



TripAdvisor, Inc.

Mixed Q3 and Q4 EPS outlook weaker. Outlook is improving with travel industry growth and possible spinoffs. Lowering P/T to \$30.

COMPANY UPDATE

Rating: **BUY**

Ticker: TRIP

Price: \$18.00

Target: \$30.00
(from \$35)

Q3 mixed: TripAdvisor recently (on November 7) reported its fiscal Q3 2022 (ending September) results. Revenue was \$459 million (+51% y-o-y), compared with our estimate of \$448 million and consensus of \$442 million. Pro forma EPS was \$0.28, compared with our estimates of \$0.41 and consensus of \$0.38. EBITDA was \$115 million (vs. \$72 million y-o-y), compared with our estimate of \$115 million. Q3 guidance was for revenue of ~\$430 - 450 million and EBITDA of ~\$95 - 115 million.

Q3 revenue back to pre-pandemic levels: Its core hotel revenue was \$284 million (+34% y-o-y), Viator was \$174 million (+138% y-o-y), and TheFork was \$35 million (+17% y-o-y) and all have rebounded strongly from Q2 2020 when the pandemic lockdowns started. Total Q3 revenue was 107% of Q3 2019's, the first quarter to exceed pre-pandemic levels.

With strong Viator and TheFork growth: The company's Viator and TheFork business (was formally the Experiences & Dining (E&D) Segment) had strong growth and revenue was 179% and 103% (respectively) of Q3 2019's revenue, so they have both again surpassed pre-pandemic levels and growing strongly.

Travel's strong growth: Like all other travel services providers, TripAdvisor had material negative impact from the recent coronavirus pandemic. However, with pandemic impact waning over time since the initial outbreak in March 2020, TripAdvisor has returned to and even above normalized (pre-pandemic) business in 2022. The company expects increased consumer confidence and pent up demand to drive a rebound in the travel industry over the next several years.

2022 guidance for growth: The company provided qualitative guidance for Q4 revenue of "low-single digit" growth from Q4 2019's (~\$340 - 350 million) and EBITDA margins ~10% (~\$34 - 35 million).

Adjusting estimates: We are adjusting our 2022 estimates for revenue to \$1,486 million, from \$1,463 million, and for EPS to \$0.62 from \$0.90.

Positive risk versus reward: Despite volatility from the coronavirus (which we believe future impact will be relatively minimal) and macro conditions, we continue to be positive on TRIP longer term. We believe traveling and the travel industry has now returned relatively back to normal and will continue to grow stronger and that TRIP as one of the world's largest travel website is in good position to capture a significant share of the economics within the travel industry.

Spinoffs: In February 2022, the company announced that it will evaluate strategic opportunities related to Viator and TheFork (its E&D Segment) including a potential sub-IPO. There is no new update on this.

Long term positive: We believe that execution of TRIP's long term plan, unlocking strategic value, a strong rebound/long term travel industry, and a positive long-term growth outlook bodes well for its share price to increase longer term.

Valuation attractive: Maintaining our BUY rating, but lowering our 12-month price target to \$30 from \$35, which reflects a forward P/E of 20x our 2023 EPS estimate of \$1.50. This P/E multiple is about inline with online travel companies to reflect our expectations for normalized earnings growth similar to its peers over the near term.

Company Description

Based in Needham, MA, TripAdvisor is the world's largest online travel review company with information and opinions about destinations, accommodations, restaurants, and activities throughout the world.

United States
Internet Software and Services

December 16, 2022

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Stock Data

| | |
|--------------------------------------|-----------------|
| Exchange: | NasdaqGS |
| 52-week Range: | \$16.87 – 30.48 |
| Shares Outstanding (million): | 146 |
| Market cap (\$million): | \$2,628 |
| EV (\$million): | \$2,364 |
| Debt (\$million): | \$836 |
| Cash (\$million): | \$1,100 |
| Avg. Daily Trading Vol. (\$million): | \$43 |
| Float (million shares): | 95 |
| Short Interest (million shares): | 12 |
| Dividend, annual (yield): | \$0 (NA%) |

Revenues (US\$ million)

| | 2022E (Cur.) | 2022E (Old) | 2023E (Cur.) | 2023E (Old) |
|---------|-----------------|----------------|-----------------|----------------|
| Q1 Mar | 262A | | 301E | |
| Q2 Jun | 417A | | 438E | |
| Q3 Sep | 459A | 448E | 487E | 480E |
| Q4 Dec | 348E | 336E | 375E | 381E |
| Total | 1,486E | 1,463E | 1,600E | |
| EV/Revs | 1.6x | | 1.5x | |

Earnings per Share (pro forma)

| | 2022E (Cur.) | 2022E (Old) | 2023E (Cur.) | 2023E (Old) |
|--------|-----------------|----------------|-----------------|----------------|
| Q1 Mar | (0.09)A | | (0.03)E | (0.02)E |
| Q2 Jun | 0.37A | | 0.35E | |
| Q3 Sep | 0.28A | 0.41E | 0.80E | 0.79E |
| Q4 Dec | 0.05E | 0.20E | 0.38E | |
| Total | \$0.62E | \$0.90E | \$1.50E | |
| P/E | 29x | | 12x | |

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 10.

