PARTICIPANTS

Corporate Participants

Will Lyons – Senior Director, Investor Relations, TripAdvisor, Inc.
Stephen Kaufer – President, Chief Executive Officer & Director
Julie M. B. Bradley – Chief Financial Officer, Treasurer & Senior VP

Other Participants

Herman Leung – Analyst, Susquehanna Financial Group LLP
Bo Nam – Analyst, JPMorgan Securities LLC
Ross Sandler – Analyst, RBC Capital Markets Equity Research
Nathaniel Schindler – Analyst, Bank of America Merrill Lynch
Scott W. Devitt – Analyst, Morgan Stanley & Co. LLC
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Brian P. Fitzgerald – Analyst, UBS Securities LLC
Brian T. Nowak – Analyst, Nomura Securities International, Inc.
Perry Scott Gold – Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the TripAdvisor's Fourth Quarter Year End 2011 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct the question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Will Lyons. You may begin.

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

Thanks, Manie. Good afternoon, everyone, and welcome to TripAdvisor's first earnings conference call. We appreciate your joining us today. I'm Will Lyons, Senior Director of Investor Relations for TripAdvisor. And joining me on the call today are our CEO, Steve Kaufer; and CFO, Julie Bradley.

Before we begin, I'd like to remind you that today's presentation contains estimates and other statements that are forward-looking under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and involve a number of factors that could cause our actual results to differ materially from those expressed or implied by such statements.

Additional information concerning these factors is contained in TripAdvisor's filings with the SEC, including our registration statement filed on November 1, 2011, available at www.sec.gov. The forward-looking statements included in this call represent the company's view on February 8, 2012. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances.

During this call, we'll refer to non-GAAP financial measures that are not prepared in accordance with Generally Accepted Accounting Principles, including adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating expenses and free cash flow. A reconciliation of these non-GAAP financial measures for the most directly comparable GAAP financial measure is available in the press release announcing our fourth quarter and full year 2011 financial results. This press release as well as other important content is available at the Investor Relations section of our website www.tripadvisor.com.

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

Stephen Kaufer, President, Chief Executive Officer & Director

Thank you, Will, and welcome everyone to today's conference call, our first as a standalone publicly traded company. As many of you know, we successfully completed our spin-off from Expedia on December 20, 2011. The key strategic factors behind the spin-off were to unlock strategic value for shareholders by being able to clearly articulate the focus and strategy of each independent entity and to increase strategic flexibility as a pure-play. So it's a very exciting time for our business.

Given that this is our first earnings call, I thought it would be helpful for me to provide a brief overview of TripAdvisor. Who we are? What we do? And how we measure our business? I'll then summarize the operating results for the fourth quarter and the year ending 2011 and discuss our strategic plan for 2012 and beyond.

Finally, I'll turn the call over to Julie, who will provide a more detailed look at both our financial results and our outlook. In sum, you'll hear how we are striking a balance between growth and profitability while aggressively innovating and expanding into new markets to further advance our market leadership position.

So, a little background on TripAdvisor. Since founding the company in 2000, we've created an online travel community that through a deep, rich base of user generated content helps travelers plan and take their perfect trip. With over 44 million monthly unique visitors according to the fourth quarter comScore data, TripAdvisor is the largest travel site in the world.

Travelers visit TripAdvisor free of charge and are able to discover, research and select travel destinations and accommodations based upon independent reviews of other travelers. We have over 60 million reviews and opinions on approximately 550,000 hotels and accommodations and over 900,000 restaurants and attractions. On average, our users are currently adding more than 40 pieces of content every minute. That's the fastest rate of absolute content growth in the company's 12-year history, and computes to a run rate of over 20 million additions per year.

According to the 2011 IPC study, the travel industry represents roughly half of all global e-commerce transactions. On the other hand, only 16% of the approximately $39 billion spent on travel advertising in 2011 is spent online. As the users continue to migrate online, we expect that the ad dollars will follow and our robust user base will allow us to continue to leverage our leadership position and capture these high margin dollars.

As the definitive online resource for travelers, we've become a critical partner for online advertisers, including hotels, online travel agencies, and other travel related service providers. Our scale makes TripAdvisor a critical strategic buy for online travel agents and hotel partners, allowing them to reach our large audience of highly qualified, highly engaged users.

Currently, we work with OTA and hotel partners through a variety of products including our core cost-per-click lead generation product, our cost-per-impression display product, we've begun addressing a broader swath of customers through our more nascent business listing product.

In 2011, 79% of total revenue came from our core cost-per-click lead gen product, whereas we refer to it, text link revenue. There are several key drivers that we watch closely related to our text link revenue. We think of it as a funnel. When total traffic growth – while total traffic growth helps our brand grow, growth in hotel shoppers is the key driver of revenue and represents the top of the funnel.

Hotel shoppers can loosely – can be loosely defined as users on our site who view a listing of hotels in a city, or visitors who view a specific hotels page. After hotel shopper growth we look at user conversion and specifically how much revenue that hotel shopper generates for us.

Conversion on our site is primarily driven by three factors, merchandising, commerce coverage, and choice. We think of merchandising as the number and location of ads available on a page, commerce coverage is whether we have a client who can take an online booking for this property and choice is the number of clients available for any given property, allowing the user to shop for the best price.

In summary, our text link revenue depends on the number of hotel shoppers we can get interested in the property, whether there is a commerce link available for that hotel shopper to click on for that property and whether there are several commerce choices so the hotel shopper can shop around.

The final key driver we look at is the CPC price that OTAs and hoteliers are willing to pay us for our leads. As many of you know, we have an opaque bidding model, where it's generally true that the more a client pays us on a per lead basis the more traffic we will send them. In this regard, we have a very similar model to Google AdWords. We assume in fact that all of our clients are also advertising on Google and continually adjust their media spend mix based upon who can deliver the better return on investment.

