerging priorities for the coming year.

- **First,** we will utilize all of our Group assets and capabilities to extend our leadership in experiences, leveraging our marketing scale, brand value across geographies, and B2B relationships with distributors and operators. Even with all the talk of "normalized" growth rates in travel, we believe this category will continue to outperform the industry with solid double-digit growth, contributing a higher mix of our overall revenue and profit and enhancing our Group financial profile.
- **Second,** we expect Tripadvisor to be increasingly focused on a streamlined set of priorities, including further differentiating our brand and content around planning and guidance, driving booking growth in our experiences and hotels categories, especially in app, and enhancing our membership offering to reward engagement and drive monetization. We believe these priorities are most critical to translate our strategy into a sustainable long-term financial profile.
- **Third**, we will build on the strong foundation at TheFork, growing both diners and restaurants, continuing to improve our products, and driving diverse revenue growth across B2C and B2B, as we maintain this year's momentum, delivering growth and profitability.
- **Finally,** we will ensure that our operating model supports our growth agenda across the Group by balancing investment and profitability, including managing operating costs as we continue on our transformation journey.

As always, we're monitoring what's happening on a macro level, although its future impact is difficult to predict. We continue to see healthy search data and strong consumer intent to travel and book experiences, with overall stability in booking windows and average length of stay. We have observed some bifurcation of intent between higher and lower income travelers, but regardless of the fluctuations we may see periodically, I remain confident in the durability of growth in leisure travel. This is a sector that has continued to adapt, change and grow over the long term. Across Tripadvisor Group, we are well positioned for enhanced growth as we continue to build trust with travelers, innovate our offerings, and as the experiences category continues to emerge as an increasingly central and durable part of the travel budget.

With that, I'll turn the call over to Mike.

<u>Mike Noonan, CFO</u>

Thanks Matt and good afternoon. I'll start with a review of the quarter, and then will provide our outlook for the remainder of the year. As a reminder, all growth rates are relative to the comparable period in 2023, unless noted otherwise.

Third quarter revenue was $532 million, reflecting flat growth, and in-line with our expectations. Adjusted EBITDA was $122 million, or 23% of revenue, and meaningfully higher than expected due to Brand Tripadvisor contribution, which I will cover in a moment.

Turning to segment performance for the third quarter. **Brand Tripadvisor** delivered revenue of $255 million, a decline of 12%. Performance was in-line with expectations, which anticipated a sequential step down. In **Branded Hotels**, revenue declined 17% to $151 million, driven primarily by hotel meta. As anticipated, we witnessed a softer pricing environment in hotel meta, particularly in the US, which stepped back meaningfully from prior quarters but, we believe, is reflective of the overall normalization of travel trends. For the quarter, overall volume trends remained under pressure year-over-year and continued to be our largest headwind, but were better than we witnessed in Q2. Revenue declines in hotel meta peaked in July and then saw consistent improvement throughout the quarter.

Media and Advertising revenue grew 5% to $40 million. Growth in our off-platform sales and creative offerings from our Wanderlab studio and programmatic advertising offset declines in direct advertising revenue.

Experiences and Dining revenue was $51 million, a decline of 7%, driven by the ongoing transition to self service sales model in our restaurant B2B offering, and a sequential deceleration in experiences revenue. In experiences, performance this quarter was driven primarily by Brand Tripadvisor's segment-specific marketing strategy to emphasize profitability.

Finally, **Other revenue** declined 19% to $13 million, in-line with expectations. We continue to de-emphasize our flights, car rental, and vacation rentals offerings to focus on initiatives more aligned to our stated strategy.

Adjusted EBITDA at Brand Tripadvisor was $87 million or 34% of revenue. Year over year deleverage of approximately 400 basis points was related primarily to higher headcount costs as a percent of revenue, despite lower headcount dollars year over year, due to lower hotel meta revenue.

Relative to our outlook in August, we came in higher than our expectations due to operational outperformance, normal quarterly true ups of certain expenses, and a decision to delay certain growth investments until 2025. While the delayed growth investment was a benefit to Q3 adjusted EBITDA, postponing it also reduces our expected Q4 revenue and adjusted EBITDA versus the outlook we provided in August.

Turning to **Viator**, Q3 revenue grew 10% to $270 million and gross booking value, or GBV, grew 9% to approximately $1.1 billion. Viator point of sale growth for GBV outpaced total GBV growth, while Brand Tripadvisor point of sale grew below total GBV growth. Viator segment growth is a function of different growth and profit priorities between the different points of sale, which is reflected in the relative growth rates. As Matt mentioned, we believe our unique assets - Brand Tripadvisor's broad reach and large upper funnel combined with Viator's ability to capture high-intent travelers as an OTA - provide us a distinct advantage as we look to capitalize on this large market opportunity.