OVERVIEW

- TripAdvisor recently (on November 7) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$459 million (+51% y-o-y), compared with our estimate of \$448 million and consensus of \$442 million.
- Pro forma EPS was \$0.28, compared with our estimates of \$0.41 and consensus of \$0.38.
- EBITDA was \$115 million (vs. \$72 million y-o-y), compared with our estimate of \$115 million.
- The company provided qualitative guidance for Q3 revenue of “low- to mid-single digit” growth from Q3 2019’s (~\$430 - 450 million) and EBITDA margins in the low- to mid-20s% (~\$95 - 115 million).
- The company provided qualitative guidance for Q4 revenue of “low-single digit” growth from Q4 2019’s (~\$340 - 350 million) and EBITDA margins ~10% (~\$34 - 35 million).
- We are adjusting our 2022 estimates for revenue to \$1,486 million, from \$1,463 million, and for EPS to \$0.62 from \$0.90.
- We are maintaining our 2023 estimates for revenue of \$1,600 million, and for EPS of \$1.50.

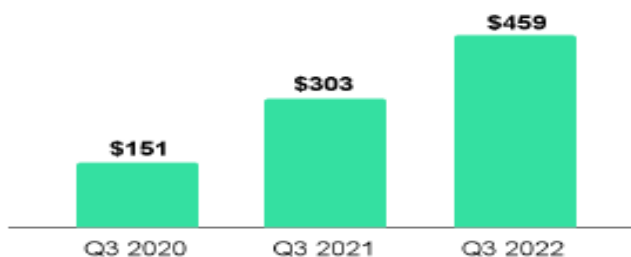
ADDITIONAL DETAILS

- Core Hotel revenue was \$284 million (+34% y-o-y), Viator was \$174 million (+138% y-o-y), and TheFork was \$35 million (+17% y-o-y).
- Core Hotel EBITDA was \$112 million (vs. \$73 million y-o-y), Viator was \$12 million (vs. \$1 million y-o-y), and TheFork was \$(9) million (vs. \$(2) million y-o-y).
- Gross profit for the quarter was \$427 million, compared with our estimate of \$412 million.
- Gross margin for the quarter was 93%, versus 92% last year and our expectation of 92%.
- Operating expenses were \$357 million, versus our expectation of \$359 million.
- Operating income was \$70 million, versus our expectation of \$54 million.
- Pro forma net income was \$41 million, versus our expectation of \$59 million.
- In November 2021, the company announced that its co-founder and long-time CEO, Stephen Kaufer, will step down from his CEO position of Tripadvisor in 2022.
- In May, Tripadvisor announced Matt Goldberg as its new CEO. Mr. Goldberg has leadership and experience in strategy and operations for more than 20 years across a number of leading media, advertising, and consumer-facing companies.
- In October, the company announced that Ernst Teunissen will retire as Chief Financial Officer to pursue other interests and that Mike Noonan will join the company as its new CFO.
- In February 2022, the company announced that it will evaluate strategic value opportunities related to Viator and TheFork (the bulk of its Experiences & Dining (E&D) Segment) including 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.
- TripAdvisor has 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. In parallel, the company is also assessing options to drive value recognition at TheFork though this is at an earlier stage than Viator.

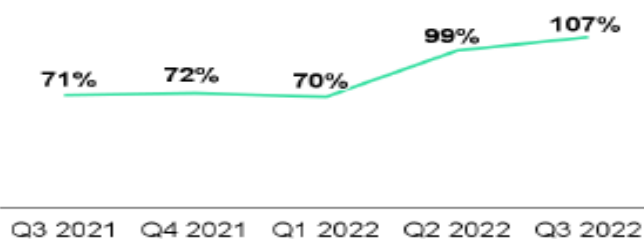
The company’s balance sheet remains solid with \$1,100 million in cash and \$836 million in debt (~\$2 in net cash per share), compared with \$1,080 million in cash and \$835 million in debt in June.

Exhibit 1: TripAdvisor's Metrics (2022/2021 vs. 2019)

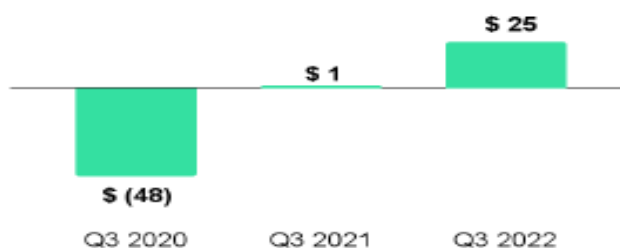
Q3 Revenue (\$M)



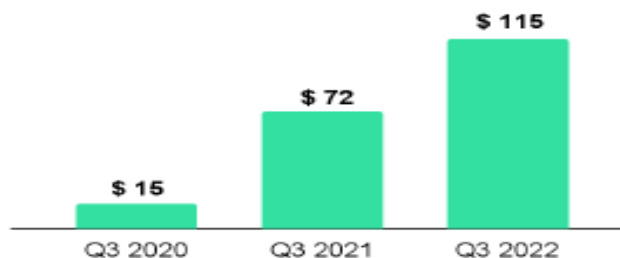
Quarterly Revenue as a % of 2019



Net Income (Loss) (\$M)



