Q4 & Full Year 2021

# Letter to Shareholders

| | FY2021 | FY2020 | FY2019 |
|---|---|---|---|
| **Total Revenue** | **$902M**<br>49% Y/Y<br>(42)% Y/2Y | **$604M** | **$1,560M** |
| **Net Income / (Loss)** | **$(148)M** | **$(289)M** | **$126M** |
| **Adjusted EBITDA (1)** | **$100M** | **$(51)M** | **$438M** |

| | Q4 2021 | Q4 2020 | Q4 2019 |
|---|---|---|---|
| **Revenue** | **$241M**<br>108% Y/Y<br>(28)% Y/2Y | **$116M** | **$335M** |
| **Net Income / (Loss)** | **$(29)M** | **$(73)M** | **$15M** |
| **Adjusted EBITDA (1)** | **$29M** | **$(33)M** | **$92M** |

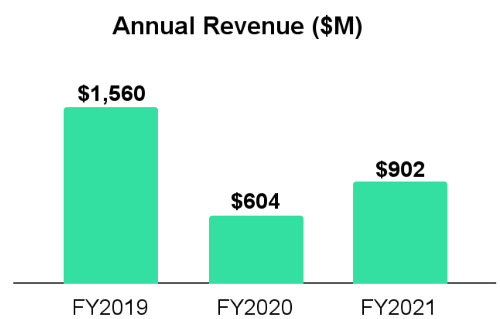
(1) Consolidated adjusted EBITDA is a non-GAAP profit measure and is defined as net income (loss) plus: (1) provision (benefit) for income taxes; (2) other income (expense), net; (3) depreciation and amortization; (4) stock-based compensation and other stock-settled obligations; (5) goodwill, intangible asset, and long-lived asset impairments; (6) legal reserves and settlements; (7) restructuring and other related reorganization costs; and (8) non-recurring expenses and income. See "Use of Non-GAAP Financial Measures."

**Letter to Shareholders**

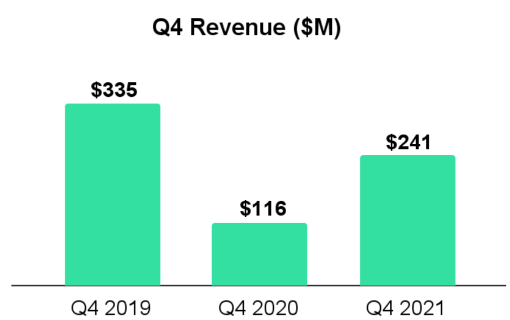
During 2021, we remained focused on long-term opportunities for Tripadvisor, launching new initiatives and enhancing our product sets. We successfully operated off a lower cost base, giving us further confidence in the flexibility that our model affords as we strive to balance our revenue growth opportunities against profit expansion. We exited the year well-positioned to capture our share of the returning travel market and to drive additional growth in emerging opportunities.

## Full Year 2021 and Fourth Quarter Consolidated Financial Results

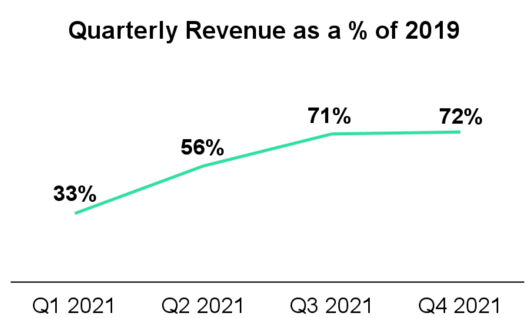
**Full year revenue** improved year over year and as a percent of 2019 levels. We generated $902 million in revenue, or 58% of 2019 levels. Our Hotels, Media and Platform (HM&P) segment revenue grew 52% year over year to $549 million, and reached 58% of 2019 levels. Revenue in the Experiences and Dining (E&D) segment grew 65% to $307 million, and reached 67% of 2019 levels. Other revenue was $46 million in fiscal 2021, which was 28% of 2019 levels.



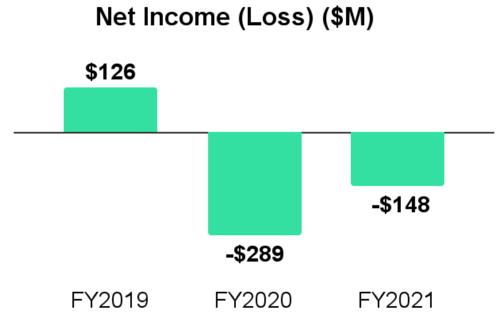

**In Q4 2021, consolidated revenue was flat with the prior quarter as a percent of 2019 levels, and in-line with expectations that we communicated in early December.** Total revenue was $241 million, representing year over year growth of 108%, or 72% of the 2019 levels. Revenue reflected mixed trends across our segments, HM&P and E&D. In HM&P, revenue was $133 million, reflecting year over year growth of 80%, and as a percent of 2019 levels, stepped down to 69% from 72% in Q3 2021. E&D revenue of $98 million in Q4 reflected year over year growth of 172%, accelerating to 90% of 2019 levels, from 81% in Q3 2021. Other revenue in Q4 was $10 million.




During the quarter, consolidated revenue as a percent of 2019's comparable period peaked in November, but stepped down in December. The December step-down was most pronounced in our Dining business, with incremental step-downs also in our hotel auction and Experiences, driven by Omicron.



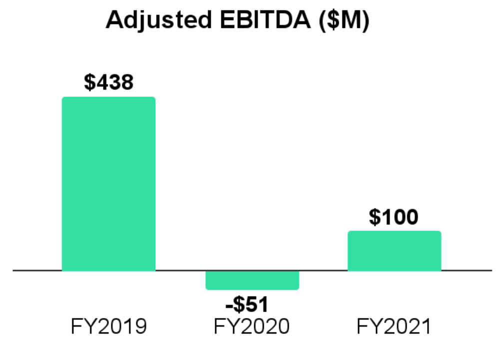
**Net loss** for the full year 2021 was $148 million, compared to a net loss of $289 million in fiscal 2020, driven by improved revenue and fixed cost management. In Q4 2021, net loss was $29 million, an improvement from a net loss of $73 million in Q4 2020, driven primarily by revenue improvement.



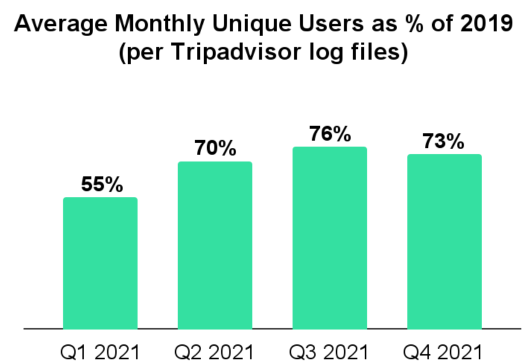

**Consolidated adjusted EBITDA** for the full year 2021 was $100 million, or 11% of revenue as compared to an adjusted EBITDA loss of $51 million in 2020, driven primarily by an increase in revenue and a lower fixed cost base.

In Q4 2021, adjusted EBITDA was $29 million, or 12% of revenue, as compared to an adjusted EBITDA loss of $33 million in the same period a year ago, and in-line with expectations expressed in early December.

We exited the year with ample liquidity. As of December 31, 2021, we had $723 million in cash and cash equivalents.




**Traffic trends- monthly unique users stepped down slightly.** Overall average monthly unique users on Tripadvisor-branded websites, a leading indicator of consumer travel demand, in Q4 were approximately 73% of 2019's comparable period, down slightly from 76% in Q3 2021, and impacted by Omicron.



## Taking Stock of Our Business

A lot has happened since this time two years ago, when the world was largely unaware of a pandemic that would make unprecedented changes to our way of life, the global economy, and the global travel industry.  As the Tripadvisor business continues to progress, and at an inflection point of senior leadership change, we believe it helpful and appropriate to provide a more thorough retrospective and an assessment of where we stand in our corporate strategy, as well as a review of our market position and outlook by reporting segment.

### Corporate Strategy and Value Creation Framework

Tripadvisor remains a highly influential travel brand, with massive online traveler, partner, and supplier reach.  We have a unique position in the global travel ecosystem of trusted and highly sought after user-generated content that instills traveler confidence.  In fact, we recently reached over a billion reviews and opinions, which is a remarkable milestone and a testament to our reach.  The community of travelers that author these reviews is what makes our travel guidance so valuable, so trustworthy, and therefore so difficult for other sites to replicate.  We are immensely proud of how many trips we help guide each year, driven by rich content in lengthy reviews, millions of candid photos that tell a story in every language, and millions more amazing tips and advice written about iconic landmarks and tiny establishments alike, all over the world.

Our core strategy for the Tripadvisor brand is to continue to enhance our value proposition of providing unique guidance to our global traveler base and to expand the reach our platform provides to our global partners and suppliers.  This hasn’t changed in the pandemic–if anything, the pandemic has reinforced our resolve to continue to execute against this core strategy.

As part of our commitment to this strategy, we launched Tripadvisor Plus in 2021 with the ambition to offer compelling discounts and perks on travel products to subscription-paying travelers.  We continue to believe that direct-to-consumer offerings (and, in particular, subscriptions) remain an attractive growth opportunity for Tripadvisor.  This belief is predicated on both the increasingly prevalent consumer adoption of subscriptions, as well as our trusted brand position within travel. Although we have not made as much progress on Tripadvisor Plus as we expected, we are determined to build upon the foundations we established in 2021 and continue to iterate and innovate on the product and positioning with the goal of creating a consumer subscription business at scale.

With the foundational elements of Plus now established, and the steady demand recovery we are observing in our core business, we plan to focus more of our resources towards opportunities we see in our core hotel and media offerings, as well as Experiences and Dining.  We believe we will be well-positioned to achieve profitable growth by leveraging our core competitive strengths as travel demand continues to recover and starts to grow again from pre-pandemic levels.

