



TripAdvisor, Inc.

Initiating Coverage with BUY and \$76 Target

Growth and scale to drive the world's largest online travel review website. We recommend the stock and believe its valuation will increase as it benefits from strong global growth in online travel.

COVERAGE INITIATION

Rating: Buy

Ticker: TRIP
Price: \$61.09
Target: \$76.00

Leading position in online travel: We believe TripAdvisor's position as one of the largest online travel companies will drive continued solid growth over the near and long term. TripAdvisor should benefit from increasing consumer awareness and usage, an improving travel industry, the increasing trend toward online travel, and high growth potential in international markets.

Benefiting from travel advertising growth: As the travel industry improves and consumers spend more time on the Internet, we believe online travel advertising will continue to grow (+10% per year).

Solid travel industry growth: The global travel industry is expected to grow 3 - 5% over the next several years. Despite near-term uncertainty with macro economic conditions, most current metrics of the travel industry are positive and are likely to remain so near term.

Shift to online travel: The U.S. leads in the transition away from purchasing travel products from offline channels to online channels, and we expect this will drive increased usage of the Internet to research and assist online travel purchases. Over 50% of all travel in the U.S. is purchased online, but the rate is lower in Europe (~42%), and even lower in Asia (~24%) despite having travel markets that are almost similar in size to the U.S.

Well positioned for growth: The company is benefiting from the "network effect" as increases in its travel content and consumer traffic drives further growth for both. We believe that the company's recent investments in mobile, business listings, vacation rentals, and international growth will drive continued high growth.

Recent momentum positive: TripAdvisor's recent financial results have been strong, with revenue growth of 20% in 2012 and 32% in 2011. The company reported Q1 2013 revenue and EBITDA growth of +25% and +30% y-o-y respectively. The company's 2013 revenue guidance is for growth in "the low 20s%".

Positive risk versus reward: As TripAdvisor's growth rate is well above its peers, we believe that its current valuation is under valuing its growth prospects. We believe this results in a positive risk versus reward scenario for an investment in TripAdvisor. Even with strong share price appreciation over the past six months (+46% YTD), we believe there is still significant upside to current share price.

Current valuation attractive: Our \$76 price target is calculated by applying a forward P/E of 35x our 2014 EPS estimate of \$2.18. This P/E multiple is ~50% above the current 2013 forward peer group median of 23.5x for online travel companies to reflect our expectations for TripAdvisor to grow earnings well above the rate of its peers over the next several years.

Company Description

Based in Newton, 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

July 18, 2013

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$28.63 – 65.41
Shares Outstanding (million):	145
Market cap (\$million):	\$8,858
EV (\$million):	\$8,652
Debt (\$million):	\$391
Cash (\$million):	\$597
Avg. Daily Trading Vol. (\$million):	\$126
Float (million shares):	112
Short Interest (million shares):	16
Dividend, annual (yield):	\$0 (NA%)
Incorporation:	Delaware
Public auditor:	Ernst & Young LLP

Revenues (US\$ million)

	2011A	2012A	2013E	2014E
Q1 Mar	149A	184A	230A	281E
Q2 Jun	169A	197A	237E	289E
Q3 Sep	181A	213A	260E	317E
Q4 Dec	138A	169A	210E	256E
Total	637A	763A	936E	1,142E
EV/Revs	13.6x	11.3x	9.2x	7.6x

Earnings per Share (pro forma)

	2011A	2012A	2013E	2014E
Q1 Mar	0.38A	0.38A	0.50A	0.56E
Q2 Jun	0.43A	0.41A	0.48E	0.60E
Q3 Sep	0.44A	0.46A	0.46E	0.60E
Q4 Dec	0.22A	0.29A	0.27E	0.42E
Total	\$1.45A	\$1.54A	\$1.71E	\$2.18E
P/E	42x	40x	36x	28x

EBITDAS* (US\$ million)

	2011A	2012A	2013E	2014E
Q1 Mar	82A	84A	109A	127E
Q2 Jun	93A	97A	108E	135E
Q3 Sep	93A	107A	104E	136E
Q4 Dec	55A	64A	67E	100E
Total	323A	353A	388E	498E
EV/EBITDAS	27x	25x	22x	17x

*EBITDAS defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.

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 24.



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Exhibit 1: TripAdvisor Stock Price (since spin-off from Expedia in December 2011)



Source: Nasdaq.com

INVESTMENT THESIS

We are initiating coverage of TripAdvisor with a BUY rating and a 12-month price target of \$76.

We believe that TripAdvisor's position as the world's largest online travel review company should drive continued strong growth as it benefits from increasing consumer awareness and usage, an improving travel industry, the increasing trend toward online travel (both for information and to purchase), and high growth potential in international markets.