Viator adjusted EBITDA was $30 million, or 11% of revenue. Year over year margin leverage of over 400 basis points was driven by higher contribution profit and lower fixed and discretionary expenses as a percent of revenue, which include brand marketing and people costs. While we continue to see healthy growth in our paid marketing channels, our direct channels, beyond search, are growing faster. We continue to drive strong growth in repeat bookings and this growth has been consistent quarter over quarter. Importantly, repeat bookings come with lower marketing costs than new bookings.

At **TheFork,** revenue was $49 million, or 17% growth, and 15% in constant currency terms. Growth was driven by a combination of both bookings volume and pricing, despite headwinds from the Olympics and Euro Cup, as well as strong growth in our B2B revenue. Sequential acceleration was also due to a benefit from the Vodafone partnership we noted last quarter, and higher B2C revenue due to some incremental marketing spend in the quarter.

Our B2B business, while a smaller contributor to overall revenue at TheFork, is growing faster than our reservation revenue as we capitalize on our product investments to drive an enhanced value proposition to restaurant operators. Importantly, the team continues to drive greater efficiencies, particularly through reduced restaurant acquisition costs.

Adjusted EBITDA at TheFork was $5 million, or 10% of revenue, an improvement of 12 percentage points year over year and represents the highest margin the business has ever achieved. This leverage is primarily due to lower fixed and discretionary costs, which includes people and brand marketing costs.

Now, turning to **consolidated expenses** for the quarter.

Cost of revenue was 9% of revenue, an increase of 100 basis points primarily due to higher Viator transaction costs as a percent of consolidated revenue and higher cloud and media production costs at Brand Tripadvisor.

Sales and marketing was 51% of revenue and was flat as a percent of revenue year over year. Deleverage from Viator and TheFork sales and marketing costs as a percent of consolidated revenue is mostly offset by leverage from Brand Tripadvisor.

Technology and content costs were 14% of revenue, approximately 100 basis points higher, primarily due to higher costs at Brand Tripadvisor and Viator in support of product development to advance their respective strategies.

G&A expense as a percent of revenue was 10%, flat year over year as a percent of revenue.

The Q3 year over year increase in share based compensation of $7 million was primarily due to differences in vesting schedules for our employee equity grants, resulting in additional expense recognized in Q3 2024 versus Q3 2023. SBC expense was impacted primarily due to a one-time acceleration of the vesting period of our 2020 company-wide equity grants to two years from four years, as disclosed during 2020, resulting in a lower than usual run rate for Q3 2023.

Now, **to cash and liquidity**. Operating cash flow was $(44) million and free cash flow was $(64) million, reflecting our typical seasonality. Other drivers of the year-over-year decline were changes in other working capital including seasonally lower deferred merchant payables and last year's refund of approximately $49 million related to the 2009-2011 IRS transfer pricing settlement. We continue to expect net cash inflows of $50-$60 million in the next twelve months, related to the 2014-2016 IRS transfer pricing settlement. The total net outflow of the 2014-2016 IRS transfer pricing settlement is expected to be approximately $100 - $110 million in 2024 versus the net cash outflow from the 2009-2011 IRS transfer pricing settlement of approximately $60 million last fiscal year.

We ended the quarter with nearly $1.1 billion of cash and cash equivalents, an increase of $45 million from December 31, 2023. During the quarter, we had no share repurchase activity. Although we have not terminated the program, we have been in the past, and may continue to be, limited in our ability to purchase shares in the public market due to ongoing consideration of a variety of potential strategic alternatives. We will continue to look for opportunities to repurchase shares taking into account our capital needs, market conditions and other relevant factors.

Turning now to **recent trends and our outlook for Q4**. In October, we saw positive trends in Viator, with meaningful acceleration from where we exited the third quarter. At Brand Tripadvisor, our October performance was in-line with our third quarter growth rate, with hotel meta performance largely consistent with where we exited the quarter, which was an improvement from early Q3 trends.

Given what we've seen quarter to date, our **full year 2024 revenue and adjusted EBITDA on a consolidated basis** are in-line with our previous outlook in August. We expect high single digit revenue declines at Brand Tripadvisor, while Viator and TheFork will deliver revenue growth higher than expected in our last update. For consolidated adjusted EBITDA, we expect 100 basis points of deleverage year over year.

As a result, we expect a sequential acceleration of **consolidated revenue growth in Q4**, to low-to-mid single digits year-over-year.

At Brand Tripadvisor, revenue declines are expected to be flat sequentially while we expect Viator to accelerate sequentially to mid-teens growth and TheFork to accelerate sequentially to mid-20s growth.

For **consolidated adjusted EBITDA margin in Q4,** we continue to expect deleverage year over year. We expect Brand Tripadvisor margins to be approximately 20%, which is primarily due to lower revenue in branded hotels combined with the lapping of last year's cost actions that drove lower people and other discretionary costs. For Viator, we expect margins in the high single-digits and for TheFork, we expect margins roughly flat with Q4 of last year as we are making some incremental growth investments that will largely benefit us next year.

With that, I'd like to turn the call back to the operator to begin Q&A.

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