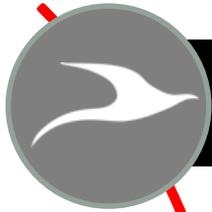




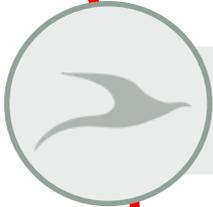
# T r i p A d v i s o r ( T R I P )

Presented by Steven Gorelik  
Firebird U.S. Value Fund, L.P.

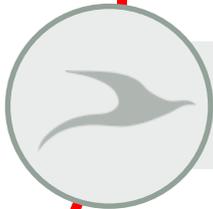




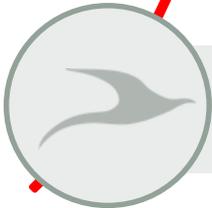
## 1. Firebird U.S. Value Fund Investment Approach



## 2. TripAdvisor- Quality



## 3. TripAdvisor- Concerns



## 4. TripAdvisor- Value



# Firebird U.S. Value Investment Approach

## Quality

We invest in companies with strong moats

- What is the source of competitive advantage?
- What is the value proposition to all stakeholders?

## Value

Cash flow focus

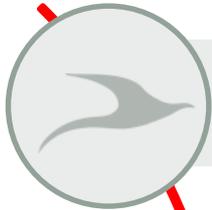
- Look at how the company generates and uses its cash
- Consider value derived from actual returns to investors (dividends + buybacks)

## Macro

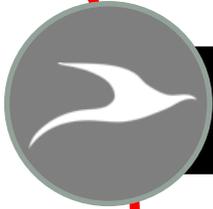
Macroeconomic analysis helps avoid value traps

- 20+ years of emerging market investing experience
- We don't simply "put-up with macro economics"

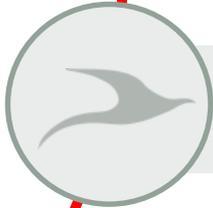




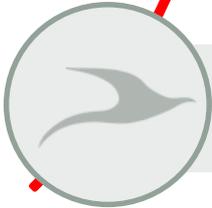
1. Firebird U.S. Value Fund Investment Approach



2. TripAdvisor- Quality



3. TripAdvisor- Concerns



4. TripAdvisor- Value



# TripAdvisor (TRIP)

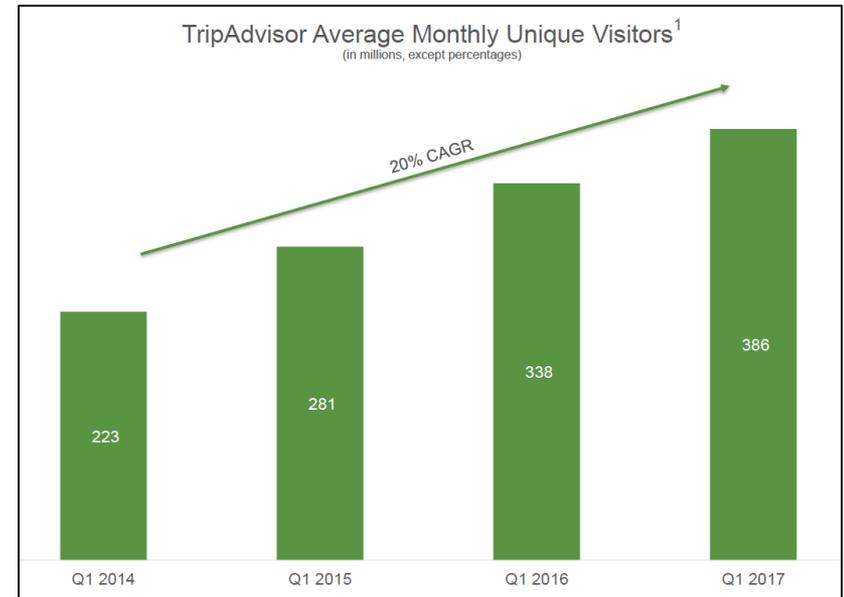
- The most trusted name in online travel advice<sup>1</sup>
- Over 500 million reviews and 390 million avg. monthly unique visitors
- TripAdvisor rankings influence over \$480 billion of travel spend annually<sup>2</sup>
- Controlled by John Malone's Liberty Media
- 80% of revenues comes from hotel listings which represent 15% of content
- Recent performance is influenced by investments in marketing and additional functionality
- Current valuation does not reflect recovering fundamentals of core business and potential contribution from non-hotel sources