In the fourth quarter, we saw steady year-over-year growth in hotel shoppers, strong coverage and strong choice. However, merchandising and average price per comparable lead were down relative to a year ago due to our recently completed site redesign, as well as due to reduced CPC pricing from Expedia, respectively.

And we're often asked to comment on our traffic growth and traffic sources and are aware that people often point to third party traffic stats to analyze Internet companies' relative business health. In the absence of us providing data from our internal logs on this topic, we think that comScore data is the best publicly available way to analyze year-over-year total traffic patterns, although it's important to note that comScore data has always been lower than our own internal log files.

Now, according to comScore, unique monthly visitors to TripAdvisor's sites increased 61% year-over-year in December with an average of 44 million unique visitors per month during the fourth quarter. However, one must keep in mind when looking at third party data, that it is not – that not – it is important to keep in mind however that when looking at third party data, is that not all site traffic is created equal. For instance, comScore numbers track, include users that come to TripAdvisor to research restaurants and attractions, which are not as relevant when trying to analyze the hotel shoppers in our revenue funnel.

To reiterate, our core revenue comes from monetizing hotel pages, so hotel shopper traffic is what interests us most. Therefore, an increase in traffic to a restaurant pages, for example, while a good thing in terms of building TripAdvisor's brand awareness, does not necessarily have a direct positive effect on our revenue as we currently do not monetize our restaurant pages to a great degree. To spell it out, I can tell you that our December hotel shopper growth was not as high as the comScore December data would indicate.

Another frequently asked question that we've gotten a lot lately is to describe how our growth strategy will change now that we're a standalone company. The answer is simple. It won't. We continue to invest aggressively in areas where we see opportunity to innovate and leverage the

TripAdvisor platform, specifically in our social, mobile and global initiatives, as well as our subscription based businesses, which include vacation rentals and business listings.

Let me briefly touch upon each one of these. Social, and specifically our Wisdom of Friends initiative, is a core component of our strategic growth plan as we believe it will both defend and increase our lead in our core business.

76% of respondents to a recent Nielsen study cited "recommendations from people I know" as the number one information source that they trust completely and we believe that having a strong social presence drives traffic to and engagement on our sites and creates more stickiness amongst our users. In fact, through our Wisdom of Friends initiative, we have determined that Facebook users are approximately 27% more engaged on TripAdvisor sites and contribute roughly two times the amount of content than the average TripAdvisor user.

We continue to deepen our integration with Facebook's friend graph having instantly personalized the trip planning experience for more than 85 million Facebook users at the end of 2011. All of this valuable data allows us to further enhance the TripAdvisor user experience and keep travelers coming back to plan their next trip.

Mobile is an investment area that is geared towards creating a more complete user experience by reinforcing the TripAdvisor brand when users are in-market. In 2011, we saw a strong user uptake reaching an aggregate of 13 million mobile downloads and approximately 16 million monthly unique users as measured by our own log files, up from 2 million downloads and 4 million monthly unique users in 2010.

We launched 23 mobile city guides for Android and iOS, offering access to TripAdvisor traveler reviews as well as adjusted itineraries and off-line accessible interactive walking tours. In addition to in-market functionality, we also think more people are starting their planning on mobile devices, whether in the cab on a smartphone or on the couch with an iPad or tablet. We saw this coming a while ago and are well prepared technically and organizationally to take advantage of this platform shift.

Our best guess is that the rise in hotel shoppers on mobile devices is coming to some degree at the expense of desktop traffic growth. We've made the conscious decision to focus on growing our mobile footprint with a great product and have chosen not to monetize that platform to its full potential at this time. We expect the long-term benefits of a more engaged mobile audience to outweigh the modest amount of short-term revenue we are foregoing.

We're also expanding our footprint globally. The past year we saw great increases in traffic in all major countries especially in the emerging markets such as Brazil, Russia and China. During 2011, we added points of sale in Taiwan, Malaysia and Egypt bringing our total TripAdvisor branded websites to 30 countries in 21 languages. These and the other newer sites in Asia Pacific represent a terrific longer term opportunity for the company.

One of ways that we look to penetrate new markets is to leverage our expertise in search engine marketing or SEM. In mature markets, for instance, we tend to bid SEM to maximize profit, but in the emerging markets, we may bid to break-even or at a loss in order to build our brand, gain more users to our product, collect content and to scale more quickly. We have a long successful history of doing this. I'll point out the obvious.

In all of our SEM spend, if we buy traffic at break-even the margin is zero and even when we were buying traffic on a profitable basis, it may be less than our overall margins because of the sheer amount of free traffic and domain direct traffic we get, we naturally get, particularly in our more established points of sale. We think SEM is a great channel because it delivers an incredible number of brand impressions and it's a very cost effective method to get people to try the products.

To be clear, we'd like to buy additional traffic if we can do so on a profitable basis, even if it will have a drag on margins.

In terms of content, we had over 40 million review translations and we are committed to improving the in-country user experience in local feel for all of our points of sale. As a related note, when we launch a new feature in almost all cases it's launched simultaneously worldwide. But based on the recent comScore data, TripAdvisor has less than 10% penetration of worldwide unique travel traffic, underscoring the fact that despite being the market leader we have a lot of global growth opportunities ahead of us.

The biggest international opportunity in front of us is China. As you know, we have two lead product offerings in the Chinese market, DaoDao and Kuxun, both headquartered in Beijing. Combined we have over 225 employees in China as of the end of 2011 and we continue to invest heavily in the China market. We have been operating at a loss in China since launching DaoDao in 2009 and plan to continue investing in the business at an EBITDA loss in 2012. There is little doubt that the opportunity there is large.

Finally, we continue to like what we are seeing in our fast growing newer subscription-based initiatives, vacation rentals and business listings, which are both areas of growth and investment for us.

Our vacation rentals product addresses a highly fragmented $85 billion a year industry according to a 2010 Radius Global Market study. Historically, we've built our inventory through acquisitions namely our U.S. based FlipKey and UK based Holiday Lettings businesses, but during the fourth quarter, we announced partnerships aimed at increasing our inventory.