Outside of our core hotel and media offerings, we are increasingly focused on scaling our two pure-play marketplace businesses, Viator and TheFork, to better position them for growth and market share gains in the attractive markets in which they operate.  Both Viator and TheFork have recovered strongly since the trough of the pandemic, and are largely independently staffed and operated businesses that are successfully penetrating large and fast growing markets by leveraging their strong brand, differentiated offerings, and unique competitive position within their respective markets.

As we look ahead to 2022 and beyond, our conviction in the opportunity for these businesses to become scaled category leaders could not be stronger. Last quarter, we shared our intent to better crystallize the value of these businesses within Tripadvisor, which included more separately capitalizing them in order to continue capturing market share and establish scaled leadership positions that provide attractive longer-term returns.

In particular, we are continuing to evaluate opportunities related to Viator that will allow us to better illustrate the strategic value we see in this asset. This includes evaluating opportunities with industry participants as well as independent opportunities, including a potential sub-IPO, which would involve selling a minority stake of the Viator business to the public market. As such, we recently submitted a confidential draft S-1 registration statement with the U.S. Securities and Exchange Commission related to its proposed initial public offering of Viator. The proposed offering is subject to, among other things, completion of the SEC review process, as well as Tripadvisor's ongoing assessment of other strategic options, market conditions, and other factors[(1)].

In parallel, we are also assessing options to drive value recognition at TheFork, although those plans are less developed at this juncture. While these plans are under assessment, in the meantime, we are evaluating a change to our segment reporting at the end of Q1 to more clearly break out Viator and TheFork as stand-alone businesses within our portfolio.

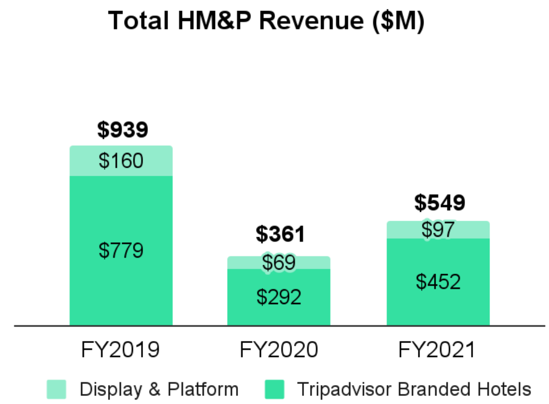
The travel market has consistently proven to be dynamic and receptive to innovation and is primed for growth as we emerge from the pandemic. We have included the following updates on the state of our business to further highlight our optimism for Tripadvisor's next phase of growth in 2022 and beyond.

*(1) There can be no assurance that the confidential submission of a draft registration statement on Form S-1 will result in any transaction or other action by Tripadvisor. Tripadvisor does not intend to comment on or provide updates regarding these matters unless and until it determines that further disclosure is appropriate or required based on the then-current facts and circumstances. This press release does not constitute an offer to sell or the solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offering, solicitation or sale would be unlawful.*

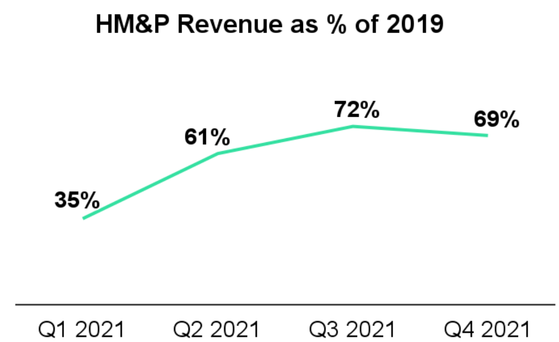
## Hotel, Media & Platform (HM&P) Segment

*Included in this segment is revenue from our* ***Tripadvisor branded hotels*** *as well as our* ***display and platform*** *revenue.*

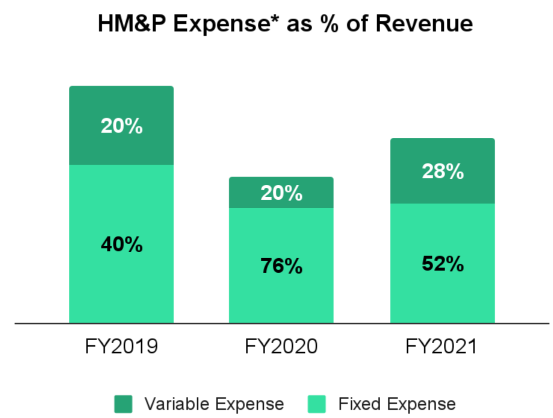
In 2021, we saw a healthy recovery in our HM&P segment, reaching 58% of 2019 levels for the year. Recovery was steady in the first three quarters of the year, but the comparison to 2019 flattened in Q4, which we believe was due to the emergence of the Omicron variant late in the quarter. Although we have seen strong performance in pockets of HM&P (most notably U.S. domestic hotel auction revenue), other areas have lagged. International travel, and in particular inter-continental travel, has been slow to recover. Moreover, we have seen a slower return to our more upper-funnel marketing products aimed at hotels, such as subscriptions, sponsored placements and display-based marketing.




We do not believe our recovery path in 2021 reflects any changes in our competitive position; we note for instance that CPC pricing levels in our hotel auction have remained strong (even stronger than 2019 in the U.S. at points in 2021). As the market continues to recover, we expect that we will benefit from the return to international travel and upper-funnel marketing–two historic strengths of our business.




Turning to expenses (see "Key Business Metrics & Definitions" at the end of the document for definition of expenses used in these paragraphs), of the total company fixed & discretionary cost reductions of approximately $240 million from 2019, we reduced HM&P fixed & discretionary costs by close to $100 million in 2021 vs 2019. In 2022, we expect to increase expenses marginally from 2021 due to wage and other inflationary pressures, and selected investments in our sales force and other areas. However, we anticipate that our fixed expense as a percent of revenue will be lower than in 2021 as we expect revenue growth in 2022 to exceed growth in these expenses.




*For definition of expenses, fixed and variable, see "Key Business Metrics & Definitions" at the end of this document.*

Turning to variable marketing expenses, in 2021 we saw a more favorable hotel auction environment than in 2020, and were able to spend more on paid traffic at a positive ROI. Our objective in 2022 in paid marketing remains near-term profit maximization, and we expect variable expense as a percent of revenue to come down slightly from 2021, though less so relative to our fixed cost trend.

We believe that by maintaining the vast majority of the fixed cost expense reductions achieved in 2020, we have made a structural and long-term improvement to our adjusted EBITDA margin profile in HM&P.

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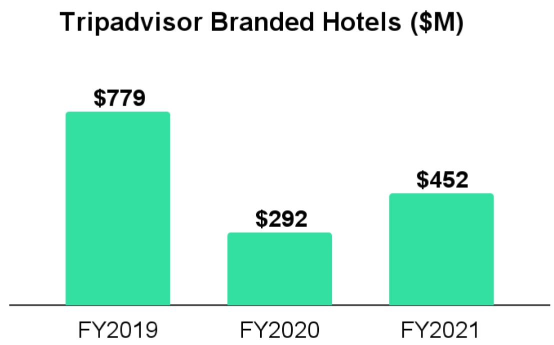
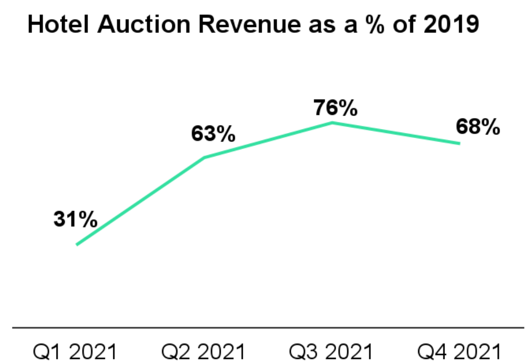
## Tripadvisor Branded Hotels

In 2021, revenue from Tripadvisor Branded Hotels totaled $452 million. The majority of this revenue stream comes from **hotel auction revenue**, with the remaining portion related to the **other Tripadvisor branded hotel services,** which includes hotel B2B subscription services, and hotel sponsored placement advertising that enable hotels to enhance their visibility on Tripadvisor hotel pages. The return to 2019 levels varied between the two revenue streams throughout most of fiscal 2021.




### *Hotel Auction*

For the full year 2021, hotel auction revenue reached 58% of 2019 revenue, up significantly from 32% in 2020. Quarterly trends showed improvement for most of the year–we started the year with Q1 at 31% of 2019 levels, but exited in Q4 at approximately 68% of 2019 levels. Throughout 2021, Europe and R.O.W. hotel auction revenue was slower to recover than in the U.S., but across all regions, we saw positive momentum for most of the year. However, headwinds resurfaced with the Omicron variant late in Q4. As a result, in both the U.S. and Europe, auction revenue in Q4 stepped down from Q3, with a more pronounced step-down in Europe in December than in other geographies. R.O.W., which throughout the year recovered the slowest relative to the U.S. and Europe, improved slightly from last quarter, reflecting gradual recovery of travel in certain countries in that region.



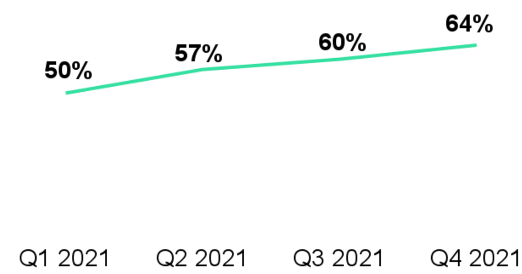

During 2021, as travel partners such as OTAs, hotel chains, and aggregators advertised in-line with the return of travel, hotel auction revenue benefitted, particularly in the second half. Travel restrictions through the first half of the year drove the lag in the return of European travel, but relative to that, picked up as we exited the year. In addition, in the first half of the year, our auction CPC improvements were not as pronounced given the strength of CPCs in 1H 2019, making for a tough comparison; however, for much of 2H, CPCs in our U.S. hotel auction in particular were above 2019 levels.