1. Source LJ Research
2. The Global Economic Contribution of TripAdvisor



# TripAdvisor is everywhere

- Over 7 million listings globally including 1.9m accommodations and 4m+ restaurants
  - Restaurants and hotels display TripAdvisor stickers providing free advertising for the brand
- 500+ million reviews with average number of reviews per property growing exponentially
- Number of average monthly users is growing at 20% CAGR



# TripAdvisor makes travel better

- Candid traveler reviews reduce the likelihood of having a negative experience on vacation
- TripAdvisor works hard to maintain the quality of review on the site and as a result has the highest trust ratings amongst competitors
- Business owners see clear benefit from higher ranking on TripAdvisor and often spend time to address the comments in reviews

## Looking for lunch without TripAdvisor

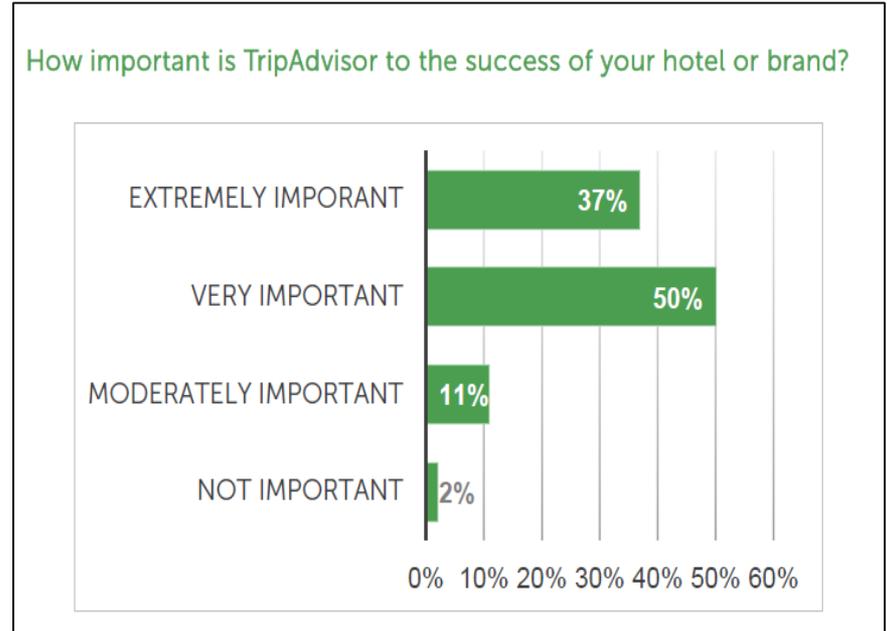
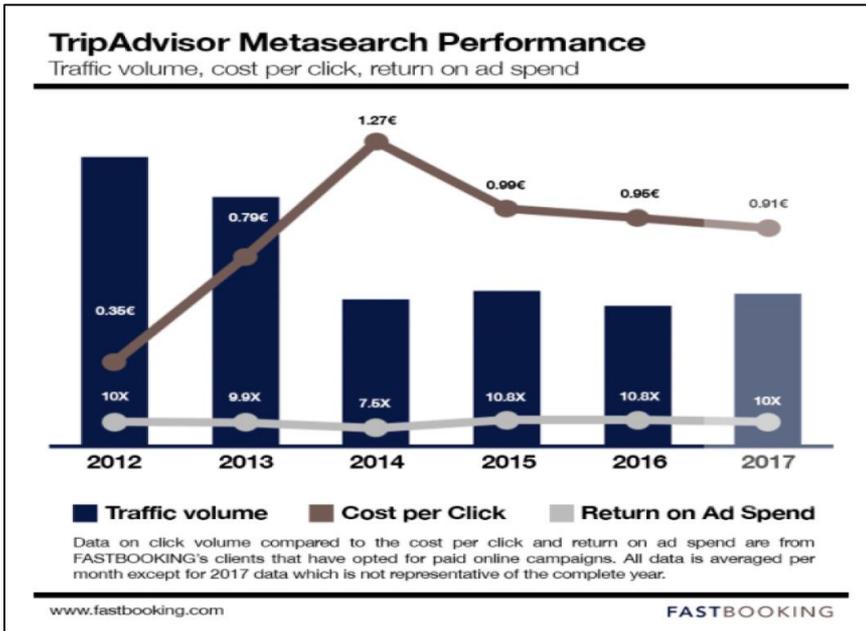


## Looking for lunch with TripAdvisor



# TripAdvisor is profitable for the travel ecosystem

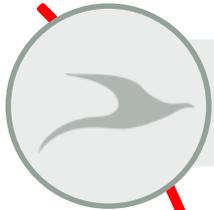
- Advertisers on TripAdvisor gain almost \$10 of sales per each \$1 spent on site
  - Most media channels provide 4x ROAS or less
- TripAdvisor ranking has statistically meaningful impact on likelihood of property's booking<sup>1</sup>
  - Most hotel owners believe that TripAdvisor is very important or extremely important to success of their business.