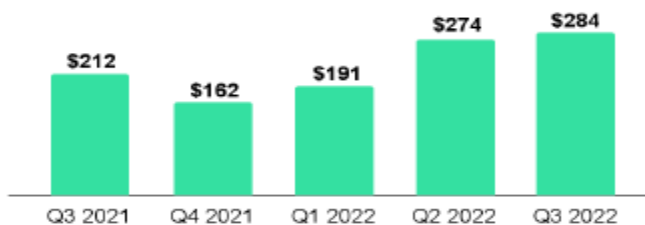
Adjusted EBITDA (\$M)



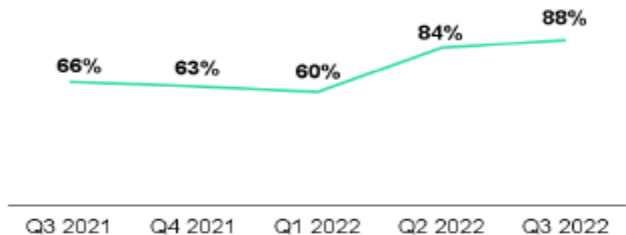
Source: Company report.

Exhibit 2: Segment Metrics (2022/2021 vs. 2019)

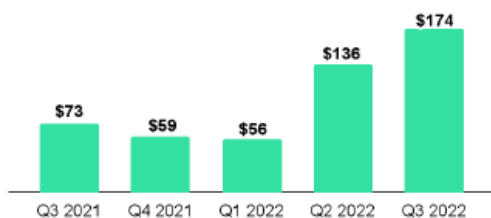
Tripadvisor Core Segment Revenue (\$M)



Tripadvisor Core Segment Revenue as % of 2019



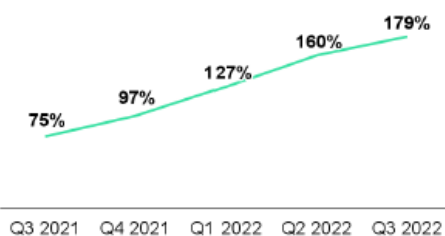
Viator Revenue (\$M)



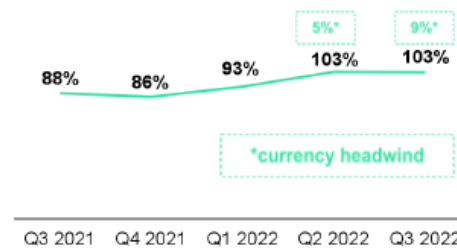
TheFork Revenue (\$M)



Viator Revenue as % of 2019



TheFork Revenue as % of 2019



Source: Company report.

Exhibit 3: Q4 and 2022 Outlook and Guidance (as of November 7, 2022)

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.)

Results in Q3 2022 mark another quarter of recovery across our segments, and continued improvement since the start of the year. We are optimistic about the long-term opportunities in travel, despite a recovery path that is likely to remain uneven by month and by specific revenue line, and less reliably consistent relative to pre-pandemic.

The above trends lead us to the following outlook for Q4:

- Consolidated revenue of low-single digit increases from 2019 levels, implying a modest slowdown from Q3 2022.
- Consolidated adjusted EBITDA margin to step down sequentially to close to 10% of revenue, a result of the seasonal step down, a mix shift towards our lower margin growth revenue lines, and the increased investment in Viator as noted above.

Source: Company report.

Exhibit 4: TripAdvisor Stock Price (5-years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 5: Consensus Expectations (as of November 7, 2022)

| | Revenue (mil) | | | EPS | |
|--------|---------------|----------|--------|-----------|---------|
| | 2022E | 2023E | | 2022E | 2023E |
| Q1 Mar | \$262A | | Q1 Mar | \$(0.09)A | |
| Q2 Jun | \$417A | | Q2 Jun | \$0.37A | |
| Q3 Sep | \$442E | | Q3 Sep | \$0.38E | |
| Q4 Dec | \$340E | | Q4 Dec | \$0.19E | |
| Total | \$1,459E | \$1,690E | Total | \$0.89E | \$1.43E |

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

TripAdvisor, Inc.