As travel demand has returned, we have seen a lift in variable marketing spend as a percent of revenue in our hotel auction vs 2019, which is due to robust auction pricing dynamics. Relative strength in CPC pricing has allowed us to increase spend in marketing channels at a profitable ROAS (return on ad spend), while our free traffic has been recovering more slowly. We expect revenue from free traffic to improve disproportionately in 2022 as the travel market recovers further this year.

***Other Tripadvisor Branded Hotel Revenue***

For the full year 2021, other revenue in this category, which is primarily B2B revenue, reached 58% of 2019 levels. In this revenue stream, 2021 started stronger than the overall business as a percent of 2019 revenue given the steadier nature of the B2B subscription model. However, as the year progressed, the return to 2019 levels lagged the overall business as we saw a mix of both slower new sign-ups and churn in existing customers. We believe this was due to the continued uncertainty in the travel market driving more hesitancy from customers as they made spend decisions. This was also an area of the business in which we under-indexed on resources in the year, something we will rectify in 2022.

**Tripadvisor Other Branded Hotel Revenue as a % of 2019**




***Tripadvisor Plus***

In 2021, we did not achieve the near-term lift off we had hoped for with Plus. For most of the year, we were in the launch phase of our original version based on an instant savings model and pivoted late in the year to beta-launch another iteration, Vacation Funds. As we approached year end, conversions were not at the level we targeted for full roll-out.

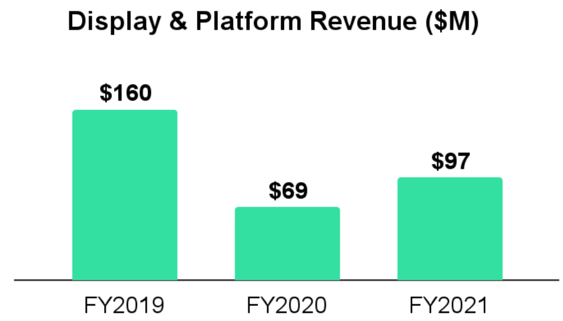
Our 2022 plan assumes continued investment in Plus, at levels scaled appropriately as we find the right product and market fit. We strongly believe in the attractiveness of the offering, and its potential to drive value in the future, but recognize that growth will likely be more gradual.

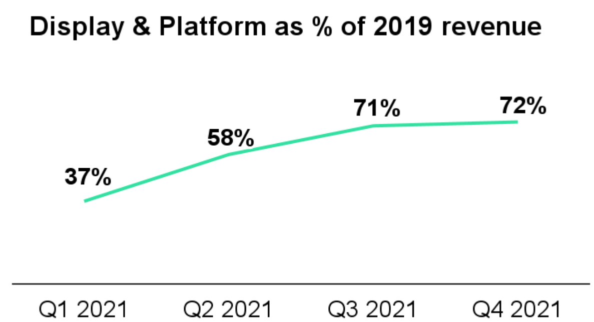
## Display and Platform

In 2021, revenue from Display and Platform totaled $97 million, an increase of 41% year over year, and reached 60% of 2019 levels.  On a quarterly basis, the trends in this revenue stream mirrored the trend in the overall HM&P segment as a percent of 2019 revenue.

In 2021, we saw traffic volumes pick up from the 2020 nadir, but still only to approximately two-thirds of 2019 levels.  As travel came back, and advertisers returned to spending in this relatively upper funnel marketing channel, we saw improvements throughout the year.

In fiscal 2022, we will be focused on leveraging our data to drive monetization and support client expansion, and driving more targeted impressions, in particular during our peak traffic periods.

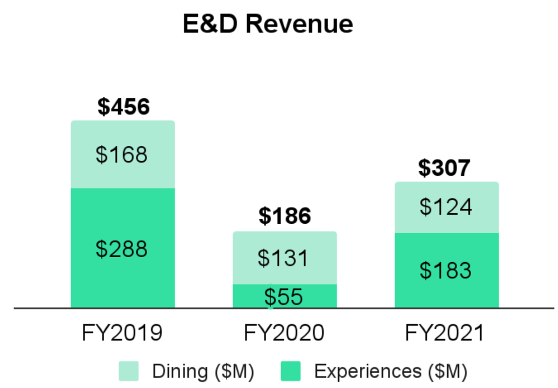


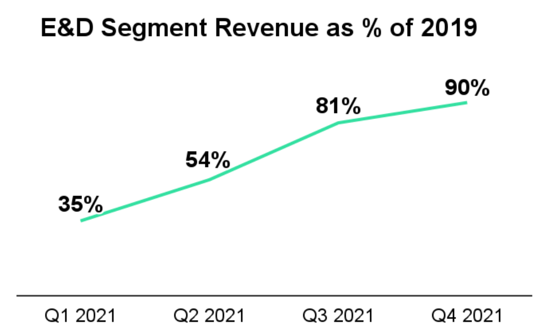
## Experiences & Dining (E&D) Segment

*Included in this segment is revenue from our **Experiences** offering, which includes revenue generated from the booking of tours, attractions and activities, as well as our **Dining** offering, which includes revenue generated from products targeting restaurants and diners, primarily restaurant seating fees via our online reservation system, as well as subscription-based marketing and analytical tools, and sponsored advertising.*

Experiences & Dining has experienced the strongest recovery within our portfolio in 2021, and reached approximately 90% of 2019 levels in the fourth quarter, despite significant negative impact from Covid for both Experiences and Dining. We expect this segment to continue its recovery path in 2022 and are confident that we can reach revenue well above 2019 for full year 2022.

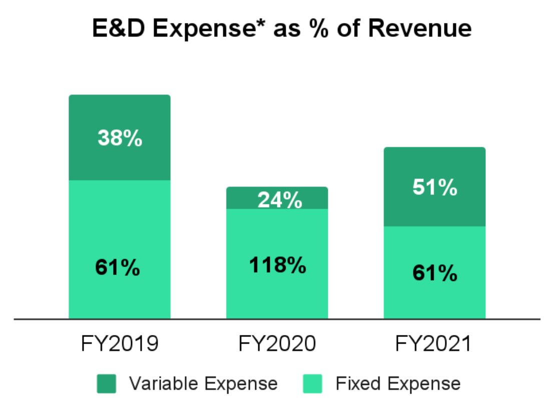



Our fixed and discretionary costs were substantially lower in 2021 than in 2019 by about $90 million. In our Experiences offering we have significantly expanded our variable spend as a percent of revenue versus 2019. As we saw the market recover much more strongly than we anticipated, we leaned further into our estimated lifetime value of an acquired customer, extending our payback period. Together with improved execution and a favorable market backdrop, we were able to significantly scale our paid marketing program. By its nature, we believe this will provide a tailwind in 2022 from repeat customer cohorts.




We are bolstered by the success and the strategic outlook of our E&D segment, and believe there is an opportunity to further invest behind the future potential for these offerings. At this stage in the pandemic we think now is the time to play offense with Viator and TheFork. As such, in 2022, we anticipate re-investing the majority of fixed cost savings made within E&D since 2019 back into the segment through long-term investments in product, supply, and technology capabilities. We aim to increase our geographic reach, improve and expand our product offerings, and drive loyalty of our customer base with these investments.

We note that we are investing for growth and competitive positioning in E&D, and as a result, are choosing to delay significant margin realization. We believe long term we can reach adjusted EBITDA margins of at least mid-to high- 20s in this segment.

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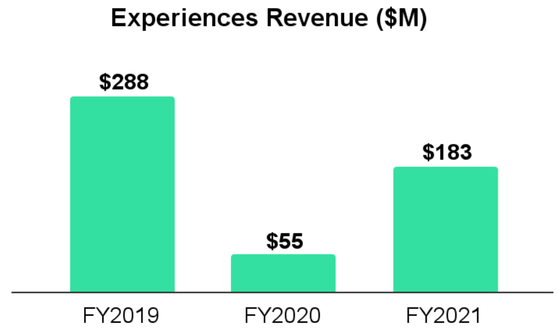
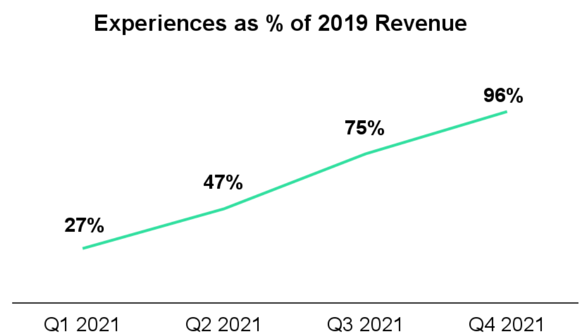
## Experiences ($183M of revenue in 2021)

Our Experiences offering is a combination of revenue derived from our Viator brand, Tripadvisor-generated traffic, and third parties. Of the $183 million in 2021 Experiences revenue, the Viator point of sale drove the majority of this revenue. Revenue increased sharply as a percent of 2019 revenue in the second half of the year, exiting at close to 2019 levels.




During 2021, we made substantial progress solidifying the value proposition in our Experiences business, the foundation of which is the Viator platform. For customers, we've improved the quality of their experience on the Viator platform with supplier trust and quality standards, booking and payments flexibility, and access to customer service across a large and growing base of suppliers. We enhanced the supplier experience through improved support, marketing programs and distribution. One example is the launch of a new advertising product, Viator Accelerate, which helps suppliers increase their visibility on the platform through targeted advertising, ultimately with the goal of increasing bookings and reach.