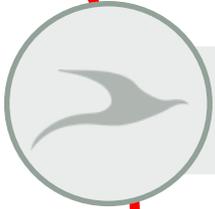
Source: ReviewPro

1. The Impact of Social media on Lodging performance – Cornell Hospitality report Nov 2012

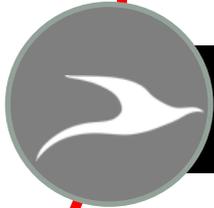
# Presentation Index



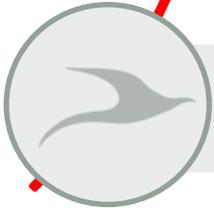
1. Firebird U.S. Value Fund Investment Approach



2. TripAdvisor- Quality



3. TripAdvisor- Concerns

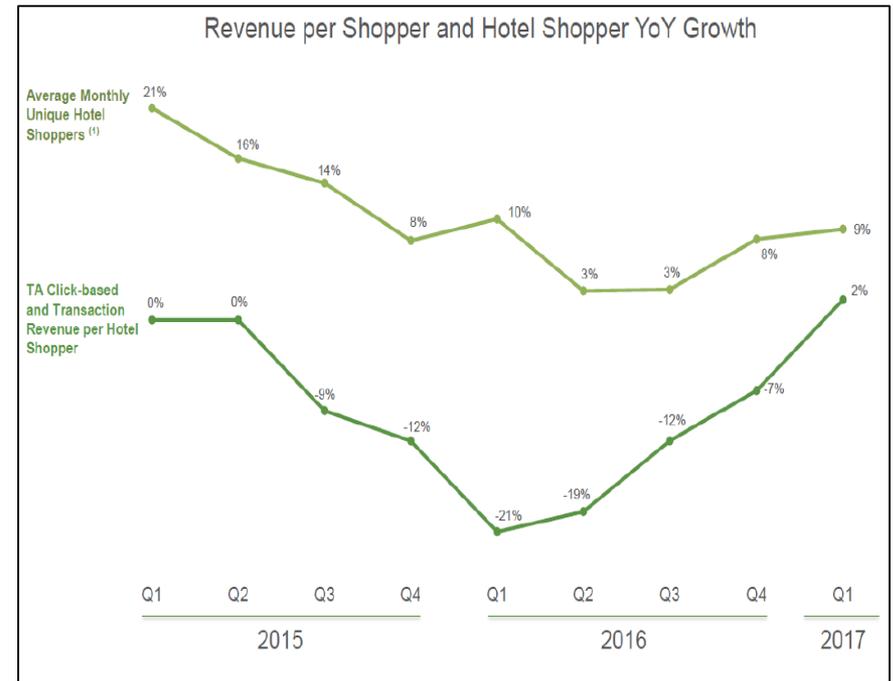
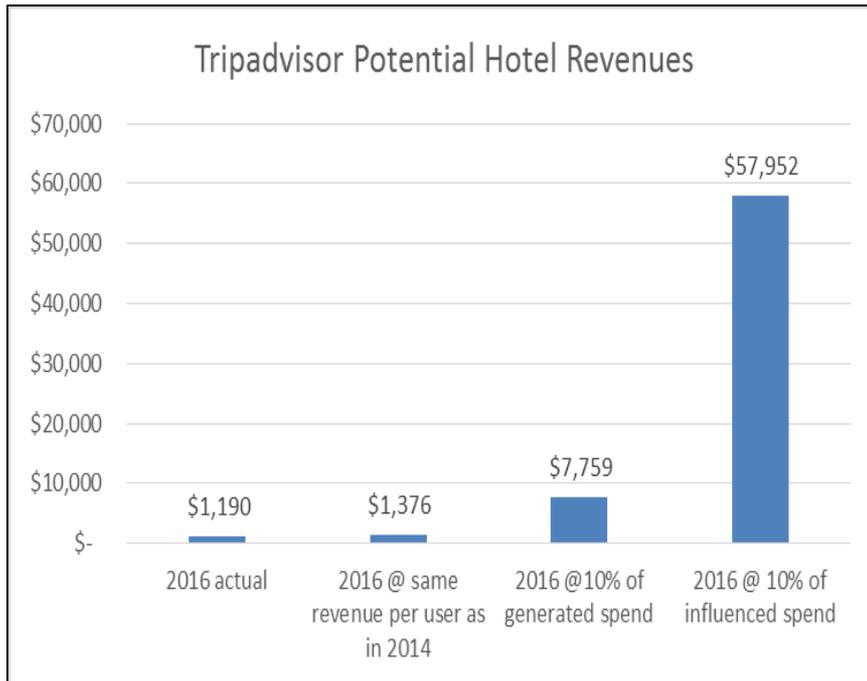