| Income Statement (\$ millions) | Mar-20 | Jun-20 | Sep-20 | Dec-20 | 2020 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | 2021 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | 2022 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | 2023 |
|-----------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|-------------|-------------|--------------|---------------|-------------|-------------|-------------|--------------|
| Fiscal Year End: December 31 | Q1A | Q2A | Q3A | Q4A | FY-A | Q1A | Q2A | Q3A | Q4A | FY-A | Q1A | Q2A | Q3A | Q4E | FY-E | Q1E | Q2E | Q3E | Q4E | FY-E |
| Total Revenue | 278 | 59 | 151 | 116 | 604 | 123 | 235 | 303 | 241 | 902 | 262 | 417 | 459 | 348 | 1,486 | 301 | 438 | 487 | 375 | 1,600 |
| Cost of Revenues | 19 | 10 | 13 | 13 | 55 | 12 | 19 | 23 | 20 | 74 | 22 | 31 | 32 | 26 | 111 | 21 | 31 | 34 | 26 | 112 |
| Gross Profit | 259 | 49 | 138 | 103 | 549 | 111 | 216 | 280 | 221 | 828 | 240 | 386 | 427 | 322 | 1,375 | 280 | 407 | 452 | 348 | 1,488 |
| Operating expenses: | | | | | | | | | | | | | | | | | | | | |
| Sales and marketing | 129 | 54 | 70 | 66 | 319 | 73 | 123 | 148 | 126 | 470 | 141 | 217 | 234 | 177 | 769 | 130 | 188 | 165 | 144 | 627 |
| Technology and content | 73 | 51 | 46 | 55 | 225 | 55 | 54 | 52 | 51 | 212 | 54 | 53 | 55 | 70 | 232 | 87 | 88 | 63 | 75 | 313 |
| General and administrative | 52 | 43 | 35 | 44 | 174 | 38 | 46 | 37 | 46 | 167 | 40 | 28 | 45 | 63 | 176 | 57 | 53 | 58 | 45 | 213 |
| Depreciation | 25 | 32 | 30 | 31 | 118 | 29 | 28 | 27 | 26 | 110 | 25 | 25 | 23 | 28 | 101 | 28 | 28 | 28 | 28 | 112 |
| Amortization of intangible | 7 | | | | 7 | | | | | 0 | | | | 8 | 8 | 8 | 8 | 8 | 8 | 32 |
| Related-party shared services fee | | | | | 0 | | | | | 0 | | | | | 0 | | | | | 0 |
| Restructuring and other | | 33 | 3 | (11) | 35 | | | | | 0 | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating expenses | 286 | 213 | 184 | 195 | 878 | 195 | 251 | 264 | 249 | 959 | 260 | 323 | 357 | 346 | 1,286 | 310 | 364 | 323 | 300 | 1,298 |
| Operating income (loss) | (27) | (164) | (46) | (92) | (329) | (84) | (35) | 16 | (28) | (131) | (20) | 63 | 70 | (24) | 89 | (30) | 43 | 129 | 48 | 191 |
| Interest income (expense) | | | (12) | (14) | (26) | (11) | (11) | (12) | (11) | (45) | (13) | (10) | (7) | (6) | (36) | (6) | (6) | (6) | (6) | (24) |
| Other and minority interest | | (15) | | 2 | (13) | (1) | (1) | (1) | (8) | (10) | | | (1) | (1) | | | | | | 0 |
| Income before income taxes | (27) | (179) | (58) | (104) | (368) | (96) | (46) | 3 | (47) | (186) | (33) | 53 | 62 | (30) | 52 | (36) | 37 | 123 | 42 | 167 |
| Income taxes | (11) | (26) | (10) | (31) | (78) | (16) | (6) | 2 | (18) | (38) | 1 | 22 | 37 | (7) | 53 | (9) | 9 | 31 | 11 | 42 |
| Net income (loss) | (16) | (153) | (48) | (73) | (290) | (80) | (40) | 1 | (29) | (148) | (34) | 31 | 25 | (22) | (0) | (27) | 28 | 93 | 32 | 125 |
| Nonrecurring/noncash adjustment | 25 | 51 | 25 | 18 | 123 | 27 | 30 | 22 | 28 | 107 | 21 | 23 | 16 | 30 | 90 | 23 | 24 | 24 | 24 | 95 |