We believe that our nearly 200,000 properties that our highly engaged and motivated community positions us extremely well for success. We' recently bolstered the senior leadership of this product and in 2012 we expect vacation rentals to continue to grow benefiting from increased inventory, brand awareness and traffic to our TripAdvisor Media Group sites.

Our business listings product was created in the early 2010 to allow hotel and accommodation owners to list pertinent information on TripAdvisor, bringing them closer to the traveler and thereby increasing direct bookings.

In 2011 we saw nearly 80% subscriber growth reaching 35,000 business listing customers by the end of year, which is still only around 6% of the site-wide hotel listings. In 2012 we are expanding our sales force in building out value-added features to up-sell to this installed base.

While we are pleased with the scale and diversified growth that we achieved in 2011, we're by no means satisfied. At TripAdvisor, our motto is speed wins. And our teams are focused on innovating fast and yes sometimes failing fast all in the spirit of improving the traveler experience, which we believe in-turn should over the long-term enhance engagement and improve conversion rates for our clients.

We have weekly releases across all points of sale, and have recently completed a significant redesign of some of our most important pages. We're proud of what we've done in terms of improving the site experience and we accept the consequence of lower revenue per session due to this redesign.

I can't say that we won't make a similar decision again in the future, but at this time we're not contemplating any changes that would create a similar downward step function in revenue per hotel shop. Regardless of whether page changes have a positive or negative near-term revenue impact, we will continue to make the necessarily trade-offs to drive user growth and engagement on our site as we believe this will drive long-term shareholder value.

In summary, as we embark on 2012, we could not be more excited about the opportunities ahead of us. Before I close, I want to extend a sincere thank you to all of our TripAdvisor Media Group employees. Your continued dedication and hard work are greatly appreciated. Going forward, we will continue to invest in attracting, retaining and developing our world class team.

I'll now turn the call over to Julie, one of our newest additions to the executive team here at TripAdvisor, who'll provide some color on the numbers and our financial outlook.

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

Thanks, Steve, and good afternoon, everyone. During my first 120 days on the job, I found an innovative culture coupled with strong operational focus. As you've just heard in Steve's remarks, we operate a fast moving business in a huge travel advertising market which continues to grow with a secular shift from offline to online travel research and booking activity. We have a compelling business model with a strong network effect that delivers an increasingly diversified set of revenue streams across products and geographies. Our user generated content model provides strong margins and high cash flow conversion.

I'm going to outline some financial metrics that illustrate these attributes and layout our thoughts for 2012. For the fourth quarter of 2011, revenue grew 30% over the fourth quarter of 2010 to $137.8 million. For the full year 2011, revenue increased 31% over full year 2010 to $637.1 million.

In terms of geography, the mix continue to diversify towards international, which more closely matches our traffic trends, as non U.S. revenue was 48% of total revenue this past quarter compared to 41% in the fourth quarter of 2010. Specifically, fourth quarter 2011 revenue was distributed 52% in the U.S., 14% in the UK and 34% in rest of the world as measured by the website on which our ads are delivered.

Note, that we have a lot of international traffic that lands on tripadvisor.com, our U.S. point-of-sale and clicks-through to one of our partner's international site.

For the year, total revenue was distributed 55% in the U.S., 15% in the U.K. and 30% in rest of the world. And our international revenue grew 55% year-over-year, further illustrating the exciting traction we are experiencing in our newer markets. As Steve mentioned, we continue to invest aggressively in our international markets giving the opportunity that we see in front of us.

We saw strong growth across all sources of revenue for the majority of the year. However, as we expected, we did start to see growth decelerating from text link revenue in the back half of the year. Text link revenue for the fourth quarter was up 24% year-over-year to $100 million, representing 72% of total revenue for the quarter. For full year 2011, text link revenue grew 30% year-over-year to $500 million and represented 79% of total revenue.

Recall that this past quarter's revenue performance included the negative impact of our site redesign which started rolling out across smaller point-of-sale at the beginning of 2011; and then completed in early Q4 after rolling out for a larger, more mature point-of-sale.

Tying into Steve's earlier comments on merchandizing metrics, the redesign improved the user experience that resulted in fewer leads to our partners. This combined with the impact of lower CPCs from Expedia tempered our growth in the fourth quarter. You may also recall that in Q4, 2010 Google Places was promoted more heavily in the Google search results which created an easier comp for us this past quarter compared to the first three quarters of 2011. Were it not for the fact that we were comping the Google Places promotion, the impact from the CPC decline and the site redesign effort would have further dampened our Q4 growth.

Display-based advertising revenue grew 26% in Q4 to $22.9 million, up from $18.2 million in the year ago quarter. For the full year 2011, display-based advertising was up 19% to $85.7 million as compared to $71.9 million for the full year 2010. Display-based advertising made up 17% of total revenue for Q4 and 13% for full year 2011, highlighting a very strong Q4 for that product.

Subscription and other revenue also had a very strong Q4, growing over 100% from the fourth quarter of 2010 to $15.1 million. Subscription and other revenue primarily include business listings and vacation rental. For the year, subscription revenue grew 76% to $51.4 million and billings are growing even faster as evidenced by the 60% increase in deferred revenue year-over-year. Subscription and other revenue made up 11% of total revenue in Q4 and 8% for full year 2011, highlighting the sequential acceleration.

During the fourth quarter revenue from Expedia was $37.5 million, up 3% year-over-year, and 27% of total revenue. For the full year, revenue from Expedia was $211 million, up 23% year-over-year and 33% of total revenue. As previously disclosed, we expected Expedia to lower its CPC pricing by approximately 10% to 15% given that they are no longer a P&L neutral transaction – given that we are no longer a P&L neutral transaction for them. Our initial read is that the Expedia pricing decline is trending towards the upper end of that discount range.