4. TripAdvisor- Value



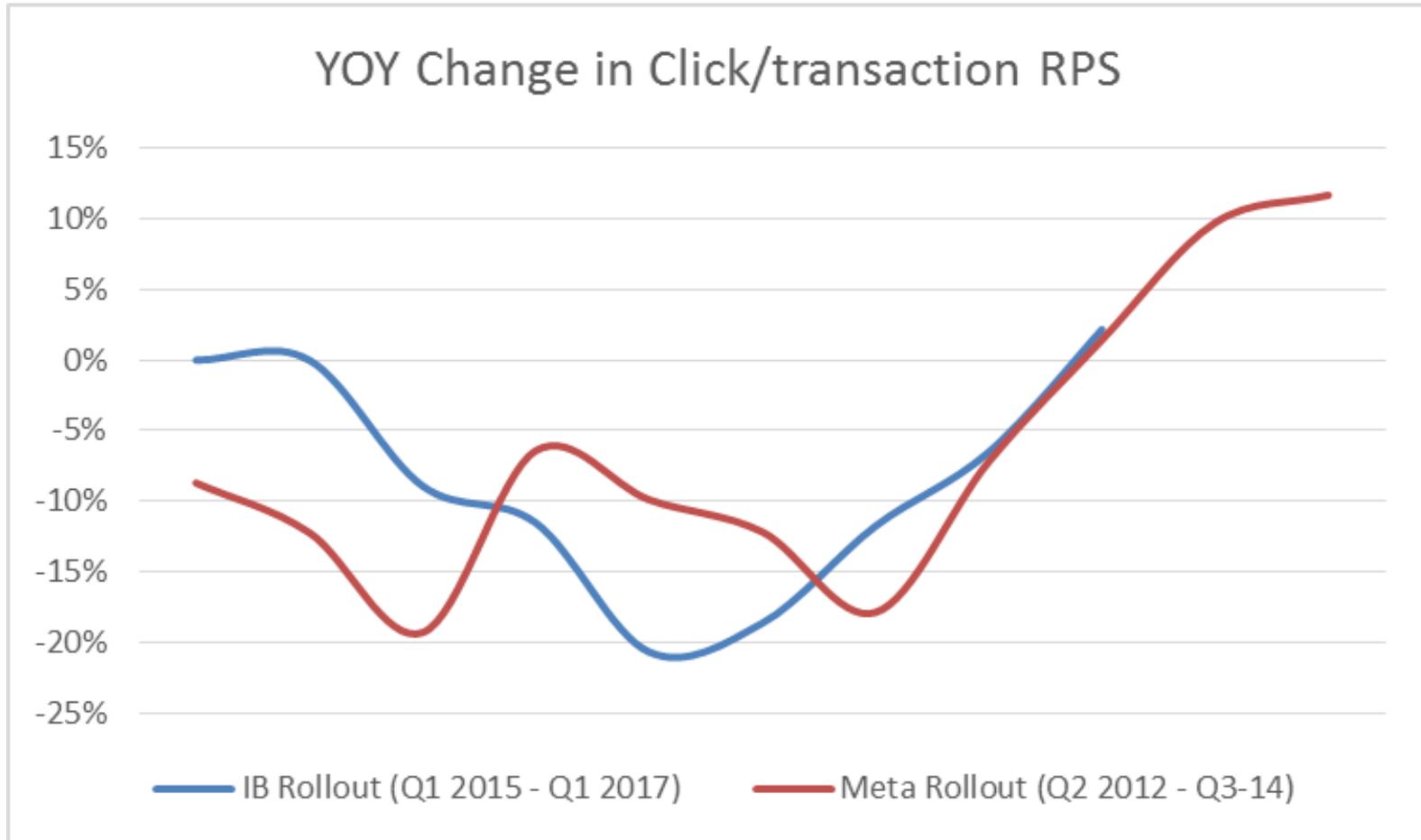
# Rollout of Instant Book Feature

- Since beginning of 2015 TripAdvisor has been investing heavy resources in rolling out Instant Book feature on its site
  - Goal was to provide customers ability to complete transaction without leaving the review site
  - Customers habits proved difficult to change in a short-term