TripAdvisor's recent financial results have been strong, with solid revenue growth of 20% in 2012 and 32% in 2011. The company is benefiting from the "network effect" as increases in its travel content and consumer traffic drives further growth for both and makes them more valuable. We believe that the company's recent investments in mobile, business listings, vacation rentals, and international growth will drive continued high growth rates over the next several years.

We believe TripAdvisor is a good investment to benefit from the expected strong growth in online travel, and expect its share price to increase over the near term as it continues its high revenue and earnings growth. We believe TripAdvisor is well positioned to leverage its investments in consumer branding, global reach, travel supplier and advertiser relationships into high revenue growth which should drive operating margin leverage.

Our investment thesis factors in a competitive industry offset by the large opportunities created from the increasing growth of online travel. We believe that the current valuation for TripAdvisor is under valuing its growth prospects, resulting in a positive risk versus reward scenario for an investment in the company.

We believe the current valuation is attractive.

Our \$76 price target is calculated by applying a forward P/E of 35x our 2014 EPS estimate of \$2.18. This P/E multiple is ~50% above the current 2013 forward peer group median of 23.5x for online travel companies to reflect our expectations for TripAdvisor to grow earnings well above the rate of its peers over the next several years. We believe this also appropriately balances out the company's risks with the company's growth prospects.

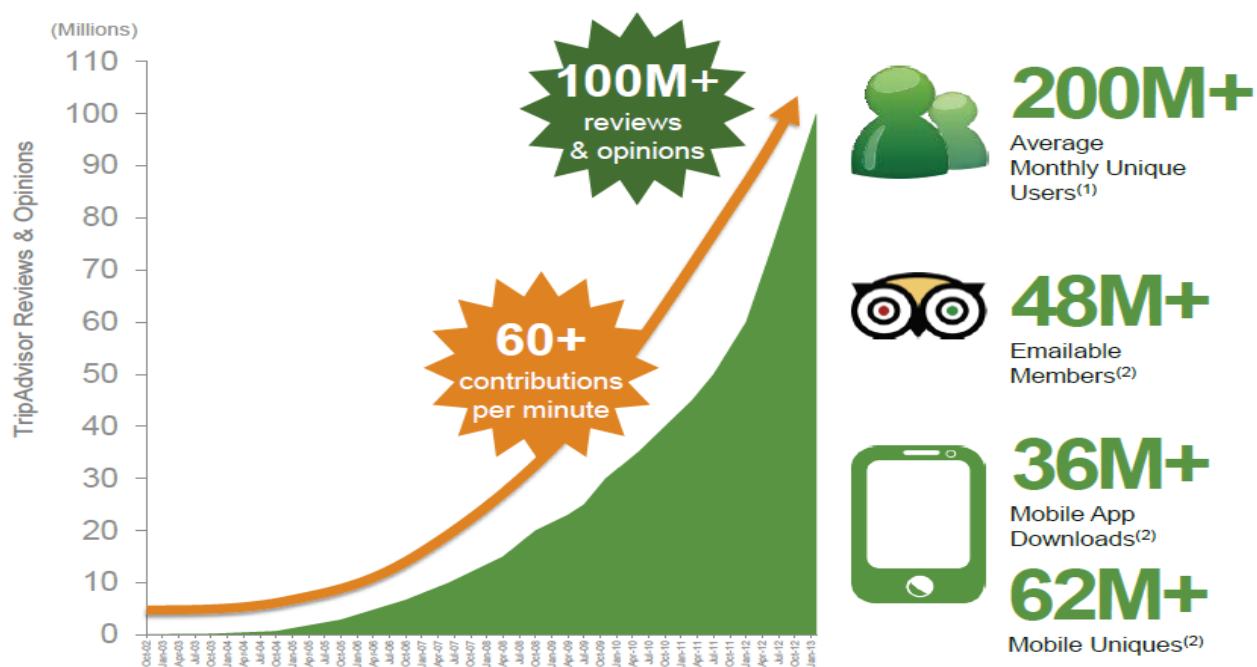
INVESTMENT HIGHLIGHTS

#1 Online Travel Review Website

TripAdvisor is the world’s largest online travel review company. The company has size, scale, and branding, particularly with consumers who are looking for travel information. TripAdvisor has over 100 million user reviews (covering more than 670,000 hotels and accommodations and over 1.2 million restaurants and attractions in more than 120,000 destinations throughout the world) and on average users add over 60 pieces of content every minute. The company has a large and growing community of users who research, contribute, and influence trip planning and travel purchases.