From a bookings level, by Q4 we surpassed 2019 levels. We did observe higher cancellation rates than in 2019, in particular during periods of Covid resurgence, such as late summer with Delta and December with Omicron.

Our investment to date is paying off. Our Viator point of sale has been the biggest driver of the strong performance in revenue and bookings across the entire Experiences business. In particular, as travel returned in the second half of 2021, we saw an opportunity to drive strong growth in the Viator business, and invested significantly in marketing given the favorable customer acquisition economics and large market opportunity in front of us.

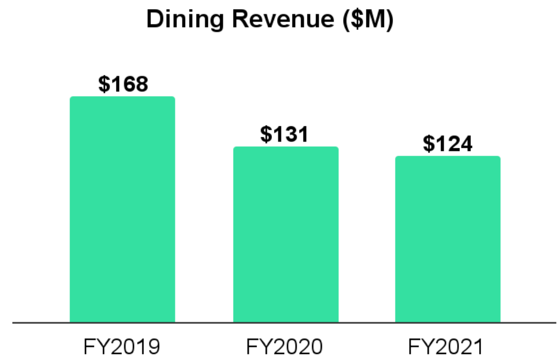
As we look to 2022, we expect to fortify our position as a leading marketplace that joins suppliers with consumers. We will continue to innovate on additional product attributes, expanding our footprint with partners, and overall, capture more share in a very large, growing, and under penetrated market.

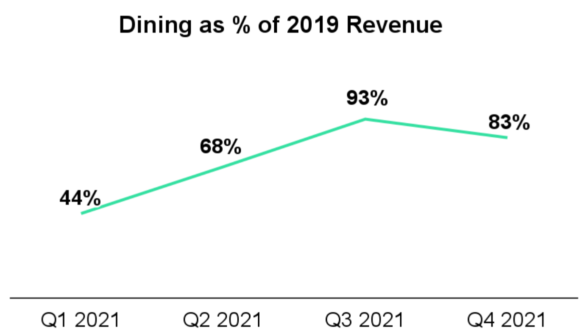
## Dining ($124M of revenue in 2021)

For the full year, revenue in Dining reached 74% of 2019 levels. We note that the full year decline of 5% was driven by the Q1 tougher year over year comparison, whereas the combined Q2-Q4 revenue increased 29% compared to the same period a year ago.

Of the 2021 revenue contributors in Dining, TheFork generated the majority of total dining revenue. We started the year well below 2019 levels, but saw a very strong pick-up, in particular in Q2 and Q3, as reopenings occurred in E.U. markets. In the last month of Q4, and across both TheFork and Tripadvisor restaurants, Omicron-related restrictions began to impact the trajectory toward 2019 levels.

As we look to 2022, across Dining, we expect to focus on staffing up our sales teams to fortify our base of restaurants and to continue to deliver value to both customers and restaurants through innovative products such as payments capabilities. We are the leader in key European markets, and believe we have a long runway ahead of us.



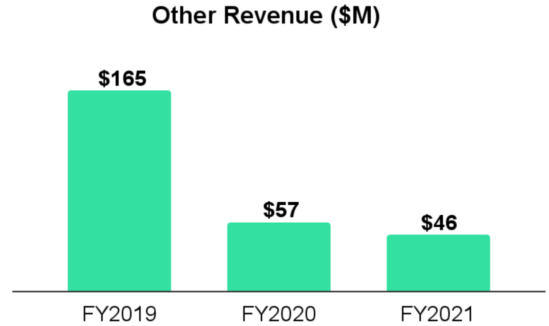
## Other Businesses

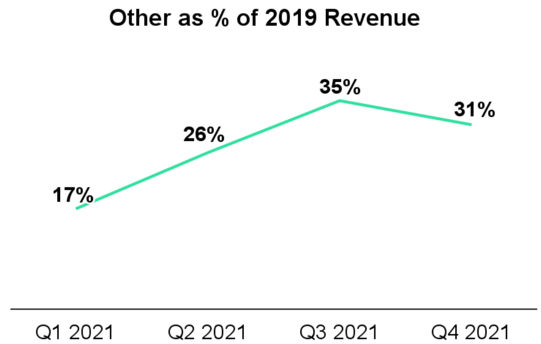
***Other** revenue is derived from adjacent offerings, including rentals, flights and cars, and cruise.*

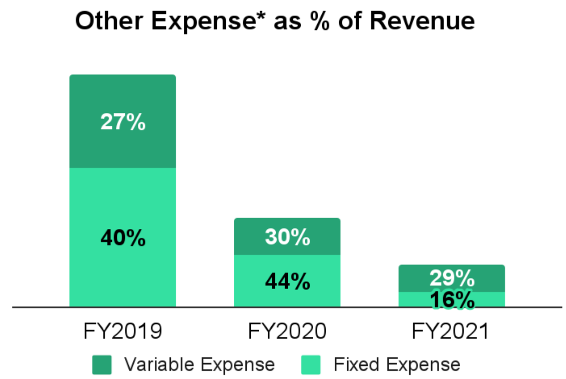
Revenue for the full year 2021 in Other was $46 million, reflecting a year over year decline of 19%. The decline was driven by a tougher year over year Q1 comparison. For the combined periods Q2 through Q4, revenue grew 28% year over year. A large driver of this performance relative to 2019 relates to the sale of our SmarterTravel business and the contribution of our Tripadvisor China assets in the formation of a joint venture with Trip.com in 2019, which combined, resulted in approximately $50 million of revenue from 2019 that did not return in 2021, nor will in the future.

Adjusted EBITDA in 2021 for Other was $25 million compared to $15 million in the prior year. This increase in adjusted EBITDA is primarily the result of significantly lower fixed and variable costs, which more than offset the lower revenue year over year.

Even on the lower revenue, our Other businesses remain highly profitable, which we will continue to use to fund other higher-growth, larger opportunity areas of the business in both HM&P and E&D.




**For definition of expenses, fixed and variable, see "Key Business Metrics & Definitions" at the end of this document.*

**Outlook**

*(As a reminder, we endeavor to be as accurate as possible with our forward-looking commentary; however, a number of factors outside of our control can limit our visibility into future financial performance and can cause our results to vary materially from our current expectations.)*

While we continue to have limited visibility to the travel market recovery in 2022, we expect it to be a year of continued transition back to full recovery.  We see many reasons to be optimistic about a much stronger 2022 compared to 2021:

- The overall recovery path has been on a positive trend, and we exited 2021 significantly improved from the start of the year.
- The vaccination rates in most markets important to Tripadvisor have increased to significant levels.
- Omicron is receding in the U.S. and Europe, while governments are reducing Covid restrictions.
- We believe there is significant pent-up demand in travel.
- The return to International travel and travel that is planned in advance, two strong suits of Tripadvisor, is likely to benefit us.

Given this, we expect our recovery to track broadly to improvements in the travel market, but better in some areas, such as E&D, while in others, such as our Other revenue line, recovery will track slower than overall.  While our revenue expectations for the year could be impacted by new variants of Covid or other lingering Covid travel impacts, we could also see upside to our plan if Covid moves to the rear-view mirror faster and we see a robust travel recovery.  Our high-level framework for 2022 is as follows:

- We are bullish about travel prospects in 2022.  We expect to see a continuation of the return to relatively normal levels of leisure travel spend, with the potential of a release of pent-up travel demand beyond normal levels.  Although the start of the year has been impacted by Omicron, we assume a progressive return to pre-pandemic levels of the leisure travel market at some point later this year.
- In HM&P we expect our adjusted EBITDA margin to improve meaningfully versus 2021, by adding only modestly to our fixed and discretionary costs.  We expect lower variable expense as a percent of revenue versus 2021, although for the whole year, variable expense as a percent of revenue will still be higher than in 2019 as the business recovers.
- In Experiences & Dining we expect to invest in fixed and discretionary costs to fund aggressive multi-year growth plans, although as a percent of revenue the cost is expected to be lower than in 2021.  We are also continuing our investment in longer term ROI marketing, with variable cost as a percent of revenue likely to be similar to 2021.  With high revenue growth rates versus 2021 and absolute revenue expected well above 2019, we expect these cost trends to result in improving EBITDA margin vs 2021, but likely below 2019 margin levels as we continue to focus on growth over near term profitability.
- Given the travel market improvement trajectory, we expect consolidated adjusted EBITDA to be back-end weighted.

At the start of the year, we saw an impact from the Omicron variant, but more recently have seen signs of improvements–and while still early, we are hopeful these trends continue. Given this, for Q1 2022, we expect:

- Consolidated revenue to be in line with Q4 2021, likely a bit higher.
- Adjusted EBITDA margin of mid-to-high single digit percentage, lower than Q4 due primarily to typical seasonally lower recognition of revenue versus bookings and its associated marketing spend in Experiences in Q1, and an expense benefit in Q4 that we don't expect to repeat in Q1.

As we start the new year, we believe we are taking the right approach in balancing growth and investment across our businesses and the different opportunities and challenges each face. We've seen the trends in travel over the last 24 months move in the right direction and we are optimistic that we are at the beginning of the end of this uncertain period, and that we are positioning ourselves for a long runway ahead. We look forward to continuing to update you in the coming months.

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**Earnings Webcast**

Tripadvisor management will host a conference call to discuss results as well as forward-looking information at 8:30 a.m. ET on February 17, 2022. The link to the live webcast, as well as the audio replay, will be made available on Tripadvisor's Investor Relations website at http://ir.tripadvisor.com.

A replay of the conference call will be available on the same website. A telephonic replay will be available for two weeks following the call at (855) 859-2056; passcode 6648519.

Investor relations contact
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**Forward-Looking Statements**

These prepared remarks contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The following words, when used, are intended to identify forward-looking statements: "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "target," "should," "will," and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in these prepared remarks, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements are more fully described in Part I. Item 1A. "Risk Factors" of our Annual Report on Form 10-K. Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.

Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC and to other materials we may furnish to the public from time to time through current reports on Form 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements.

**Use of Non-GAAP Financial Measures**

These prepared remarks may include references to non-GAAP measures, such as consolidated adjusted EBITDA (including forecasted consolidated adjusted EBITDA), consolidated adjusted EBITDA margin, free cash flow, and constant currency measurements, such as, non-GAAP revenue before effects of foreign exchange, and adjusted EBITDA before effects of foreign exchange, which are considered non-GAAP financial measures as they are not prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures are not prepared under a comprehensive set of accounting rules and, therefore, should only be reviewed alongside results reported under GAAP.

We encourage investors to review our earnings press release as it contains important information about our financial results, including tabular reconciliations to the most directly comparable GAAP financial measure, definitions, limitations and other related information about these non-GAAP financial measures. We have not reconciled consolidated adjusted EBITDA guidance to projected consolidated GAAP net income (loss) because we do not provide guidance on GAAP net income (loss) or the reconciling items between adjusted EBITDA and GAAP net income (loss), as a result of the uncertainty regarding, and the potential variability of, certain of these items. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

The earnings press release in addition to other supplemental financial information is available on the Investor Relations section of our website at http://ir.tripadvisor.com/. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on February 16, 2022, which is available on the Investor Relations section of our website at http://ir.tripadvisor.com/ and the SEC’s website at www.sec.gov.

**Key Business Metrics & Definitions**

We review a number of metrics, including average monthly unique users , hotel shoppers, and other metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, a single user may have multiple member accounts or browse the internet on multiple browsers or devices, some users may restrict our ability to accurately identify them across visits, and we are not always able to capture user information on all of our platforms. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform. Our metrics are also affected by applications that automatically contact our servers for regular updates with no discernible user action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. As such, the calculation of some of the metrics presented may be affected as a result of this activity. We regularly review our process and may adjust how we calculate our internal metrics to improve their accuracy.

Variable expense primarily includes costs related to revenue generation, as well as traffic generation costs.

Fixed & discretionary expense primarily includes all other expenses such as compensation costs (including outsourced services), broadcast advertising, G&A and other discretionary costs, not including depreciation, amortization, restructuring and other related reorganization costs, stock-based compensation, interest expense, or income taxes.

Corrected Transcript

17-Feb-2022

# TripAdvisor, Inc. (TRIP)

## Q4 2021 Earnings Call

# CORPORATE PARTICIPANTS

**Angela White**
*Vice President, Investor Relations, Tripadvisor, Inc.*

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

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

# OTHER PARTICIPANTS

**Naved Khan**
*Analyst, Truist Securities, Inc.*

**Richard J. Clarke**
*Analyst, AB Bernstein*

**Jed Kelly**
*Analyst, Oppenheimer & Co., Inc.*

**Lloyd Walmsley**
*Analyst, UBS Securities LLC*

**James Lee**
*Analyst, Mizuho Securities USA LLC*

**Zachary Morrissey**
*Analyst, Wolfe Research LLC*

**Mario Lu**
*Analyst, Barclays Capital, Inc.*

**Thomas White**
*Analyst, D.A. Davidson & Co.*

**John Colantuoni**
*Analyst, Jefferies LLC*

**Dan Wasiolek**
*Analyst, Morningstar, Inc. (Research)*

**Brian Fitzgerald**
*Analyst, Wells Fargo Securities LLC*

**Kevin Kopelman**
*Analyst, Cowen and Company*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Thank you for standing by, and welcome to the Tripadvisor Fourth Quarter and Full Year 2021 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] As a reminder, today's program is being recorded.

I would now like to introduce your host for today's program, Angela White, Vice President of Investor Relations. Please go ahead.

## Angela White

*Vice President, Investor Relations, Tripadvisor, Inc.*

Thanks, Jonathan. Good morning, everyone and welcome to Tripadvisor's fourth quarter and full year 2021 financial results call. Joining me today are Steve Kaufer, CEO; and Ernst Teunissen, CFO and Chief Executive, Viator, TheFork and Cruise Critic.

Last night, after market closed, we distributed and filed our earnings release and made available our shareholder letter on our Investor Relations website. In the release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP measures discussed on this call. Also, on our IR site, you'll find supplemental financial information, which also includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics.

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, February 17, 2022. 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 Steve.

## Stephen Kaufer

*President, Chief Executive Officer & Director, Tripadvisor, Inc.*

Thank you, Angela, and good morning, everyone. We just finished our fiscal year, and I'm pleased with our rate of recovery.

Thinking back to this time last year, things were still very uncertain. Vaccines were not available and many parts of the world were still in lockdown. We've come a long way, and as 2021 progressed, we saw our tourism industry begin its transition out of the pandemic and our results followed.

Across our segments, we exited the year in a much stronger position. Throughout the year, we remained focused on our partners, customers and travelers. We continued to launch new products and improve the user experience for our travelers. And just a few weeks ago, we hit a tremendous milestone of 1 billion reviews and opinions. Now all of this is a testament to our terrific teams across the globe and the brand that we've built, the foundation of which is the trust and engagement from our travelers.

As we laid out in the shareholder letter, we believe that across our businesses we are well positioned to execute our plans for 2022. We provided updates on our key segments and areas of focus as we start the New Year. I hope you've had a chance to read through that.

One update that I did not provide in the shareholder letter was on the CEO transition. I can share that the Board continues to search for my successor, and we will keep you updated as the journey continues. In the meantime, I remain fully engaged and focused on driving business results, innovation, our employees and our customers.

So, with that, I'll turn it over to Ernst before we take your questions.

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## Ernst J. Teunissen

*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

Thank you, Steve, and thanks, everyone, for joining. We were pleased with our 2021 financial results and are positive about the set up for 2022. We started last year with revenue that was one-third of pre-pandemic levels. Yet as the industry recovered in the second half of the year, we exited at 72% of pre-pandemic levels. And our Q4 results were slightly ahead of the expectations we had communicated in December.

As we saw the top line return in 2021, we also managed our costs appropriately, maintaining fixed cost savings, a reflection of the flexibility in our model as we balance future revenue opportunities with investment.

In this New Year, we see some exciting areas, which we called out in the shareholder letter. For example, our Experiences offering continues to deliver high growth and we are expecting revenue for this line to be well above 2019 in 2022.

As discussed in the previous quarter, we are looking at multiple opportunities to crystallize value of our Experiences & Dining business. An update this quarter is that we recently submitted a confidential S-1, which along with other opportunities we are evaluating in parallel, puts us in a position for a potential sub-IPO of Viator, subject, of course, to market conditions.

Our HM&P segment continues its recovery path. And while still a transition year, we expect to show great progress in all our revenue lines in this segment as well. In addition to meaningful year-over-year profitability increases, we look forward, in particular, to catching up in our more up-funnel B2B products for hotels and media sales.

So, in summary, we are very optimistic that consumer travel continues to transition back to full recovery in 2022. And that we are positioned to benefit from the return to travel in general and international travel, a Tripadvisor strength, in particular.

With that, let's jump into Q&A.

# QUESTION AND ANSWER SECTION

**Operator**: Certainly. [Operator Instructions] Our first question comes from the line of Naved Khan from Truist Securities. Your question, please?

**Naved Khan**
*Analyst, Truist Securities, Inc.*

Q

Yeah. Hi. Thanks. Thank you and good morning. Just couple of questions. Maybe on Viator, maybe can you guys talk about some of the areas where you see some low-hanging opportunities for investment where you get the biggest ROI? And then in Dining, beyond the recovery that is expected to happen over the next 12 to 18 months, just from the recovery in travel, what are the levers that you have to drive long-term growth in this segment?

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yes. Thank you for the question. Let's talk about Experiences, first. Experiences was a tremendously strong year in 2021 and a very strong return to pre-pandemic levels in that business. We saw – traditionally in this business, we had very strong city consumption and – of Experiences, strong international consumption of Experiences.

And last year, we saw the opening up of a very strong US domestic business in parallel or in replacement in large part, which was a business we hadn't tapped into so much. So, we grew strongly domestic use cases of Experiences. The jetski in Florida, the canoe on the Colorado River, a helicopter tour in Hawaii. And that drove very strong growth for us.

We also, as you alluded to, flexed our marketing spend in this area, to a very great effect. We were able to get a lot more revenue by stretching our payback period just a little, and this was a huge success. So, we feel we've taken significant share in a market that pre-pandemic was growing at very high levels. And we're positioned really well with our Experiences business going forward.

These various initiatives that you asked about that we have in place and levers that we have in this business, we talked in our shareholder letter about one exciting new product, which we accelerated for our operators, which is called Accelerate. And this is an opportunity for our operators to profile themselves more on the platform, and this has created great results for us, not only in bookings, but also in our take rate.

Other initiatives. We have really improved the quality of the products that we have, the Experiences products that we have and how we show them to our users, a real focus on quality and showing only the best experiences to our users, which has resulted in great conversion gains. The last thing I would highlight is a strong focus on our app for Viator. We are indexing on our – we are under-indexing on our app usage, but have made great strides in developing that product over the last year and see tremendous opportunity going forward.

One important feature of the Experiences and shift in the Experiences businesses is that increasingly consumers are one, investing in Experiences rather than the place they stay or the travel to the place they stay. Especially with millennials, that's a huge trend. A second important trend that we are seeing and tapping into is an increasing a flexibility to book Experiences really well in destination. And the app is a critical tool for us there. And so, we're investing significantly in our app capabilities.