# Rollout of Instant Book Feature (cont'd)

- Revenue per user trajectory is similar to the one following roll-out of meta search feature in 2013



Source: TripAdvisor filings, Firebird U.S. Value Fund calculations



# Rollout of Instant Book Feature (cont'd)

- In response to sluggish response, company has adjusted its approach to Instant Book roll-out

**White Elephant**  
327 Reviews | #7 of 14 Hotels in Nantucket | Certificate of Excellence  
Hotel website | (508) 273-2682 | E-mail hotel | 50 Easton Street, PO Box 2580, Nantucket, MA 02554  
Offers & Announcements | Hot Dates, Cool Rates

Savings alert: 26% below average rate  
Best prices for: 1 room - 2 guests -  
07/24/2015 - 07/25/2015

tripadvisor	\$945*	Book Direct >
Expedia	\$945*	View Deal >
Hotels.com	\$945*	View Deal >
Booking.com	\$975*	View Deal >
Travelocity	\$945*	View Deal >

Mid-range | Free Parking

*TripAdvisor offering used to be first on the list occupying highly valued space*

At the initial rollout, Instant Book was first on the page...

... it now has been deemphasized and is no longer occupying most expensive space

**The Sebastian - Vail**  
790 reviews | #4 of 30 Hotels in Vail | Certificate of Excellence  
(970) 321-0020 | Hotel website | E-mail hotel | 16 Vail Rd., Vail, CO 81657-5249  
Hotels.com \$325\* | View Deal >

PriceFinder  
05/21/2017 - 06/24/2017  
1 room | 1 adult | 0 children

Hotels.com	\$366*	View Deal >
hotwire	\$325*	View Deal >
Book on tripadvisor	\$325*	View Deal >

Private | \$366\* | Preferred Hotels | \$338\* | View all 14 deals -  
Travelocity | \$325\* |