With its large breadth of content, travelers gravitate to TripAdvisor, and through this cycle (the “network effect”), more user content is generated, driving growth in its community, traffic, loyalty, and search engine rankings. We believe TripAdvisor’s position as one of the largest online travel companies will drive continued solid growth over the near and long term.

Exhibit 2: TripAdvisor’s Community, Content, and Mobile Growth



Source: Company report

Leading Market Position

We believe TripAdvisor’s leading market share positions it well for future revenue growth, which should drive operating margin leverage. The key to success in the online travel business is having size and scale, with a large customer base and supplier base likely driving growth for each other. Consumers want to be able to access the widest variety of travel options and information. Suppliers of travel (airlines, hotels, car rental companies, cruises, vacation packagers) want to maximize revenue, usually by exposure and sales to the largest audience possible. As one of the world’s leading online travel websites, TripAdvisor is able to offer both. In addition, technology, ease of use, and branding are also important. As fixed costs are high for online travel companies (mainly due to investment in technology and marketing), we believe TripAdvisor is able to invest in branding and technology for future growth.

Benefit from Growth in Online Travel

TripAdvisor should benefit from high growth rates in online travel commerce and advertising. The U.S. leads in the transition away from traditional travel agents and purchasing travel products from offline channels to online channels. Over 50% of all travel in the U.S. is purchased online. However, the rate is lower in Europe (~42%), and even lower in Asia (~24%), despite having travel markets that are almost similar in size to the U.S. With Internet usage rates increasing globally, we believe that online travel commerce will continue to grow, presenting major opportunities for online travel companies.

With increasing Internet usage (both in time spent and users), advertising and media spending is increasingly moving online. In the U.S., the online advertising market was \$37 billion in 2012 (+15% from 2011). Despite the rapid increase, online advertising is still only ~20% of total U.S. advertising spending, so there is still significant room for growth. It is estimated that travel companies spent \$3.3 billion in travel advertisement in the U.S. in 2012 (Kantar Media, 2012). According to the International Data Corporation, only 19% of the approximately \$41 billion spent on global travel advertising is spent online. As consumers have increasingly turned to the Internet to research, compare, and book travel, so have advertisers who want to reach them.

Benefiting from Integrated Online Travel Information

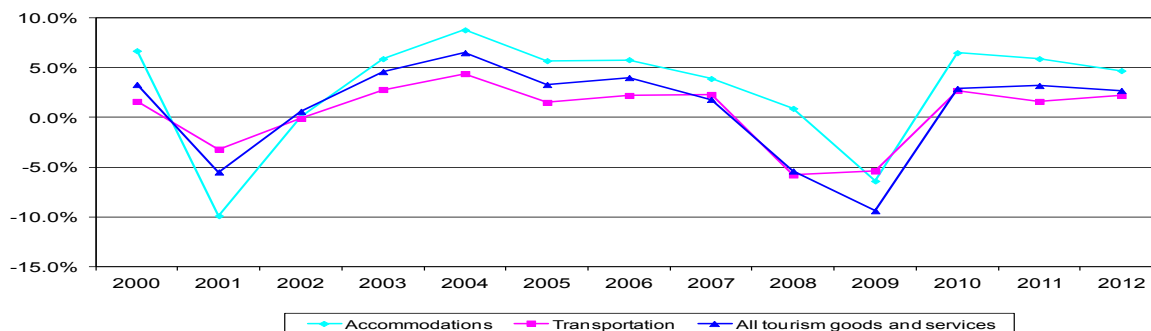
We believe strong growth opportunities for online travel and advertising should temper concerns about Google [Nasdaq:GOOG; Not Rated] and other competition for selling travel and advertising. Google is the world’s largest Internet advertising company due to its leadership in search advertising. Over the past couple of years, Google has been increasing its travel-related services, but currently does not sell travel products and only directs consumers to other websites. We believe that the market for online advertising is growing large enough for TripAdvisor to also grow its advertising business.

As TripAdvisor is not an OTA (though it was part of Expedia [Nasdaq:EXPE; Buy] before 2011), we believe this allows it to maintain its mutually beneficial relationships with both suppliers and OTAs (its core advertisers). TripAdvisor is constantly trying to improve its user experience by adding company generated content along with better advertising integration to make it easier for users to research and purchase travel (through its advertising partners). We believe that consumers’ desire for convenience, options, and pricing makes aggregators of travel information and services the preferred place to research and purchase travel.

Improving Travel Industry

We believe an improving travel industry bodes well for TripAdvisor whose revenue is generated all within the travel industry. After two years of industry decline in 2008 and 2009 amid the Great Recession and global economic slowdown, the global travel industry grew 3% in 2010, 2011, and 2012 and is expected to grow another 3% in 2013 (according to World Travel & Tourism Council). The U.S. travel industry is also expected to share a similar growth pattern, with 5% growth in 2012 and an expected 4% growth in 2013.