As it relates to expenses, non-GAAP sales and marketing expenses were 37% of revenue for this quarter and 32% for the year. In absolute dollar, this expense line item increased $15.5 million over the fourth quarter of 2010, reflecting our continued strategic investment in traffic acquisition and field sales initiative both in mature markets as well as in newer geographies.

To reiterate these earlier comments, we believe our opportunity set is immense and we are aggressively investing to further our lead in the market globally and in adjacent products like vacation rentals and business listings. The majority of these investments hit the sales and marketing expense line. For 2012, we expect sales and marketing expenses to continue to grow ahead of revenue and be in the high 30s to low 40s as a percent of total annual revenue and have similar seasonality to 2011.

Non-GAAP tech and content expenses were 11% of revenue for the quarter and 8% for the full year, consistent with 2010. We expect this trend to continue into 2012 as we leverage our platform and remain committed to our nimble, speed wins development cycles.

Our non-GAAP G&A expenses, which include the related party shared service fee were 11% of revenue for the quarter and 7% for the full year, roughly consistent with 2010. We expect this trend to continue into 2012 even after assuming additional and public company cost and the obligation to fund our charitable foundation, which amounts to a contribution of approximately 2% of non-GAAP operating income.

In terms of head count, we ended 2011 with 1,252 employees, up from 972 employees a year ago. We hired in all departments, but added disproportionately in G&A as we built our functions needed to transition away from Expedia corporate services. As Steve mentioned, we expect to continue to add talent to pursue our strategic initiative in 2012 and beyond.

For the full year 2011, depreciation and amortization totaled $25.9 million or 4% of revenue and stock-based compensation expenses were $17.3 million or 3% of revenue. For 2012, we expect depreciation and amortization to be consistent with 2011 and expect stock-based compensation expenses to increase slightly to approximately 4% of revenue.

Next, I'd like to spend a moment on taxes. For the full year 2011, taxes on a GAAP basis were $94.1 million from effective tax rate of 34.6%. There are three key drivers of our effective tax rate, the mix of domestic versus foreign income, state taxes and non-deductible stock compensation expense. In addition, this past year our effective tax rate was negatively impacted by approximately 1% due to the non-deductibility for tax purposes of certain transaction cost incurred for the spin-off from Expedia.

In 2012, we expect our effective tax rate to remain relatively unchanged to slightly lower. Assuming our foreign income continues to grow at a faster pace than our domestic income, and as our revenue continues to diversify globally, we expect to benefit from lower foreign taxes, specifically in the UK and Singapore. As it relates to non-deductible transaction cost incurred in 2011, these are one-time in nature and therefore will not impact 2012 results. However, we expect these benefits to be partially to fully offset by an increase in state taxes. As a standalone company a larger percentage of our earnings will be taxed in Massachusetts, our corporate headquarters versus the lower blended rate we reported in 2011 as part of Expedia.

GAAP net income for the quarter was up 19% year-over-year to $22 million or $0.16 per diluted share. GAAP net income for the year was up 28% to $177.7 million or $1.32 per diluted share.

For the fourth quarter, adjusted EBITDA was $55.1 million, up 20% compared to the year ago quarter. For full year 2011, adjusted EBITDA was $322.9 million, up 24% compared to the prior year. As expected adjusted EBITDA margins narrowed to 40% for Q4 and 51% for 2011 as compared to 43% for Q4 2010 and 54% for full year 2010. As our year-end results were negatively impacted by revenue headwinds and increased public company cost as well as by investments in our strategic growth initiative. In addition, Q4 is typically our adjusted EBITDA margin trough as revenue in Q4 is seasonally weaker.

Cash flow from operations was $26.2 million for the quarter and $217.9 million for the full year, or 19% and 34% of revenue respectively. Cash flow from operations was 41% of revenue for full year 2010. The year-over-year decline in margins predominantly impacting Q4 was due to several spin-off related working capital items.

Historically, related-party revenue from Expedia was partially offset by expenses paid on TripAdvisor's behalf and settled through inter-company accounts. Going forward, Expedia receivables will be paid in the normal course, thereby increasing cash flow from operations. Assuming minimal working capital fluctuation, cash flow from operations should track with adjusted EBITDA after providing for interest and taxes paid.

CapEx for 2011 came in just under 4% of revenue and is forecasted to remain in the low single digit as a percent of revenue in 2012, validating our low capital intensive business model.

In terms of liquidity, we ended the year with $183.5 million in cash and cash equivalents. We were initially capitalized with a $165 million of cash immediately following spin. We have $190 million available under a revolving credit facility also at the close of the spin-off we assumed $400 million of debt, of which 100% of the proceeds were paid out as a dividend to Expedia. We plan to service that debt from our strong cash flows and will continue to assess our capital structure over time.

With that, let me turn our thoughts on guidance. Given that this is our first earnings call, we want you to understand that our intent is to run TripAdvisor to create long-term shareholder value. We have a simple, yet incredibly powerful business model built on a phenomenon of user generated content in a lucrative online sector, travel. And more than 60 million reviews and opinions provide a huge competitive barrier to entry, but we know that there is so much more we can do to help our travelers and earn their loyalty.

We also know that we have competitors challenging us in all markets and we will be aggressive in our efforts to defend the best trip planning experience and retain our market leadership position. As we are ultimately focused on building the business for the long term, we will not be providing specific quarter or annual guidance. We will however provide you with some qualitative spot on how specific actions we have taken or plan on taking extend to our 2012 financials.

We expect to see continued growth in traffic and engagement. The year-over-year revenue growth will not track to traffic, because of the step functions caused by the site redesign and the Expedia pricing changes. We currently forecast relatively flat CPC pricing on the full-year basis compared to 2011.

It is important to note that our forecast is very sensitive to pricing changes and that clients offer us a little insight into their respective bidding strategy. Consider that on over 1 billion annual click, every penny in CPC pricing impacts on revenue and profit by more than $10 million. However, based on our current assumptions of a slower growth rate of hotel shoppers of the top of the funnel as well as flat pricing, our top line text link revenue is not forecasted to grow as fast as it did in 2011.