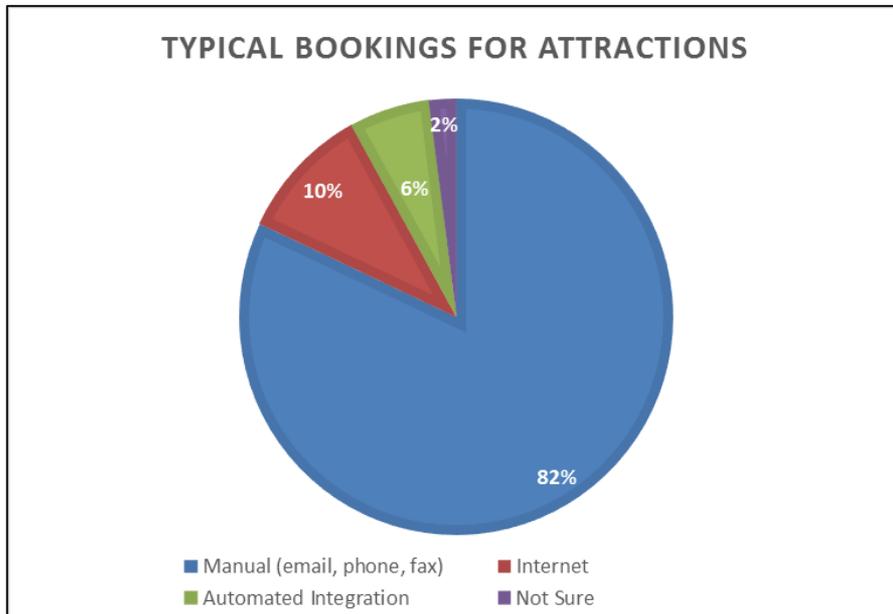
Luxury | Pets Allowed | Pool

*Links Generating Click Through Revenues are the first thing traveler sees*



# Non-Hotel Travel Spending

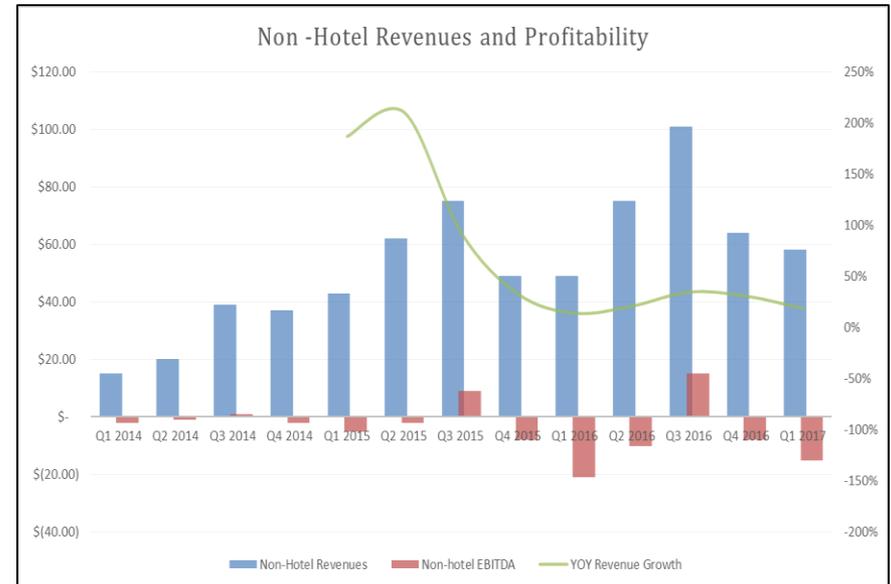
- Travelers spend more money during the trip on restaurants and attractions than on hotels
  - \$130B per year is spent on activities with vast majority of bookings happening off-line
  - Highly fragmented industry lacking scale and sophistication
  - % of travelers researching local activities on phones doubled in last four years



# Non-Hotel TripAdvisor Content

- 85% of TripAdvisor's listings and 60% of traffic comes from restaurants, attractions, vacation rentals, etc...
- TripAdvisor spent over \$400 million on acquisitions building out bookable capabilities in this segment
- Organic growth of 20%+
- Profitability should turn positive at year end after a period of significant investments in marketing and bookable supply

TripAdvisor acquisitions in non-hotel space				
Date	Acquisition	Region	Segment	Price (\$mIn)
6/6/2014	LaFourchette	France/Europe	Restaurants	n/a
7/14/2014	Viator	Global	Attractions	\$ 200.00
1/8/2015	lens	Netherlands	Restaurants	n/a
2/6/2015	Restopolis	Italy	Restaurants	n/a
5/20/2015	Dimmy Pty	Australia	Restaurants	n/a
4/28/2016	HouseTrip	U.K.	Holiday Rentals	n/a
10/4/2016	Eatigo	Thailand	Restaurants	\$ 15.50
10/27/2016	Couverts	Netherlands	Restaurants	n/a



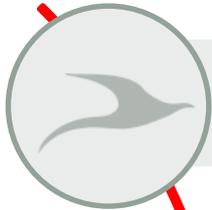
# TripAdvisor Margins

- TripAdvisor EBITDA margin came down from 46% in 2011 to 18% in 2016
  - Most of the decline came as a result of heavy investment in technology, marketing, and integration costs
  - Should normalize to around 32-35% by 2019

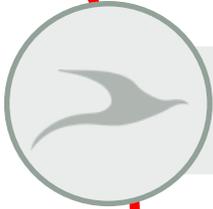
	2011	2012	2013	2014	2015	2016	Normalized
Revenue	\$ 637.1	\$ 763.0	\$ 944.7	\$ 1,246.0	\$ 1,492.0	\$ 1,480.0	
COGS	\$ 10.9	\$ 12.1	\$ 17.7	\$ 40.0	\$ 58.0	\$ 71.0	
as % of sales	1.7%	1.6%	1.9%	3.2%	3.9%	4.8%	3.0%
<b>Selling and marketing</b>	<b>\$ 209.2</b>	<b>\$ 266.2</b>	<b>\$ 368.4</b>	<b>\$ 502.0</b>	<b>\$ 692.0</b>	<b>\$ 756.0</b>	
<b>as % of sales</b>	<b>32.8%</b>	<b>34.9%</b>	<b>39.0%</b>	<b>40.3%</b>	<b>46.4%</b>	<b>51.1%</b>	<b>40.0%</b>
Technology and Content	\$ 57.4	\$ 86.6	\$ 130.7	\$ 171.0	\$ 207.0	\$ 243.0	
as % of sales	9.0%	11.4%	13.8%	13.7%	13.9%	16.4%	14.0%
G&A	\$ 44.8	\$ 75.6	\$ 130.7	\$ 128.0	\$ 210.0	\$ 143.0	
as % of sales	7.0%	9.9%	13.8%	10.3%	14.1%	9.7%	10.0%
Depreciation	\$ 18.4	\$ 20.0	\$ 29.5	\$ 47.0	\$ 57.0	\$ 69.0	
as % of sales	2.9%	2.6%	3.1%	3.8%	3.8%	4.7%	
Amortization	\$ 7.5	\$ 6.1	\$ 5.7	\$ 18.0	\$ 36.0	\$ 32.0	
as % of sales	1.2%	0.8%	0.6%	1.4%	2.4%	2.2%	
<b>EBITDA</b>	<b>\$ 298.64</b>	<b>\$ 322.37</b>	<b>\$ 329.80</b>	<b>\$ 405.00</b>	<b>\$ 325.00</b>	<b>\$ 267.00</b>	
<b>as % of sales</b>	<b>47%</b>	<b>42%</b>	<b>35%</b>	<b>33%</b>	<b>22%</b>	<b>18%</b>	<b>33%</b>