| Net income | 9 | (102) | (23) | (55) | (167) | (53) | (10) | 23 | (1) | (41) | (13) | 54 | 41 | 8 | 90 | (4) | 52 | 117 | 56 | 220 |
| EBITDA | 40 | (74) | 15 | (33) | (52) | (26) | 25 | 72 | 29 | 100 | 27 | 109 | 115 | 37 | 288 | 31 | 104 | 190 | 109 | 435 |
| Shares, Basic | 136 | 134 | 134 | 135 | 135 | 136 | 137 | 138 | 138 | 137 | 139 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 141 | 140 |
| Shares, Diluted | 136 | 134 | 134 | 135 | 135 | 136 | 137 | 144 | 138 | 137 | 139 | 145 | 146 | 146 | 144 | 146 | 146 | 146 | 147 | 146 |
| EPS Basic (Pro forma) | 0.07 | (0.76) | (0.17) | (0.41) | (1.24) | (0.39) | (0.07) | 0.17 | (0.01) | (0.30) | (0.09) | 0.39 | 0.29 | 0.05 | 0.64 | (0.03) | 0.37 | 0.83 | 0.40 | 1.57 |
| EPS Diluted (Pro forma) | 0.07 | (0.76) | (0.17) | (0.41) | (1.24) | (0.39) | (0.07) | 0.16 | (0.01) | (0.30) | (0.09) | 0.37 | 0.28 | 0.05 | 0.62 | (0.03) | 0.35 | 0.80 | 0.38 | 1.50 |
| Income Statement Ratios | | | | | | | | | | | | | | | | | | | | |
| Gross margin | 93% | 83% | 91% | 89% | 91% | 90% | 92% | 92% | 92% | 92% | 92% | 93% | 93% | 93% | 93% | 93% | 93% | 93% | 93% | 93% |
| Sales and marketing | 46% | 92% | 46% | 57% | 53% | 59% | 52% | 49% | 52% | 52% | 54% | 52% | 51% | 51% | 52% | 43% | 43% | 34% | 39% | 39% |
| Technology and content | 26% | 86% | 30% | 47% | 37% | 45% | 23% | 17% | 21% | 24% | 21% | 13% | 12% | 20% | 16% | 29% | 20% | 13% | 20% | 20% |
| General and administrative | 19% | 73% | 23% | 38% | 29% | 31% | 20% | 12% | 19% | 19% | 15% | 7% | 10% | 18% | 12% | 19% | 12% | 12% | 12% | 13% |
| Operating margin | -10% | -278% | -30% | -79% | -54% | -68% | -15% | 5% | -12% | -15% | -8% | 15% | 15% | -7% | 6% | -10% | 10% | 27% | 13% | 12% |
| Tax rate, GAAP | 41% | 15% | 17% | 30% | 21% | 17% | 13% | 67% | 38% | 20% | -3% | 42% | 60% | 25% | 101% | 25% | 25% | 25% | 25% | 25% |
| Net margin | -6% | -259% | -32% | -63% | -48% | -65% | -17% | 0% | -12% | -16% | -13% | 7% | 5% | -6% | 0% | -9% | 6% | 19% | 8% | 8% |
| Y/Y % change | | | | | | | | | | | | | | | | | | | | |
| Total Revenue | -26% | -86% | -65% | -65% | -61% | -56% | 298% | 101% | 108% | 49% | 113% | 77% | 51% | 44% | 65% | 15% | 5% | 6% | 8% | 8% |
| Gross margin | -27% | -88% | -66% | -67% | -63% | -57% | 341% | 103% | 115% | 51% | 116% | 79% | 53% | 46% | 66% | 17% | 5% | 6% | 8% | 8% |
| Sales and marketing | -28% | -70% | -60% | -53% | -53% | -43% | 128% | 111% | 91% | 47% | 93% | 76% | 58% | 41% | 64% | -8% | -13% | -29% | -19% | -18% |
| Technology and content | 0% | -31% | -39% | -21% | -23% | -25% | 6% | 13% | -7% | -6% | -2% | -2% | 6% | 36% | 9% | 62% | 65% | 15% | 8% | 35% |
| General and administrative | 24% | -4% | -31% | -10% | -7% | -27% | 7% | 6% | 5% | -4% | 5% | -39% | 22% | 36% | 5% | 43% | 88% | 30% | -28% | 21% |
| Operating income (loss) | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | 338% | NM | NM | NM | -32% | 85% | NM | 114% |
| Net income (loss) | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -11% | 270% | NM | NM |
| EPS Diluted (Pro forma) | -82% | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | 76% | NM | NM | NM | -5% | 184% | NM | 141% |