In our other products, we expect to see consistent growth in display advertising as compared to full-year 2011. And for our subscription and other revenue including vacation rentals and business listings, we forecast 2012 will be another triple-digit revenue growth year, albeit off a relatively small base.

All in all, we expect total year-over-year revenue growth to be in the mid to high teens and expect similar quarterly seasonality as compared to prior year. We recognize that our focus on the higher quality experience on both mobile and our desktop site has slowed our revenue growth, but believe that it is the right long-term strategy for the company. We also have such confidence in the long-term outlook for the company that even in the phase of a slower revenue growth in 2012; we're continuing our investment in the international expansion including China, in addition to strategic areas such as social, mobile, and vacation rental.

All of these newer areas either run at a loss or a lower margin compared to our core business. But we feel that each have very high potential in the years ahead. When compiling the step function that has lowered our revenue growth with our continued investment in strategic initiative, we forecast 2012 adjusted EBITDA to be relatively flat to 2011 levels in terms of absolute dollar. As we lap these revenue headwinds and as the investments we've made in prior years and 2012 begin to payoff, we forecast returning to meaningful EBITDA growth in 2013.

In closing, the fourth quarter capped a great 2011 for the company. We saw strong growth and positive trends across many of our key operating and financial metrics. Revenue continues to diversify and margins remained healthy. We value striking a balance between growth and profitability and currently, given that we're in an early-stage of our market opportunities, we are investing for future growth globally and in adjacent product. In 2012, we expect to build upon our successes and continue to drive long-term shareholder value by making the necessary investments to accelerate growth and profitability.

We will now open the call up to your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instruction] Our first question comes from Herman Leung of Susquehanna. Your line is open.

<Q – Herman Leung – Susquehanna Financial Group LLP>: Great, thanks. So, your guidance implies a flat EBITDA in 2012. I was wondering, if there is a sort of any key areas that you guys are investing and that we should expect higher investment either in the tech and content or the sales and marketing spend as you kind of build out the business? And then, I have a quick follow-up.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. Well, thanks, Herman for the question. Yes, we are projecting that increased investment level. I'd say when you look at how we've outlined the wisdom of friends and mobile initiatives, those have been ongoing. I think you look at the vacation rentals and the business listings and I think you see an even bigger sort of opportunity, what we see an even bigger opportunity in front of us, combined with China, to say it's been worth adding to that investment piece.

<A – Julie Bradley – TripAdvisor, Inc.>: Yeah. On the – and just to break down the expenses by category, as Steve has said, we have been investing in strategies in social and mobile, a lot of that is rolling up under tech and content, and we expect to be able to continue to make those investments and have that expense line grow with revenue. So we're holding the percentage of non-GAAP expenses compared to revenue relatively flat around the 8% range. And where we see the largest increase is in the sales and marketing where we are forecasting sales and marketing as a percent of revenue to be – to increase from the low to mid 30s to the high 30s to low 40s, and that is really driven by our international expansion and increasing our sales coverage with some of our newer subscription-based businesses such as business listings and vacation rentals.

<Q – Herman Leung – Susquehanna Financial Group LLP>: And then a quick follow up is, you guys are obviously adjusting a little bit of monetization on your site, just improving the customer experience, which is great for the long term. Wondering if you can share with us some of the early signs of higher engagement levels or conversion rates from some of these changes that you guys are making on the monetization front? Thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Yeah, it's an excellent follow-up and I wish we had some definitive answers for you. So we look at the same session conversion and that's where we actually saw the decline as we sort of took away some of the advertising elements to improve the experience. Since travel isn't a – I'm going to do it every single week, week in week out experience, it's harder for us to measure the positive effect of having that great experience when you plan your trip, when the next one you're going to plan isn't going to be for another three months or six months or whatever. So we'd love to prove it to ourselves. All I can really tell you is that anecdotally, people love it. And that's what we see in our forums and that's what everyone we talked to says that the site redesign is kind of a clear hands down win from every angle.

<Q – Herman Leung – Susquehanna Financial Group LLP>: Great. Thank you very much.

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

Operator: Again, as a reminder, please limit yourself to one question. Our next question comes from Douglas Anmuth of JPMorgan. Your line is open.

<Q – Bo Nam – JPMorgan Securities LLC>: Hi. This is Bo Nam on behalf of Doug. Actually I had two quick questions. The first was as you look at your revenue segments and you look at your display-based advertising versus your subscription and other, on what kind of timeframe do you expect one to – which one would you see to be a larger portion of your revenues overall in the long-term? And then secondly, in terms of domestic versus international, do you have a long-term target or maybe a short-term target as to when you would think that international could be a greater part of the revenue than domestic? Thank you.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Okay. A two-part question, growth rates on display versus subscription part of the business. I think display has been at a relatively stable growth rate, historically, and we've broken that out, whereas the newer subscription businesses have been on these terrific tears. Now, they've been on a lower base, but we also see, I guess, the market opportunity for vacation rentals and business listings being much bigger over time than the display revenue. Part of that is budget limited, if you will, traffic limited, but just the ability for those two newer areas, vacation rentals and business listings in particular, to be able to drive very large returns in the outer years.

The second half of the question was -

<A – Julie Bradley – TripAdvisor, Inc.>: International target.

<A – Stephen Kaufer – TripAdvisor, Inc.>: ...international target. So, unfortunately, we still haven't broken out for everyone the international revenue, if it was measured by where the traveler lives. Because as Julie had mentioned, we do have a fair amount of traffic of folks living overseas, landing on tripadvisor.com. They speak and understand English, obviously. And we present very local commerce offerings to them. So the experience is perfectly good. We currently recognize it as revenue as domestic revenue because it happens on the dot com point-of-sale. Perhaps a more intuitive way of classifying it would be international revenue because the customer, the traveler, is actually living overseas and they are – ended up transacting on a site that's probably in their own country.