On Dining, the leverage that we have there is still increasing the penetration. We are with TheFork indexing heavily towards Europe. We're a European business with TheFork. And Europe is underpenetrated in terms of restaurant reservations compared to, for instance, United States. And there's a lot of opportunity still to go penetrate countries more deeply, go to secondary tertiary cities and sign-up restaurants there and to increase the user base that we have and the loyalty of the user base. And those are all areas where we invest.

Another exciting area around Dining is we're investing more towards more fintech type of applications. We have launched a payment option for pay on the app to pay on the app for your dinner when you're in a restaurant, integrated with the restaurant, which is a very exciting way of creating stickiness and loyalty. And the other area where we have invested is in gift cards, which allow us to further penetrate the market and leverage all of the word-of-mouth of the great service that we provide.

So, levers are differentiating towards more fintech products, deeper penetration into markets, UK, Germany, markets where we're under-indexed, we're investing in. And so, we have for both of those businesses a huge TAM ahead of us. 80% offline in Experiences still, a huge TAM ahead of us, and we think the competitive position to really take advantage of this market. And so, we're bullish on both businesses, and as we highlighted in our shareholder letter, continuing to invest in these businesses for long-term value creation for Tripadvisor and shareholders.

**Naved Khan**
*Analyst, Truist Securities, Inc.*

Q

Got it. Maybe a quick clarification on something you said earlier. So, the potential IPO you're exploring for Viator along with some other options, are they mutually exclusive, or not necessarily? How should we think about that?

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yeah, we have a range of options we're considering. We announced today – or yesterday evening that we have filed confidentially an S-1 for Viator. That puts us in a position to do a sub IPO as early as somewhere this year. And that's a great option to have. We're also looking at other things in parallel. Some different, some more consistent with it, but this is one that we highlighted and is definitely an attractive option.

**Naved Khan**
*Analyst, Truist Securities, Inc.*

Q

Great. Thank you.

**Operator**: Thank you. Our next question comes from the line of Richard Clarke from Bernstein. Your question, please?

**Richard J. Clarke**
*Analyst, AB Bernstein*

Q

Thanks for taking my questions. Just first one on what you've been seeing for the last few weeks in terms of trends, both for your Experiences & Dining and your Hotels business. Some of the other companies have commentated that Omicron has kind of eased off and things are getting better. And just maybe how you've reflected the last couple of weeks into your guidance for Q1?

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

A

Sure. This is Steve. I'll take this, Richard. We have seen and can echo some of the comments that Omicron does seem to have eased off January. I mean, December and January were pretty tough in the travel industry. I think everyone has seen that. And that's caused a material issue for what we would have hoped for in Q1.

We're reluctant to make many forward-looking statements based upon days or a week or two of data, but we're certainly encouraged, but we – by what we see if we look in the very recent past.

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

And if you put that in the context of what we said about the first quarter, January clearly impacted by Omicron. And we saw December and January having impact.

But as Steve is highlighting, trends are up. February is looking much stronger, and that makes us incrementally positive about the year. But Q1 will be impacted by that January impact. But it seems to have been a particular January issue.

In terms of specifically your questions about Experiences & Dining, very strong performance there at the moment. Dining was significantly impacted also in January in Europe, and that is clearly easing now into February. And Experiences has been strong in February, too. So, things are looking up in February.

**Richard J. Clarke**
*Analyst, AB Bernstein*

Q

Thanks. And if I could just ask one follow-up. In your shareholder letter, you mentioned you're not just going to put resources into Experiences & Dining, but also into your core Hotel and Media offering. Is that a reference to the leaning into paid search? Or is there some more product investment going into those areas as well?

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

The total investment we're making in HM&P is incrementally quite limited. We called that out in our shareholder letter. There is some inflationary pressure on wages and we're making some hires, but by and large, the increase in fixed cost is quite moderate. But we are shifting resources around within our portfolio there.

We – as we were waiting for the pandemic to come back, we were focusing less with resources on re-launching, for instance, our B2B business, and we are addressing that this year by shifting more resources towards that. So there's more resources going to the core parts of the business that will drive revenue in the year.

**Richard J. Clarke**
*Analyst, AB Bernstein*

Q

Okay. Very helpful. Thank you.

**Operator**: Thank you. Our next question comes from the line of Jed Kelly from Oppenheimer. Your question, please?

**Jed Kelly**
*Analyst, Oppenheimer & Co., Inc.*

Q

Hey, great. Thanks for taking my questions. Just circling back on Experiences, you mentioned you had pretty strong share gains in the US. Can you talk just regionally how your Experiences business is doing in different regions, including Europe and APAC?

And then, just on the Plus subscription, I know last year when you were first rolling it out, it was a lot of discounting. So as those $99 subscriptions renew, how is that occurring? Are people churning off that? Are you alerting people? Or can you just talk about how you're managing through the discounts that people received last year? Thank you.

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Hey, Jed. I'll take the first one on Experiences. Our Experiences business, it's a global business, and we have Experiences in Europe, in North America, and in Asia Pacific. Our audience – our points-of-sale have skewed to more English-speaking, so we're strong with – on the US point-of-sale, UK, Australia, historically. And Europe point-of-sale is an opportunity for us where we still have a lot of room to grow on the POS side.

What we saw last year in terms of trends was where historically we had seen US, UK travelers making city trips and city experiences or – and/or make international trips, the American going to do a Colosseum Tour in Rome, for instance. We saw last year very strongly a shift towards the US market and US domestic consumption.

And Europe now coming back. And so, we have seen it at the back end of the year and early this year, Europe coming back and increasingly international travel coming back. And so, what makes us so enthusiastic about our Experiences business is that we captured this strong domestic US business last year.

There will be, to some extent, some move from domestic consumption to international consumption. But we also believe that we have really demonstrated that use case of domestic US consumption to our users in a way that will be sticky. And this year, we are expecting an increasing recovery of Europe as well as international trips that our audience is making. So, all things that bode well, in combination with the various improvements we're making to the product, I highlighted some of those were set up for a strong year.

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

A

Hi. And Jed, I'll take the first question. So, it's still pretty early days for us to get a good handle on kind of churn in redemption. And you have to remember, we weren't fully rolled out this time last year. Nor would I counsel us – or I do not read a lot into churn on the very first set of customers, the early adopters or the other industry folks who might sign up to try something.

I would add that we don't view ourselves as having been dependent in our early set of customers on the discounts. We did try discounting the $99 price in a variety of different matters. But I wouldn't – I mean it's a perfectly fair question, but I wouldn't particularly worry that the discount level would be a major factor in churn versus usage over the course of the year.

**Jed Kelly**
*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you. And just a follow-up. Ernst, when you talk about expanding Viator into non-English-speaking countries, do you expect it to grow organically? Or would you look at acquisitions?

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Mostly, organically, we have a strong footprint, and it's not so much supply growth. We have very strong supply in Europe. But the audience, the points-of-sales in European countries, particularly Continental Europe, have under-indexed for us. And we think that's still a growth opportunity that we'll tap into. We'll do that with product and marketing, not with acquisitions necessarily.

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**Jed Kelly**
*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you.

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**Operator**: Thank you. Our next question comes from the line of Lloyd Walmsley from UBS. Your question, please?

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**Lloyd Walmsley**
*Analyst, UBS Securities LLC*

Q

Thanks, guys. Two, if I can. First, the shareholder letter mentions Experiences EBITDA being kind of like a mid to high-20s range. Historically, you've talked about the targets being hotel-like. So, wondering if there's anything that changed to kind of lower that target margin?

And then the letter also talks about revenue from free traffic recovering faster in 2022. Is there any changes to Google SEO, we should be keeping in mind? Or what is your plan in terms of brand advertising spend in 2022 versus the past that we should think about for kind of traffic driving?

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yes. I'll take both questions. Hey, Lloyd, on the first one, no, our long-term outlook for E&D hasn't really changed. We said mid to high-20s, which we've said in the past as well. And they could go beyond that, but that sort of intermediate long-term goal. The economics of both businesses are very healthy. If you take Experiences, we have take rates in the mid-20%, which is very healthy. We have a cost structure that is comparable to one of a hotel OTA business.

And the microeconomics on a consumer level are attractive as well. We see nice repeat rates in our user base, et cetera. And so, we think the economics are very healthy. And so, as we compare ourselves to hotel OTAs and their development historically, we think that those are the kind of margins that we can target for this business long-term. And we are going to benefit, we believe, long-term of being a market leader in that area.

On the restaurant side, the economic model is slightly different, more focused around getting a bounty per seated diner from restaurants. And that's a business that can scale very nicely on that model. We are currently investing in expansion in the markets. I talked to you about that. We're acquiring customers. The repeat rates of customers that we acquire for our Dining business are attractive and so generate a nice NPV.

And so, we're building that base as we go forward, and expect to see real leverage in that model going forward as well. So, we feel good about the long-term. But as we highlight in the near term, we're more focused on getting the growth and taking advantage of the TAM and of our market position and are more focused on top line growth than on bottom line growth.

Your second question.

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**Lloyd Walmsley**
*Analyst, UBS Securities LLC*

Q

In free traffic?

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yeah, we saw in the pandemic last year, and we've highlighted that in our core auction that our paid traffic was growing faster than our free traffic or recovering faster than free traffic. It's largely a function of very healthy CPCs that we have seen and we've called out, particularly in the US, which has allowed us to in our turn spend more on paid marketing channels on Google and other paid marketing channels.

And that has with still lower number of shoppers from free channels coming in because of the pandemic has shown a mix shift in our total portfolio towards more paid. As the pandemic unwinds and as we're getting closer to a more normal, we expect to – that balance to shift back to more historic levels. And as such, in this year, in 2022, we expect free revenue to grow ahead of paid traffic and get a, not full, but partial rebalancing towards the historical levels.

In terms of brand spend, we have some brand spend that we have been in last year are around TheFork. And our bigger brand spend historically, of course, was in for Tripadvisor. We currently don't have any plans to return to significant brand spend budgets for Tripadvisor.