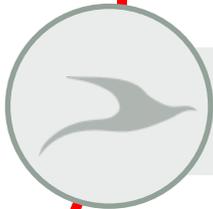
# Presentation Index



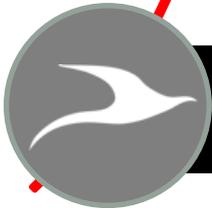
1. Firebird U.S. Value Fund Investment Approach



2. TripAdvisor- Quality



3. TripAdvisor- Concerns



4. TripAdvisor- Value



# Cash Flow Generation & Allocation

- Most of the cash is spent on M&A or buybacks at the time when shares are particularly undervalued
- TRIP spent over \$200m on buybacks since beginning of Q4 2016
- Last significant buybacks were in Q4 2013 after which price appreciated by 50% within six months

	2013	2014	2015	2016	Q1 2017
Sales	\$ 945	\$ 1,246	\$ 1,492	\$ 1,480	372
EBITDA	\$ 330	\$ 405	\$ 325	\$ 267	54
Operating Cash Flow	\$ 350	\$ 387	\$ 382	\$ 321	134
<b>OCF as % of EBITDA</b>	<b>106%</b>	<b>96%</b>	<b>118%</b>	<b>120%</b>	<b>248%</b>
CapX	\$ 55	\$ 81	\$ 109	\$ 72	18
as % of OCF	16%	21%	29%	22%	13%
<b>FCF</b>	<b>\$ 295</b>	<b>\$ 306</b>	<b>\$ 273</b>	<b>\$ 249</b>	<b>\$ 116</b>
<b>as % of sales</b>	<b>31%</b>	<b>25%</b>	<b>18%</b>	<b>17%</b>	<b>31%</b>
<i>Uses</i>					
M&A	\$ 35	\$ 331	\$ 4	\$ 43	\$ -
as % FCF	12%	108%	1%	17%	0%
Buybacks	\$ 109	\$ (23)	\$ (12)	\$ 98	147
as % FCF	37%	-8%	-4%	39%	127%



# Hotel Business EPV

- Hotel Business is under-earning as a result of heavy investment in marketing and depressed revenue per shopper
  - Number of monthly shoppers continues to grow
  - Weaker dollar and reduced impact of instant booking roll-out should bring segment back to historical levels of profitability
  - Hotel Segment alone is worth ~\$7.5 billion or 40% higher than current mcap

Hotels		2016 Actual	Normalized
Monthly Users		137	145
Revenue per user	\$	8.69	\$ 10.00
Hotel Revenues	\$	1,190	\$ 1,450
EBITDA Margin		32%	40%
<b>EBITDA</b>	<b>\$</b>	<b>380</b>	<b>\$ 580</b>
Multiple			13.x
<b>Value</b>			<b>\$ 7,540.00</b>



# Non-Hotel Business EPV

- Non-Hotel Business is going through period of heavy investment
- Profitability is expected to turn positive by year end
- Other companies in the space have EBITDA margins of 20-30%
- **On EV/Sales basis TRIP non-hotel business is worth \$1.1-\$1.3B today**

Peer Companies	Sales			CAGR	EBITDA Margin	EV/Sales		
	2015	2016	2017e			2015	2016	2017e
YELP INC	\$713	\$857	\$1,008	19%	17%	2.8x	2.3x	2.x
OPENTABLE INC	\$162	\$190		18%	34%	7.4x	6.3x	
GRUBHUB INC	\$493	\$652	\$801	27%	28%	7.x	5.3x	4.3x
<b>Average</b>				<b>21%</b>	<b>26%</b>	<b>5.7x</b>	<b>4.6x</b>	<b>3.1x</b>
<b>TripAdvisor non-hotel</b>	\$229	\$290	\$363	<b>26%</b>	<b>-10%</b>		<b>\$1,338</b>	<b>\$1,135</b>