Source: Company reports and Ascendant Capital Markets estimates.

TripAdvisor, Inc.

| Balance Sheet (\$ millions) | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fiscal Year End: December 31 | Q1A | Q2A | Q3A | Q4A | Q1A | Q2A | Q3A | Q4A | Q1A | Q2A | Q3A | Q4E | Q1E | Q2E | Q3E | Q4E |
| Assets | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 798 | 698 | 446 | 418 | 674 | 775 | 682 | 723 | 781 | 1,045 | 1,066 | 1,170 | 966 | 1,064 | 1,211 | 1,298 |
| Restricted cash | | | | | | | | | | | | 0 | 0 | 0 | 0 | 0 |
| Short term investments | | | | | | | | | | | | | | | | |
| Accounts receivable, net | 159 | 74 | 91 | 83 | 97 | 159 | 198 | 142 | 180 | 246 | 205 | 116 | 161 | 195 | 200 | 125 |
| Prepaid expenses and other current assets | 29 | 26 | 26 | 22 | 24 | 25 | 28 | 26 | 33 | 34 | 38 | 14 | 12 | 18 | 19 | 15 |
| Deferred income taxes | 26 | 55 | 50 | 50 | 50 | 47 | 52 | 49 | 49 | 12 | | 0 | 11 | 11 | 11 | 11 |
| Total current assets | 1,012 | 853 | 613 | 573 | 845 | 1,006 | 960 | 940 | 1,043 | 1,337 | 1,309 | 1,300 | 1,150 | 1,287 | 1,442 | 1,449 |
| Property and equipment, net | 268 | 259 | 250 | 240 | 229 | 225 | 220 | 215 | 209 | 201 | 195 | 192 | 189 | 186 | 183 | 180 |
| Long term investments and other | 54 | 41 | 40 | 40 | 143 | 142 | 174 | 184 | 126 | 35 | 34 | 34 | 34 | 34 | 34 | 34 |
| Goodwill and intangibles, net | 927 | 932 | 934 | 948 | 932 | 929 | 915 | 908 | 901 | 878 | 858 | 850 | 842 | 834 | 826 | 818 |
| Other | 166 | 164 | 159 | 168 | 83 | 85 | 43 | 42 | 93 | 161 | 169 | 169 | 3 | 3 | 3 | 3 |
| Total assets | 2,427 | 2,249 | 1,996 | 1,969 | 2,232 | 2,387 | 2,312 | 2,289 | 2,372 | 2,612 | 2,565 | 2,545 | 2,218 | 2,344 | 2,488 | 2,484 |
| Liabilities and stockholders' equity | | | | | | | | | | | | | | | | |
| Accounts payable | 34 | 13 | 14 | 18 | 13 | 15 | 22 | 27 | 12 | 50 | 67 | 24 | 21 | 31 | 34 | 26 |
| Deferred merchant payable | 71 | 57 | 38 | 36 | 71 | 173 | 123 | 113 | 197 | 323 | 240 | 240 | 240 | 240 | 240 | 240 |
| Payable to Expedia | | | | | | | | | | | | 2 | 2 | 2 | 2 | 2 |
| Deferred revenue | 60 | 38 | 31 | 28 | 38 | 49 | 39 | 36 | 59 | 70 | 51 | 51 | 51 | 51 | 51 | 51 |
| Tax payable | | | | | | | | | | | | 70 | 70 | 70 | 70 | 70 |
| Accrued expenses and other | 146 | 141 | 148 | 160 | 155 | 207 | 179 | 181 | 199 | 213 | 215 | 163 | 141 | 205 | 228 | 175 |
| Short-term debt | | | | | | | | | | | | 0 | 0 | 0 | 0 | 0 |
| Total current liabilities | 311 | 249 | 231 | 242 | 277 | 444 | 363 | 357 | 467 | 656 | 573 | 550 | 525 | 599 | 625 | 565 |
| Long-term debt | 700 | 700 | 490 | 491 | 831 | 832 | 832 | 833 | 834 | 835 | 836 | 836 | 836 | 836 | 836 | 836 |
| Deferred tax | 16 | 13 | 10 | 10 | 2 | 2 | 2 | 1 | 1 | 1 | | 0 | 25 | 25 | 25 | 25 |
| Other long-term liabilities | 373 | 375 | 357 | 340 | 337 | 330 | 321 | 309 | 303 | 324 | 343 | 343 | 18 | 18 | 18 | 18 |
| Minority interest | | | | | | | | | | | | | | | | |
| Total other liabilities | 1,089 | 1,088 | 857 | 841 | 1,170 | 1,164 | 1,155 | 1,143 | 1,138 | 1,160 | 1,179 | 1,179 | 879 | 879 | 879 | 879 |
| Common stock, class A | | | | | | | | | | | | 0 | 0 | 0 | 0 | 0 |
| Common stock, class B | | | | | | | | | | | | 0 | 0 | 0 | 0 | 0 |
| Additional paid-in capital | 1,167 | 1,193 | 1,224 | 1,253 | 1,244 | 1,275 | 1,297 | 1,326 | 1,342 | 1,364 | 1,380 | 1,405 | 1,430 | 1,455 | 1,480 | 1,505 |
| Treasury stock | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) | (722) |
| Retained earnings (deficit) | 662 | 509 | 461 | 389 | 309 | 269 | 270 | 241 | 207 | 238 | 263 | 241 | 214 | 241 | 334 | 366 |
| Unearned compensation | | | | | | | | | | | | 0 | 0 | 0 | 0 | 0 |
| Accumulated other comprehensive income (loss) | (80) | (68) | (55) | (34) | (46) | (43) | (51) | (56) | (60) | (84) | (108) | (108) | (108) | (108) | (108) | (108) |
| Total stockholders' equity | 1,027 | 912 | 908 | 886 | 785 | 779 | 794 | 789 | 767 | 796 | 813 | 816 | 814 | 866 | 984 | 1,041 |
| Total stockholders' equity and liabilities | 2,427 | 2,249 | 1,996 | 1,969 | 2,232 | 2,387 | 2,312 | 2,289 | 2,372 | 2,612 | 2,565 | 2,545 | 2,218 | 2,344 | 2,488 | 2,484 |