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**Lloyd Walmsley**
*Analyst, UBS Securities LLC*

Q

Okay. And anything on SEO, Google algo changes to be mindful of, Ernst?

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

A

This is Steve. I'd say, as you're probably aware, there continued to be a set of changes. Google continues to push pretty much everyone else further down in the organic list, but I can't cite any big moves over the past quarter.

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**Lloyd Walmsley**
*Analyst, UBS Securities LLC*

Q

Okay. Thanks, guys.

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**Operator**: Thank you. Our next question comes from the line of James Lee from Mizuho. Your question, please?

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**James Lee**
*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks for taking my questions. A couple of questions, a follow-up on Trip Plus. I think on the shareholder letter, you guys talked about not making much progress as expected. Maybe you can clarify that statement a little bit, Steve. Is that in terms of supply or the benefits you're offering to consumers or the uptake on the membership? And also curious, what are your key focus Plus for 2022? And also, maybe help us understand a little bit of consumer behavior. I'm sure you guys have done a lot of surveys. Help us understand what the key reason people are not signing up for your service?

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

A

Sure. Thanks for the question. So, when I talk about kind of Plus not quite meeting our expectations, we did believe with the traffic and the brand trust and the number of folks that were looking to plan their vacation on Tripadvisor that a travel subscription would resonate faster than 2021 has shown. Yes, we had some supply challenges, but we did some changes. And as you look on the site, you can see some pretty nice discounts across the board – in the markets that we're rolled out in.

I'd say the biggest learning for us, and as we say, we're still hugely invested in making a travel subscription product work. But we have to recognize that, at this point, we haven't found the product market fit that we're looking for. So, as you point out, we do our customer surveys, our focus groups. One of the things that I can share is that as we get people down the purchase path for a hotel with the big savings, the decision to – actually customers are telling us the decision to make this big hotel purchase while at the same time, signing up for a travel subscription service, is perhaps a bit more of a load than that customer is ready to decide. And that makes some intuitive sense. If you have a big choice, where am I going to stay for my vacation? It's an expensive purchase. And yes, they're saving real money, but it's not just whether to buy a travel subscription, it's whether this hotel is the right one for you.

And so, some of the things that we've been trying have been presenting the opportunity to buy a travel subscription at different points. And I think it's fair to say we have quite a few other things in the hopper that we look to as we respond to this customer feedback that we've gotten where we look to find different ways to present the value proposition in a way that consumers will say yes at a higher volume.

So, the 2021 learnings is that we were too optimistic in the consumer uptake. And we tried to share that in the shareholder letter with you, but that we're still very excited about the prospects of the travel subscription based upon all of the trust and traffic and capabilities that Tripadvisor has to offer.

**James Lee**
*Analyst, Mizuho Securities USA LLC*

Q

All right. Thanks, Steve. If I can ask a follow-up question regarding the new CEO search, I think previously, you said you guys were looking for potentially an executive with travel and tech background. I was wondering, any changes to your search criteria? Are you expanding that? Just curious kind of where you are in the progress.

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

A

No, I don't think there's been any change in job description. The board, obviously, for very good and appropriate reasons, wants to be thorough in their evaluation, and I've given them the ability to be thorough with my timeframe of – look, find the ideal successor and then it could be a very smooth transition.

So, I wouldn't read anything into the lack of a candidate yet. The search hasn't been going on for that long. And no, the criteria still is – it's a fantastic company with a tremendous brand, and someone with e-commerce, tech, travel, all the things you mentioned, would be perfect.

**James Lee**
*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks, Steve.

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**Operator**: Thank you. Our next question comes from the line of Deepak Mathivanan from Wolfe Research. Your question, please?

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**Zachary Morrissey**
*Analyst, Wolfe Research LLC*

Q

Thanks. This is Zach on for Deepak. Just on Viator, as you explore kind of various different options for the business, how do you think about how important the kind of core Tripadvisor platform is to the long-term growth outlook for Viator?

And then, I appreciate the kind of mid- to high-20s like long-term margin target for the E&D business. Is there any kind of meaningful difference between kind of the Experiences & Dining portions of those in terms of the long-term margins? Are they meaningfully different, or roughly the same? Thanks.

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Hey, Deepak (sic) [Zach] (30:04). The – in terms of the Viator and the Tripadvisor point-of-sale, within our portfolio, within Viator's portfolio of revenue, the – by far, the largest component of that revenue is the Viator point-of-sale. It's the viator.com app where people go to book, directly book on Viator book Experiences. That's the largest channel.

A significant but smaller channel is the Tripadvisor point-of-sale. Viator is the fulfiller for Tripadvisor. Tripadvisor is the sales channel for Viator. So, someone can book on Tripadvisor.com a experience as well, and that gets fulfilled by Viator. Customer service gets done by Viator. The – Viator is the merchant of record, it gets fulfilled through Viator. But it's an important channel.

And then the third much smaller channel is other third-parties that Viator integrates with and has a range of different arrangements with. And that's an attractive long-term growth channel for us as well. For Tripadvisor, Experiences is an important strategic vector. For Tripadvisor the brand, increasingly it becomes important for our travelers when they're in market to really look at and figure out what to do and what interesting things they can do.

The fact that we have Viator as a company in our portfolio and later perhaps with a more arm's length relationship is important for Tripadvisor the brand and a strategic focus for Tripadvisor the brand, and Tripadvisor has ambitious goals to grow its channel there. And so Viator will benefit from that in the future as well.

In terms of your question to long-term margin differences, both businesses are attractive long-term, have long-term profiles. I would highlight that what I really like about the Experiences profile is what I said in the very attractive take rate, which is compared to the hotel industry, very attractive with very similar economics in terms of roll-out of supply and marketing to users. And so, I believe that setup is very attractive going forward, in particular.

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**Operator**: Does that answer your questions?

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**Zachary Morrissey**
*Analyst, Wolfe Research LLC*

Q

Yes. Thank you.

**Operator**: Thank you. Our next question comes from the line of Mario Lu from Barclays. Your question, please?

**Mario Lu**
*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks for taking the question. So, in terms of your reviews and getting to 1 billion, you also announced earlier this month a new partnership with KAYAK to show your cruise reviews on its website. So just wondering, one, if you could elaborate on this partnership? And how this benefits Trip? And then two, just potentially in the future if you would extend beyond cruises to better monetize these 1 billion reviews externally. Thank you.

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

A

Sure. So obviously, clearly, we're very proud of the 1 billion reviews and opinions, the testament to everyone coming back a reminder of the power of the network effects in our industry. I believe, the KAYAK relationships you're talking about is our Cruise Critic subsidiary powering the KAYAK Cruise tabs. And what a great way for KAYAK to be able to expose cruise to their users and for our Cruise Critic company, our sub, to be able to gain access to that – to those additional customers when they might just be thinking about, hey, how much does it cost to get to Miami to take my cruise? And here, KAYAK can offer more cruise information and Cruise Critic powers it. So, KAYAK is a very strong company, a lot of traffic, perfectly good notion of why these are powerful together. I'm not sure I would read too much more into that to the rest of the Tripadvisor.

**Mario Lu**
*Analyst, Barclays Capital, Inc.*

Q

Got it. Thanks.

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

A

Okay.

**Operator**: Thank you. Our next question comes from the line of Tom White from D.A. Davidson. Your question, please?

**Thomas White**
*Analyst, D.A. Davidson & Co.*

Q

Great. Thanks for taking my question, guys. Two, if I might. I guess, first, Ernst, you mentioned B2B subscription revenues having a strong recovery in 2022. Can you maybe just elaborate on that a bit? Is that kind of just more of a slow build due to the subscription nature of some of that stuff? Or are there any kind of new products or new ad formats that should move the needle?

And then on Experiences, can you maybe just share your view on how we should think about the long-term competitive differentiation for you guys in Experiences? I think Airbnb said on their earnings call that they're going to kind of renew their focus on their product in that space.

But long-term, do you guys win or be one of the long-term – stay one of the long-term leaders due to supply breadth? Is it the consumer experience? Is it linking Experiences up with other parts of Trip, like maybe Plus, stuff like that? I'd be curious to hear your thoughts. Thanks.

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yes. Tom, the first question on our B2B business. So, in our shareholder letter, we showed a graph of our Tripadvisor other branded hotel revenue, which is very largely the subscription business and its percentage to 2019 throughout 2021. And you see that compared to other parts of the business in earlier in the pandemic, the business was doing relatively well as a percentage of 2021, which is the nature of a subscription product. And you see that as we were recovering throughout the business in 2021, you see that this line of the business recovered some, but not as fast. And that is, again, the nature of the subscription business.

We also are now currently aggressively rebuilding our salesforce capability for this product. Of course, we did not invest as much in salesforce during the pandemic, and we are rebuilding that right now to capture the recovery in 2022 that we expect. But you're correct to point out, Tom, that this has a lag effect, because if we sign up subscriptions, the revenue recognition of this will be trailing that. So, this is a business that will continue to be – will not snapback as fast with a recovering travel market. But we believe does recover on a sales basis. And as we move further into the recovery, we'll catch up on a revenue recognition basis as well.

Then in terms of Experiences long-term differentiation, the way we think about this marketplace, there are going to be players like Tripadvisor that target an integrated trip, a full trip and use Experiences as an add-on to the overall marketing of a trip to their consumers. We also believe that there is going to be room for a few pure-play experiences providers, like they have emerged in other verticals in travel. And we believe that we are uniquely positioned with our Viator brand to capture that pure-play experiences OTA space. And there will be competition, but we believe that we have a fantastic position to be positioned long-term as that player.