# TripAdvisor Valuation

- Each position in Firebird U.S. Value Fund is considered based on the long-term IRR that includes dividends and share buybacks
- TripAdvisor 5 year IRR is estimated at ~30% once intermediate cash flows are taken into account\*

## IRR

Date	6/16/2017	6/30/2017	5/31/2018	5/31/2019	12/31/2019
Purchase Price	(5,478)				
Dividend		-	-	-	
Buyback (1/2 of EBITDA)		177	242	317	
Exit MCAP @ avg. comps multiple					9,572
Total CFs	(5,478)	177	242	317	9,572
<b>IRR</b>		<b>29.9%</b>			

- Hotel at 13x  
EV/EBITDA  
- Non-Hotel at 3x  
Revenues-

- Current Fair Market Value of TRIP is ~\$60 per share (60% to 70% upside)

	Current Value	Pessimistic	Normalized	Optimistic
<b>Hotel Business</b>				
EBITDA	\$	380	\$ 537	\$ 609
Multiple		13.x	13.x	16.x
EV	\$	4,940	\$ 6,975	\$ 9,744
<b>Non-Hotel</b>				
Revenues	\$	350	\$ 350	\$ 350
EV/REV Multiple		3.x	3.5x	4.x
EV	\$	1,050	\$ 1,225	\$ 1,400
Net Debt	\$	(532)	\$ (532)	\$ (532)
MCAP	\$	6,522	\$ 8,732	\$ 11,676
per share	\$	44.98	\$ <b>60.22</b>	\$ 80.52
Upside		19%	<b>59%</b>	113%



# Summary & Contact

- The most trusted name in travel influencing close to \$500B of purchasing decision annually
- Intrinsic value is increasing with each new monthly user, property, and review
- Margins are temporarily depressed due to overspending on new features
- Non-Hotel is a big opportunity
- Upside of ~60% from current levels



Steven Gorelik  
E-mail: [sgorelik@fbird.com](mailto:sgorelik@fbird.com)  
Tel: +1 212.698.9260  
Firebird Management LLC  
<http://www.fbird.com>  
152 West 57th Street,  
24th floor,  
New York, New York 10019



# Disclaimer

---

Steve Gorelik is a portfolio manager for Firebird Management LLC (“Firebird”). This report was prepared based upon information from sources that are believed to be reliable. However, neither Mr. Gorelik nor Firebird make any representation or warranty as to the accuracy or completeness of the information contained in this report. This report may include estimates and projections. No representation is made as to the accuracy of such estimates or projections or that such projections will be realized. Mr. Gorelik and Firebird have no obligation to update or keep current any information or projections contained in this report. Firebird is registered as an investment adviser with the U.S. Securities and Exchange Commission. Mr. Gorelik, Firebird and Firebird’s principals, employees and affiliates and accounts managed or advised by Firebird own interests in securities issued by TripAdvisor, Inc.



# Appendix: TRIP Marketing Spend

- Direct marketing costs include Search engine marketing, other online acquisition costs, and TV
- This category of spending has been growing while revenue per monthly user declined
  - Non-hotel users generate much lower revenue for now but are still costly to bring in

Selling and marketing excl. tv	2012	2013	2014	2015	2016	CAGR	Q1 2016	Q1 2017
Revenue	\$ 637	\$ 763	\$ 945	\$ 1,246	\$ 1,492		\$ 352	\$ 372
<b>per monthly user</b>	<b>\$ 3.8</b>	<b>\$ 3.6</b>	<b>\$ 4.9</b>	<b>\$ 4.8</b>	<b>\$ 4.2</b>	<b>2.0%</b>		
growth		-4.8%	36.1%	-2.0%	-13.0%			
Direct Costs			\$ 347	\$ 514	\$ 554		\$ 123	\$ 155
excl. TV	\$ 177	\$ 243	\$ 314	\$ 463	\$ 554		\$ 123	\$ 155
<b>per monthly user</b>	<b>\$ 0.89</b>	<b>\$ 0.93</b>	<b>\$ 1.25</b>	<b>\$ 1.50</b>	<b>\$ 1.58</b>	<b>12.3%</b>	<b>\$ 0.36</b>	<b>\$ 0.40</b>
growth		5.6%	33.3%	20.6%	5.0%			9.9%
Personnel	\$ 89	\$ 125	\$ 155	\$ 178	\$ 202		\$ 49	\$ 52
as % of sales	11.7%	13.2%	12.4%	11.9%	13.6%		13.9%	14.0%





Explore more presentations at [VALUExVail.com](http://VALUExVail.com)

To receive updates for future events, [click here](#)