When you look at it that way, it's going to be – it's already going to swing more towards the international revenue side than the current pie chart would show. And I don't know that answer off-hand, so I can't even say whether it's already a majority or not, in terms of international. It's one of those – I'll stop blabbing, but it's one of those things that we feel we should disclose to everyone going forward, because it's a nice way to view that type of revenue. International in terms of traffic and in terms of commerce, as 2011 showed, does continue to grow and as the growth rate, even if we report the revenue on dot com, it'll become a smaller and smaller portion over time.

<Q – Bo Nam – JPMorgan Securities LLC>: Great. Thank you.

Operator: Thank you, our next question comes from Ross Sandler of RBC Capital Markets. Your line is open.

<Q – Ross Sandler – RBC Capital Markets Equity Research>: Hey, guys. Just wanted to drill down a little bit further on the revenue growth comment for 2012, so mid-to-high teens. I'm trying to get my arms around that a little bit. So on one hand you've got an easier comp in Google Places for, call it, the first half of the year, on the other hand you have the Expedia CPC issue and decluttering, but mid-teens seems like a bigger slowdown than what we would've thought. So is this – what traffic assumption are you making to get to that number? And are you seeing any other advertisers bid less on the CPC side or just cut back on budget? Can you just help kind of decompose how you get to that mid-to-high teens? Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. Thanks, Ross, it's an excellent question. And we do break it down in a couple of different ways. We've told you that we are projecting a modest decline in the growth in hotel shoppers. So we're still obviously expecting a more hotel shoppers on our points of sale, but the relative growth to 2011, we're expecting to be a little bit less. Part of that issue I think is in the U.S., where we're already doing really quite well, and our overseas markets, while growing quickly, aren't necessarily replacing the high growth that we've seen in, say, dot com and co.uk in past years.

Second up, it's just a bit hard for us to forecast. We do get a fair amount of traffic from search engines all around the globe and the various machinations that the search engines go through, either to change the search results so that it's best for whatever they think is best for their users, or when they preferentially show their own traffic, or their own products, such as Google Places, it can have material impacts on us. So, one could fairly argue we're being a little conservative in our hotel shopper growth, but I can take the counter argument as well, in that Google Places could come on a little bit stronger. And on the subject Google Places, I want to be clear, it's not that I actually worry about Google Places as a highly competitive product to TripAdvisor today, because they don't have the content. It's hard to find users that prefer that experience, but Google does continue to have the ability to preferentially show their own product over other websites like TripAdvisor. So there is that risk that stays out there in terms of Google pulling away some of the traffic that would have naturally moved over to TripAdvisor. The second part of that question was -?

<Q – Ross Sandler – RBC Capital Markets Equity Research>: Is there any advertisers pulling back -?

<A – Stephen Kaufer – TripAdvisor, Inc.>: I knew there was the second part. Thank you. No, our other advertisers, and I've spoken with many of leading ones, are really quite excited at Expedia having pulled back on their prices, because in many cases they've been a beneficiary of some additional traffic as Expedia may not be the top bidder in the slot at any point. None of the advertisers of any size have even brought up the topic of budget caps because on the CPC or the text link revenue, they really all measure it on a ROI basis. If we can deliver more leads at the same per unit volume, at the same per unit cost, and if the leads stay high quality, then they'll take as many as we can send them. And it's extremely rare for a major client to say, hold off on sending the leads. The question for us in forecasting the CPC, which again as Julie mentioned is quite material to us, is where are there either points-of-sale or parts of the world where there becomes more interest in getting more leads from TripAdvisor. And everyone gets more leads when our traffic naturally rises, but in shoulder seasons, or when there is just more competition, the bidding process will bid up and we will benefit.

<Q – Ross Sandler – RBC Capital Markets Equity Research>: Okay. Thank you.

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

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

Operator: Thank you. Our next question comes from Nathan Schindler of Bank of America Merrill Lynch. Your line is open.

<Q – Nathaniel Schindler – Bank of America Merrill Lynch>: Yes. Hi. Thank you. Wanted to know if you could help me out a little bit on the growth rate of reviews that you have seen on your site and how that has been trending over the last several quarters?

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure, Nathan. I love your question, because we're really proud of what we've been able to do. We actually put targeted effort in 2011 against the notion of building out TripAdvisor as a community, not just an awesome research site. And you will see that in some of the wording on the site itself, reviews from our community, as an example. And you see it in a lot of our CRM efforts in term of how we're messaging our members, encouraging them to write more reviews. And we're thrilled to say that the rate of review collection across the globe has really gone up substantially. And so I'd give you an approximate range of doubling our regular – our monthly, our weekly, whatever time period rate of review and opinion collection. So you think, oh my – I look at our own numbers and I say, hey, we've recently crossed the 60 million reviews and opinion number, and that's been over a cumulative 12 years. Yet, I look at our run rate now and say – and we are going to add – even if we don't grow at all as a run rate over the course of 2012, we're going to add another 20 million, again, just by doing what we always do.

The beauty of the community is that most people don't write just one review, we encourage them to write the second one, and then we ask them to read something for us and give us a helpful vote on someone else's review. And it just builds more of a community, more engagement, which in turn fuels more content. We of course love the content in all forms, whether it be a photo, a review, a rating, a room tip, because it makes the experience richer for the next person coming to TripAdvisor. And it literally helps us answer, helps the TripAdvisor to answer all sorts of questions, because our search functionality is quite good, and the network effects that we're always talking about, get that much stronger with that many more reviews and pieces of content being offered.

<Q – Nathaniel Schindler – Bank of America Merrill Lynch>: And just a follow-up on that, is there a correlation then between the – a strong correlation, I would assume there's going to be some, between the people who write reviews and the people who shop for hotels, specifically, the people who come to your site and just simply read and digest have a lower likelihood of actually going on your site and shopping for and then causing a revenue – causing you to get revenue either from CPC or what have you?