Balance Sheet Drivers

| | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|--|--------|--------|----------|----------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1A | Q2A | Q3A | Q4A | Q1A | Q2A | Q3A | Q4A | Q1A | Q2A | Q3A | Q4E | Q1E | Q2E | Q3E | Q4E |
| Prepaid as % of total rev | 10% | 44% | 17% | 19% | 20% | 11% | 9% | 11% | 13% | 8% | 8% | 4% | 4% | 4% | 4% | 4% |
| Accounts payable as % of total rev | 12% | 22% | 9% | 16% | 11% | 6% | 7% | 11% | 5% | 12% | 15% | 7% | 7% | 7% | 7% | 7% |
| Accrued expenses as % of total rev | 53% | 239% | 98% | 138% | 126% | 88% | 59% | 75% | 76% | 51% | 47% | 47% | 47% | 47% | 47% | 47% |
| Activity Ratios | | | | | | | | | | | | | | | | |
| A/R Days Sales Outstanding | 51 | 113 | 54 | 64 | 71 | 61 | 59 | 53 | 62 | 53 | 40 | 30 | 48 | 40 | 37 | 30 |
| A/P Days Payable | 161 | 117 | 97 | 125 | 98 | 71 | 86 | 122 | 49 | 145 | 188 | 84 | 90 | 90 | 90 | 90 |
| Book & Cash Value (per share) | | | | | | | | | | | | | | | | |
| Book Value per Share (diluted) | \$7.55 | \$6.81 | \$6.78 | \$6.56 | \$5.77 | \$5.69 | \$5.51 | \$5.72 | \$5.52 | \$5.49 | \$5.57 | \$5.58 | \$5.57 | \$5.92 | \$6.72 | \$7.10 |
| Cash per Share (diluted) | \$6.26 | \$5.51 | \$3.63 | \$3.39 | \$6.01 | \$6.69 | \$5.94 | \$6.57 | \$6.53 | \$7.45 | \$7.53 | \$8.24 | \$6.84 | \$7.50 | \$8.51 | \$9.09 |
| Net cash per Share (diluted) | \$1.12 | \$0.29 | (\$0.03) | (\$0.24) | (\$0.10) | \$0.62 | \$0.17 | \$0.54 | \$0.53 | \$1.69 | \$1.81 | \$2.52 | \$1.12 | \$1.79 | \$2.80 | \$3.39 |
| Total Debt | \$700 | \$700 | \$490 | \$491 | \$831 | \$832 | \$832 | \$833 | \$834 | \$835 | \$836 | \$836 | \$836 | \$836 | \$836 | \$836 |

Source: Company reports and Ascendant Capital Markets estimates.

TripAdvisor, Inc.