And the differentiation comes in the breadth of supply that we're aggregating and we have about 300,000 Experiences products today, breadth of supply, a differentiated way of marketing that to our users and just a brand recognition for that one place you go to, if you really want to book an exciting experience, and that's where – that's the space – competitive space that we're capturing. So, we're playing it from both angles, from that angle, plus the more integrated play that we make with Tripadvisor. And that combination, we think, is going to be very differentiated.

**Thomas White**
*Analyst, D.A. Davidson & Co.*

Q

Thank you, guys.

**Operator**: Thank you. [Operator Instructions] Our next question comes from the line of John Colantuoni from Jefferies. Your question, please?

**John Colantuoni**
*Analyst, Jefferies LLC*

Q

Thanks for taking my question. Just wanted to ask about cost savings. It sounds like you're expecting to retain a majority of fixed cost savings in HM&P, but reinvest fixed and variable cost savings in E&D. Maybe you could just help outline out of the $240 million in total cost savings, maybe just walk-through what portion you're expecting to retain going forward versus spend back into growth initiatives? Thanks.

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yes. I think, the additional disclosure that we gave in our shareholder letter, which we believe will be helpful, is that we split out our fixed cost and variable cost by segment. And this allows for better modeling for you, analysts and investors and allows us to talk about the different trends that we see in different segments because that's clearly what we're seeing.

Of the $240 million of fixed cost improvements, we've highlighted that within HM&P that was – about $100 million of that was in HM&P. And we're adding some back, but it's very modest, with inflationary pressure, a bit of hiring, sales force, et cetera, but it's very modest. And so those savings, by and large, are very sticky. We've also highlighted in the shareholder letter that about $90 million of costs came out in our E&D segment.

And there, we want to reinvest. And we think the majority of that $90 million is going to be reinvested this year into product development, technology development, capability of our supply organizations and all for driving revenue in the year, but more importantly, positioning us well for the years to come. In other, the remaining fixed cost came out in sort of other. There, we're making very minimal cost increases. And so those savings are very sticky as well. I hope it's helpful.

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**John Colantuoni**
*Analyst, Jefferies LLC*

Q

Yeah, very helpful. And one quick one on travel spend and the recovery of travel spend. I just wanted to clarify here. Do you anticipate spending for the full year will recover to pre-pandemic levels? Or is the expectation that at some point during the year, maybe in the second half, spending will return to pre-pandemic levels? Thanks.

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yeah. So, we're bullish about 2022. We obviously started in January with the impact from Omicron. But we expect to see continuation to the path to return to relatively normal travel levels, which started in 2021 and we expect to continue in 2022. And we assume a progressive return to pre-pandemic levels of the leisure travel market. And we expect to be there at some point this year, without putting a finer point on it. So, as a result, as we look – as a result of that statement, as we look at our own business, you would expect that our revenue recovery would follow a similar pattern throughout the year. And our EBITDA, as we highlighted, will be – particularly will be second half weighted in the full year.

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**John Colantuoni**
*Analyst, Jefferies LLC*

Q

Appreciate the questions. Thank you.

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**Operator**: Thank you. Our next question comes from the line of Dan Wasiolek from Morningstar. Your question, please?

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**Dan Wasiolek**
*Analyst, Morningstar, Inc. (Research)*

Q

Good morning, guys. Thanks for taking the question. So, as I understand it, one of the existing advantages for your Experiences business is the ability to tap the cash generation from the core hotel platform for investment purposes.

Just was wondering, so regarding the potential sub-IPO for Viator you guys are considering, is the thought that Experiences would still be able to use the cash generation from the core hotel platform for future investment needs, if you decide to go that route?

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

My lawyers advised me not to be too specific about what the IPO means and how to market the IPO. But let me just say – take the general. Part of the more independent structure, independent financing of a business would be that you would have independent financing of such a business.

**Dan Wasiolek**
*Analyst, Morningstar, Inc. (Research)*

Q

Okay. That's fine. Understood. And then just one more, if I could. So regarding, I guess, the percent of Dining that's booked online, I'm wondering if you can give or if you know like a penetration rate for that in the US and [indiscernible] (44:23) and then Europe? And then that's it for me. Thanks.

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Yeah, without putting a finer point on it, it is lower in Europe. In Europe, in particular, a lot of dining is done offline – reservations is done offline. And that is a market that we are tapping into, getting people into the habit of grabbing TheFork app to make their reservation booking.

And we do that through providing a great service, but also we have marketing tools like loyalty programs, Yum points, we call them. We're increasingly integrating, as I said, with payment capabilities on the app with gift cards. And so, we're creating that flywheel of making online booking a habit, which we're successful at, and we think there's a long runway there in Europe.

**Dan Wasiolek**
*Analyst, Morningstar, Inc. (Research)*

Q

Okay. Great. Thanks, guys.

**Operator**: Thank you. Our next question comes from the line of Brian Fitzgerald from Wells Fargo. Your question, please?

**Brian Fitzgerald**
*Analyst, Wells Fargo Securities LLC*

Q

Thanks, guys. A couple on Viator. We wanted to parse apart the improved experience you called out in the letter. You mentioned supplier trust and quality standards. You also said booking and payment flexibility, access to customer service. Are those things more a function of just a larger base of suppliers? Is it culling off less performance supply? Is it new tools and innovation? Maybe it's a bit of all three of those?

And then, as you contemplate the Viator IPO or other alternatives, it might be premature to ask, but wondering how you would plan to maintain the operational synergies you have between Viator and the Experiences business on Trip's POS?

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**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

Excellent questions. The push over the last year has been much less on adding more supply. We have a very significant supply. We had a big job last – in the pandemic to reorient that supply that we have towards the use case that was more – much more relevant in the pandemic, which was the US domestic use, which was one area.

Other areas that we've been really focused on, how can we help these suppliers, operators we call them? How can we help these operators profile themselves better on Tripadvisor? And in particular, how can we make – on Tripadvisor and on Viator, how can we make on Viator the experiences that we believe have the highest quality?

And the highest quality is they're exciting. They convey clearly what the experience is, and why it's an exciting experience. It has a very clear description of the experience. We have privileged those and helped our suppliers to improve those products. And that's been a huge help in conversion because it will not surprise you that products that are of a high standard on our site have much better conversion rates than products that are not. So, a big focus on how do we help operators improve their content, but particularly, how do we privilege the content on our site that is really high quality has been a big push.

I talked about the Accelerate program, which we piloted throughout last year and are currently implementing with great success, which is helping operators to play with the levers that they have at their disposal, take rate that they give us, for instance, to better profile themselves on Viator and help sell. That's been in our trials a huge success, and operators are very excited about that. And we are rolling that out in 2022 with upside there.

So, those have been some of the important focus area. I mentioned the app, which is an important focus area as well. So really the focus on a huge runway, we think, in how do we better present the use case in Experiences.

Other big focus area for us is how do we retain as many of the users so they come back and book again? Booking on the same trip is a huge opportunity that we've been focused on. So if someone's already booked an Experiences, and we know they're traveling to a certain destination, how can we communicate with them so they have a repeat purchase even on that same trip? But then beyond that, how do we make people come back? And how do we communicate with our users in a way that stimulates that? That's another important area of improvement.

In terms of the operational synergies between sort of Viator and sort of core Tripadvisor, we are currently set up with different intact teams that operate Viator and the Viator business, which includes having Tripadvisor as a merchant – a customer, as an affiliate customer, and the Tripadvisor team, which is integrated with the total Tripadvisor user experience. And so, we already have a separation of teams to a significant extent and both businesses have a different go-to-market strategy for the Experiences business. And so, we've already internally carved out these businesses as separate businesses.

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**Brian Fitzgerald**
*Analyst, Wells Fargo Securities LLC*

Q

Got it. Thanks, Ernst. Appreciate it.

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**Operator**: Thank you. Our next question comes from the line of Kevin Kopelman from Cowen. Your question, please?

**Kevin Kopelman**
*Analyst, Cowen and Company*

Q

Great. Thanks a lot. Could you give us any more color on the consolidated revenue recovery in February? Has that – if you compare that to February 2019, have you gotten back to those kind of minus 30% type levels that we saw in October? Thanks.

**Ernst J. Teunissen**
*Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, Tripadvisor, Inc.*

A

I don't want to put a finer point on it than we have already done. We've given you some indication of where we expect the quarter to net out. But let me leave it with, there has been a market improvement in February in the business from January. January across the board in our hotel auction. In our Dining business, you can see from the graphs that we produced, the Dining business was already impacted in the fourth quarter by Delta and Omicron.

Dining has proved to be maybe the most elastic of all our businesses to any news or actual COVID cases. In 2020 – in the summer of 2020, when the COVID cases dipped so far, our restaurant business roared back very quickly. And we've also seen on the reverse that with COVID cases rising, as they were strongly in Europe in the back half of the fourth quarter and in January, in particular, we've seen the Dining business have an elastic impact.

And we see that elasticity right now in February as well. We see the market – the consumption come back very strongly again. So, I want to leave it at significant difference between January, which was significantly impacted across the board and now in February coming back. And that has resulted in the forward-looking statement that we made about the quarter.

**Kevin Kopelman**
*Analyst, Cowen and Company*

Q

Okay. Thanks, Ernst.

**Operator**: Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Stephen Kaufer for any further remarks.

## Stephen Kaufer
*President, Chief Executive Officer & Director, Tripadvisor, Inc.*

All right. Well, thank you, everyone, and thank you to our teams around the world who are working tirelessly to help our fellow travelers, our hospitality partners, and everyone to navigate and find the bright spots through these still uncertain periods.

As Ernst just mentioned, we've seen some nice signs in February, but that's relatively recent. We expect things to be coming back over the course of the year, and to reiterate, a nice recovery over the course of 2022.

We remain optimistic about the industry, the resilience we've seen so far, and the booms that we expect over the course of the year. We thank you very much and wish you a good day.

**Operator**: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.