<A – Stephen Kaufer – TripAdvisor, Inc.>: I can toss some numbers out that'll help put a scale around the question. In general terms, we're talking low single-digits for people who are writing content for us. So, high 90% of the people who are looking, they're shopping, they're browsing, they're reading the opinions, they're heavily engaged in researching their trip, but they're shy. They're not – truly, it's not a Facebook situation where everyone who is on is contributing a status update, our audience is mostly people who are – like mostly as in 90 – high 90 percentile looking and a very small percentage contributing. The beauty – and we just – I find that in all user generated review type sites that I'm ever in touch with. So what we think we probably do better than most simply because we've been around for quite some time. But the beauty of our scale is that a very small percentage of really big number can generate that volume of content.

<Q – Nathaniel Schindler – Bank of America Merrill Lynch>: Okay. Thank you.

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

Operator: Thank you. Our next is from Scott Devitt of Morgan Stanley. Your line is open.

<Q – Scott Devitt – Morgan Stanley & Co. LLC>: Well, hi, thanks for taking my question. I had two, if I could. The first one is, just kind of wondering if you could reconcile like the way that you presented the company at the Analyst Day, what you thought things like EBITDA, the 42% to 47% range and then what changed in the business that caused you to lower the 2012 numbers to the extent that you did? And then I had one follow-up.

<A – Julie Bradley – TripAdvisor, Inc.>: Sure. Hey, Scott, I'll take the first part of that question. So, one thing to keep in mind that I believe we said on the Analyst Day, when we showed our illustrative post-spin operating model that had adjusted EBITDA the 42% to 47% range. What we were trying to do there as we've given out several pieces of information regarding things that would happen directly correlated to the spin such as the reduction in CPCs from Expedia and also the addition of public company cost. And then layered in some of our early thoughts on additional investments that were taking hold in some of the strategic areas, and we applied those changes to the 2010 financials to get at what a range would be had we had these items in 2010. So, with that said, things like G&A was projected much higher, but of course we've had a couple years left and we've already grown into those costs.

But in sales and marketing, Steve spoke in our remarks a little about our philosophy for being able to buy traffic and profitability and the profit margin profile of that. And I think over time, compared with the additional revenue headwinds, which are more significant as we look out than we had originally thought at that Analyst Day as we have noted that CPC discount from Expedia is near the top end of the range, and also we had thought there might be some additional increase in CPCs from other OTAs that we haven't seen. There is the potential that it's coming out, but we haven't seen it yet. So, that coupled with these changes is getting us a revised range. Steve, maybe you want to just highlight the philosophy on the SEM, expand a bit, because that is the largest change from the illustrative post-spin operating model.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Yeah. So, in a funny way, we've been a bit more successful than we thought in our SEM efforts in terms of discovering and buying additional keywords in our mature markets on a profitable basis. And so, it is a drag on margins, when we find a new keyword that we can bid on. And let's say, we bid $0.50 and we make $0.60. So, all right, it's a profitable keyword, but at a pretty low margin. I like to – I will continue to do that all day long and you can go breakeven or negative in a market that I feel we need to expand to, Asia-Pacific, in particular. But, yes, it is a drag on margins.

So, I'd highlight or I'd reiterate what Julie had said in terms of there is the issue of the site redesign, which had a bit more of an effect than we had originally projected, and not all of it was fully known at that time. And then the CPC hit from Expedia, we're fine, it's a step function. It comes down to them bidding as they would, as a completely independent partner, client. And we're waiting for the dynamics to settle in and how everyone else will continue to adjust their bids. And you can appreciate how if the average price ends up just $0.01 or $0.02 higher than the flattish forecast that we've put into our plan, then that potentially drops $10 million to $20 million or more into the top and bottom lines.

Operator: Our next question comes from Heath Terry of Goldman Sachs. Your line is open.

<Q – Debra Schwartz – Goldman Sachs>: Hi. Thanks. This is Deb Schwartz on for Heath. Just got one question, if you could talk about mobile performance in the quarter and give us a sense of maybe what revenue and traffic was for mobile?

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. So, I think in the quarter we had said it's $16 million monthly uniques, if I have that number correct. And that's again measured by our own log files, so you can't do an apples-to-apples to the comScore average 44 million uniques. So, I can tell you, mobile is, at this point, when measured in sessions, when you're counting all the mobile devices, mobile's a very interesting part and very fast-growing part of our traffic stream. And when we look at kind of our revenue per hotel shopper, we see that as some of those hotel shoppers are moving over to mobile and we haven't chosen to optimize the smartphone experience for as much commerce as we think we could, then blended, it starts to hit our revenue per hotel shopper. We find that the tablet experience, particularly on the iPad, looks very, very close and in some cases we think is even better than the desktop experience in terms of monetization, though the numbers are still a bit fuzzy by our own analytics.

Operator: Thank you. Our next question comes from Brian Fitzgerald of UBS. Your line is open.

<Q – Brian Fitzgerald – UBS Securities LLC>: Thanks. Maybe following on with the mobile theme, you talked about not monetizing mobile as much as you could, as you focus on kind of overall penetration and adoption. That being said, can you talk a little bit about the current levels of monetization in general, if you were optimizing monetization there, i.e., how do industry CPCs and CPMs compare mobile versus PC? Thanks.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. We're really not sure what it would look like. I gave you the color on the tablet, which we think will be just fine, resemble desktop, maybe even a bit better. On the smartphones themselves, the Android or iPhone devices, we don't have banner ads currently running, so we're missing out on that revenue stream. And we don't have sort of the sponsorship, which is another component of the display revenue. And our desire to monetize on the hotel booking is just a less opportunity, if you will. We hear from our clients that the booking window is generally much less, much shorter on the mobile and that kind of makes sense. You're perhaps in the car or you're at the hotel on one night, but you'll be in a different city the next night. And you need to go book the room and you have your mobile device as opposed to your whole desktop.