| Cash Flow Statement (\$ millions) | Mar-20 | Jun-20 | Sep-20 | Dec-20 | 2020 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | 2021 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | 2022 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | 2023 | |
|--|-------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----|
| Fiscal Year End: December 31 | Q1A | Q2A | Q3A | Q4A | FY-A | Q1A | Q2A | Q3A | Q4A | FY-A | Q1A | Q2A | Q3A | Q4E | FY-E | Q1E | Q2E | Q3E | Q4E | FY-E | |
| Cash flow from operating activities | | | | | | | | | | | | | | | | | | | | | |
| Net income | (16) | (153) | (48) | (73) | (290) | (80) | (40) | 1 | (29) | (148) | (34) | 31 | 25 | (22) | (0) | (27) | 28 | 93 | 32 | 125 | |
| Depreciation | 25 | 32 | 30 | 31 | 118 | 29 | 28 | 27 | 26 | 110 | 25 | 25 | 23 | 28 | 101 | 28 | 28 | 28 | 28 | 112 | |
| Stock comp | 26 | 25 | 28 | 29 | 108 | 29 | 32 | 29 | 31 | 121 | 22 | 21 | 22 | 25 | 90 | 25 | 25 | 25 | 25 | 100 | |
| Tax benefit from stock comp | | | | | 0 | | | | | 0 | | | | | 0 | | | | | 0 | |
| Amortization of intangibles | 7 | | 3 | | 10 | | | | | 0 | | | | 8 | 8 | 8 | 8 | 8 | 8 | 32 | |
| Amortization of deferred financing costs | | | | | 0 | | | | | 0 | | | | | 0 | | | | | 0 | |
| Deferred tax | 12 | (3) | (1) | (5) | 3 | (22) | (6) | 2 | (18) | (44) | | 14 | (6) | 0 | 8 | 14 | 0 | 0 | 0 | 14 | |
| F/X gains/losses | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Expedia receivable and payable | | | | | 0 | | | | | 0 | | | | | 2 | 2 | 0 | 0 | 0 | 0 | |
| Other gains/losses | | 20 | 1 | 1 | 22 | 2 | 1 | (2) | 2 | 3 | 1 | 2 | 1 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | |
| Other | | | 4 | 2 | 6 | 4 | 3 | 3 | 8 | 18 | 3 | (1) | 3 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | |
| Changes in operating assets and liabilities: | | | | | | | | | | | | | | | | | | | | | |
| Accounts receivable | | | | | 0 | | | | | 0 | | | | | 89 | 89 | (45) | (34) | (5) | 75 | (9) |
| Prepaid expenses & other current assets | | | | | 0 | | | | | 0 | | | | | 24 | 24 | 2 | (5) | (2) | 4 | (1) |
| Accounts payable | | | | | 0 | | | | | 0 | | | | | (43) | (43) | (3) | 10 | 3 | (8) | 2 |
| Tax payable | | | | | 0 | | | | | 0 | | | | | 70 | 70 | 0 | 0 | 0 | 0 | 0 |
| Accrued expenses & other | | | | | 0 | | | | | 0 | | | | | (52) | (52) | (22) | 64 | 23 | (52) | 13 |
| Deferred revenue | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (124) | 1 | (48) | | (171) | 19 | 108 | (124) | 45 | 48 | 69 | 203 | (8) | 0 | 264 | (159) | 0 | 0 | 0 | (159) | |
| Net cash (used in) provided by oper. | (70) | (78) | (31) | (15) | (194) | (19) | 126 | (64) | 65 | 108 | 86 | 295 | 60 | 129 | 570 | (179) | 123 | 172 | 112 | 228 | |
| Cash flow from investing activities | | | | | | | | | | | | | | | | | | | | | |
| Purchases of property and equipment | (20) | (15) | (11) | (9) | (55) | (10) | (14) | (15) | (14) | (53) | (14) | (13) | (14) | (25) | (66) | (25) | (25) | (25) | (25) | (100) | |
| Purchases of short-term investments | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Sale of short-term investments | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Acquisitions | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Transfer to Expedia | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Other | | 1 | (2) | | (1) | | (2) | 1 | 1 | 0 | | 1 | 3 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | |
| Net cash used in investing activities | (20) | (14) | (13) | (9) | (56) | (10) | (16) | (14) | (13) | (53) | (14) | (12) | (11) | (25) | (62) | (25) | (25) | (25) | (25) | (100) | |
| Cash flow from financing activities | | | | | | | | | | | | | | | | | | | | | |
| Term loan borrowing (net) | 700 | (4) | (210) | (4) | 482 | 303 | (2) | (2) | (7) | 292 | (2) | (2) | (2) | 0 | (6) | 0 | 0 | 0 | 0 | 0 | |
| Repurchase of common stock | (115) | | | | (115) | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Dividends | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Proceeds from stock option exercise | (14) | (3) | (1) | (3) | (21) | (16) | (5) | (10) | (31) | (31) | (8) | (1) | (9) | 0 | (18) | 0 | 0 | 0 | 0 | 0 | |
| Change in restricted cash | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Other | (1) | (1) | (1) | | (3) | | | | | 0 | | 1 | | 0 | 1 | 0 | 0 | 0 | 0 | 0 | |
| Acquisition funding by Expedia | | | | | 0 | | | | | 0 | | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Cash provided by (used in) financing | 570 | (8) | (212) | (7) | 343 | 287 | (7) | (12) | (7) | 261 | (10) | (2) | (11) | 0 | (23) | 0 | 0 | 0 | 0 | 0 | |
| Effect of exchange rate on cash and ca | (1) | | 4 | 3 | 6 | (2) | (2) | (3) | (4) | (11) | (4) | (17) | (17) | 0 | (38) | 0 | 0 | 0 | 0 | 0 | |
| Net increase (decrease) in cash and | 479 | (100) | (252) | (28) | 99 | 256 | 101 | (93) | 41 | 305 | 58 | 264 | 21 | 104 | 447 | (204) | 98 | 147 | 87 | 128 | |
| Beginning cash and equivalents | 319 | 798 | 698 | 446 | 319 | 418 | 674 | 775 | 682 | 418 | 723 | 781 | 1,045 | 1,066 | 723 | 1,170 | 966 | 1,064 | 1,211 | 1,170 | |
| Ending cash and equivalents | 798 | 698 | 446 | 418 | 418 | 674 | 775 | 682 | 723 | 723 | 781 | 1,045 | 1,066 | 1,170 | 1,170 | 966 | 1,064 | 1,211 | 1,298 | 1,298 | |

Source: Company reports and Ascendant Capital Markets estimates.

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.



| Report | Report Date | Rating | Price Target |
|--------|-------------|--------|--------------|
| 29 | 2/15/2018 | B | 48.00 |
| 30 | 5/9/2018 | B | 55.00 |
| 31 | 8/2/2018 | B | 56.00 |
| 32 | 11/8/2018 | B | 77.00 |
| 33 | 2/18/2019 | B | 70.00 |
| 34 | 5/9/2019 | B | 59.00 |
| 35 | 8/13/2019 | B | 52.00 |
| 36 | 11/14/2019 | B | 36.00 |
| 37 | 2/22/2020 | B | 35.00 |
| 38 | 5/26/2020 | B | 26.00 |
| 39 | 6/6/2020 | B | 32.00 |
| 40 | 8/8/2020 | B | 30.00 |
| 41 | 12/2/2020 | B | 36.00 |
| 42 | 2/21/2021 | B | 50.00 |
| 43 | 6/13/2021 | B | 54.00 |
| 44 | 8/8/2021 | B | 50.00 |
| 45 | 1/8/2022 | B | 40.00 |
| 46 | 3/27/2022 | B | 42.00 |
| 47 | 6/12/2022 | B | 36.00 |
| 48 | 9/13/2022 | B | 35.00 |

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Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 7, 2022)

| Rating | Count | Percent | Investment Banking Services Past 12 months | |
|--------|-------|---------|---|---------|
| | | | Count | Percent |
| Buy | 43 | 98% | 17 | 40% |
| Hold | 0 | 0% | 0 | 0% |
| Sell | 1 | 2% | 0 | 0% |
| Total | 44 | 100% | 17 | 39% |

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Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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