We're also aware that some folks may, in fact, be doing some of their research on their trusted TripAdvisor site in mobile land, because we have great apps with all the power, all the functionality. But it's mobile, and a bunch of our clients are not necessarily as good as everyone would like to be in actually consummating the transaction. So, maybe a little bit of what's happening is folks are exploring on mobile, doing the research, picking the hotel. And then maybe it's easier to pick up the phone and call the hotel. We see that perhaps as more of a shorter-term phenomenon, as the mobile websites get better and better – mobile websites of our clients, I should say, gets better and better. But for us, it means that leads at the click that we send over to check the prices on the supplier's website or an OTA may not actually get the booking and TripAdvisor is not necessarily going to get credit for a phone transaction or a reservation made off the desktop the next day.

Operator: Thank you. Our next question comes from Brian Nowak of Nomura. Your line is open.

<Q – Brian Nowak – Nomura Securities International, Inc.>: Thank you. Just two quick ones. I'm looking for a little more detail on the sales and marketing and kind of a breakdown on the direct versus indirect spend, and then the way to think about the direct spend in your more mature domestic market in 2012? Thanks.

<A – Julie Bradley – TripAdvisor, Inc.>: Sure. I'll take the first part of that. So, in 2011, consistent with the past as well, of course, direct has about 70% of total S&M, and 30% were people costs. We expect that mix to be consistent going into – for full year 2012 as well.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Hi. And again, a good chunk of that is building up our sales force on the vacation rentals and business listing side, sort of two areas where we expect to see nice growth going forward. And then the direct piece is that a lot of our direct spend there is the search engine marketing budget, which, as I say, we're proud that we're able to grow, year in, year out, and we use as a vehicle to drive trial. So, our bidding strategy on the mature versus newer markets and our marketing strategy, in general, is certainly to invest in the areas that are newer or younger for us.

So, China being an example where we're investing the most heavy, and then other Asia Pacific countries where we might be at a breakeven level. And if you think breakeven, it means, hey, some of the traffic we're buying we're nicely profitable on, because we don't have to bid up to every penny that we make. We can take profit on some terms, which means there are some other terms that we're actually bidding at a loss on. And contrast that to the U.S. or UK, or Canada, some of our more mature markets, where we really do try to make sure we're pulling in some profit on all of the terms that we bid on, though, as I said before, we're constantly looking for more ways to get traffic to the site.

These things will – can and do change with the frequency or in support of other marketing campaigns, or as we look to partner with some other folks in the region. So, I'm trying to help you a little bit with some generalizations about the markets, but please understand that in any given market, the strategy may be different for a short period of time.

Operator: Thank you. Our final question comes from Anthony DiClemente of Barclays Capital. Your line is open.

<Q – Perry Gold – Barclays Capital, Inc.>: Hi, everyone. This is Perry Gold on behalf of Anthony. Just a quick one. Can you please discuss any updates around potential uplift in demand and spending from other OTAs now that Trip is separate from Expedia? Thanks so much.

<A – Stephen Kaufer – TripAdvisor, Inc.>: Sure. Thanks, Perry. An interesting question. We were certainly waiting for the spin to complete. We are very pleased with the reaction of all – I can say this now, all of the clients that I have spoken with, with regard to the spin-off have all been uniformly viewing this as a positive event for them and for their relationship with TripAdvisor. One can naturally understand how none are saying, great, let me pay you more on a per unit basis now that you're different. Everyone is always often willing to pay more, if there is a corresponding meaningful lift in the traffic, because we believe, in most cases, our clients are measuring the SEMs – their SEM spend with us in much the way that we measure it with the search engines that we buy traffic from, i.e., they're trying to, in general, maximize the profit that they can pull from a channel like TripAdvisor.

So, if a client feels that they can increase their bid and make more money, because even though it's a unit cost slightly more expensive, we're sending an incremental amount of additional volume that's valuable to them, it drops to bottom line and they have a customer and a customer that they can re-market to for that booking. So, when we talk about our major clients, we really couldn't be happier with the reaction we received and the dialog continue at a more – much more detailed level in terms of helping us help them understand the best inventory they have relative to everyone else, how our traffic can convert relative to other sources and how we can now help them optimize their spend on TripAdvisor to the mutual benefit. Whereas before, there was always – it never happened, but there was always a concern that information that another client would tell us about their most effective properties would be fuel for what Expedia would then go do with that information.

So, again, didn't happen in the past, but I can certainly appreciate the concern and everyone is well aware of the Expedia pricing decreases and that's – and people now feel like it's a much more level playing field. So, we're very careful about never disclosing information from one client to the other, of course. But we're more than happy and are delighted with the conversations that have taken place so far that are now enabling us to help all of the other OTAs and suppliers bid in the most effective manner on our platform.

As some may know, most of the OTAs and I would bet many of the suppliers kind of view TripAdvisor and Google as their, by far, two largest platforms for acquiring cost-per-click traffic. And I'm sure, if I'm in their shoes, that in deciding where the next dollar to spend is, I'm going to try to maximize my return on investment, and in some cases or in some markets that may be Google for the next click. But in an awful lot of areas, it's TripAdvisor, because we can handle the volume of inventory they have, the bidding changes that they want automatically and be able to deliver them a scale that really nobody else – in many cases, not even Google, can offer. So, short answer is they're all very pleased.

Operator: Thank you. I'll now turn the call back over to CEO, Steve Kaufer, for closing remarks.

Stephen Kaufer, President, Chief Executive Officer & Director

Super. Well, again, I want to thank, everyone, very much for joining us on this first quarterly call as a publically-traded company. I'd be remiss if I didn't also specifically thank the tens of millions of travelers that visit TripAdvisor and are part of the TripAdvisor community that offers their reviews and ratings and room tips and everything that really helps build up the site to be such an incredible resource for everyone.

So, thank you TripAdvisor community. Thank you TripAdvisor employees, and we look forward to talking to everyone again next quarter. Thanks very much.

Operator: Thanks. Ladies and gentlemen, this concludes the conference for today. You may all disconnect and have a wonderful day.