Exhibit 3: U.S. Tourism Spending Growth

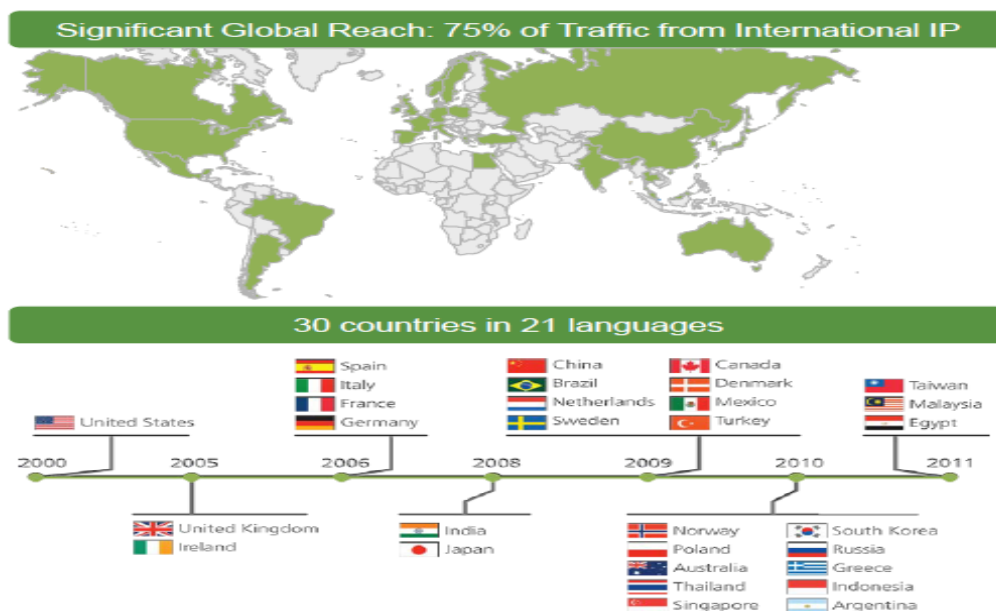


Source: U.S. Bureau of Economic Analysis

International Opportunities

TripAdvisor has a strong global reach as it generates approximately half (49% of revenue in 2012) of its business outside the U.S. Its international business has been growing faster than its overall business with revenue growth of +30% in 2012 and +55% in 2011. We believe international opportunities have higher growth potential due to the much larger travel markets and lower online travel penetration with consumers. We believe there are still significant opportunities for growth for TripAdvisor as it has a strong presence and exposure to many of the fastest growing economies and travel markets in the world.

Exhibit 4: TripAdvisor International Opportunities



Source: Company report

INVESTMENT CONCERNS

Highly Competitive Environment

TripAdvisor competes with online advertising companies such as Google, Yahoo! [Nasdaq:YHOO; Not Rated], and Microsoft/Bing [Nasdaq:MSFT; Not Rated], along with traditional media companies such as newspapers, television, and radio for advertising revenue. The biggest challenge is against other online companies with larger client bases, greater resources, and access to proprietary search engines, which could result in higher traffic acquisitions costs and reduced margins, advertisers, and customer traffic for TripAdvisor.

TripAdvisor also directly competes with online and offline travel agencies and travel suppliers for the sale of travel advertisements. Online travel agencies such as Expedia, Priceline.com [Nasdaq:PCLN; Buy], Orbitz [NYSE:OWW; Buy], and Travelocity compete with TripAdvisor as a resource for travel content and purchases on factors such as content and supply breadth, technology and ease of use. As TripAdvisor looks for growth in international markets, it may have a more difficult time operating in these markets due to entrenched competition.

Threat From Google

Online search engines, predominantly Google since it is the world’s largest, are becoming major players in the online travel industry. Although Google (along with the other major search engines), are currently not selling travel products directly, they do

influence consumers' selection of where to purchase travel through their search and advertisement listings. In particular, Google has been making a big push into travel information and commerce. In 2011, Google completed its acquisition of ITA Software, a flight-information software company, for \$700 million. The acquisition of ITA enables Google to create online search tools, such as recommending specific flights and their availability and pricing. Google has launched Google Flight Search and Google Hotel Finder which provide information, availability and pricing for airlines and hotels. In direct competition to TripAdvisor, Google Reviews provides traveler opinions, reviews, and other travel content. Google could use its dominance in search to direct traffic to its own products, which may lower traffic to TripAdvisor's websites.

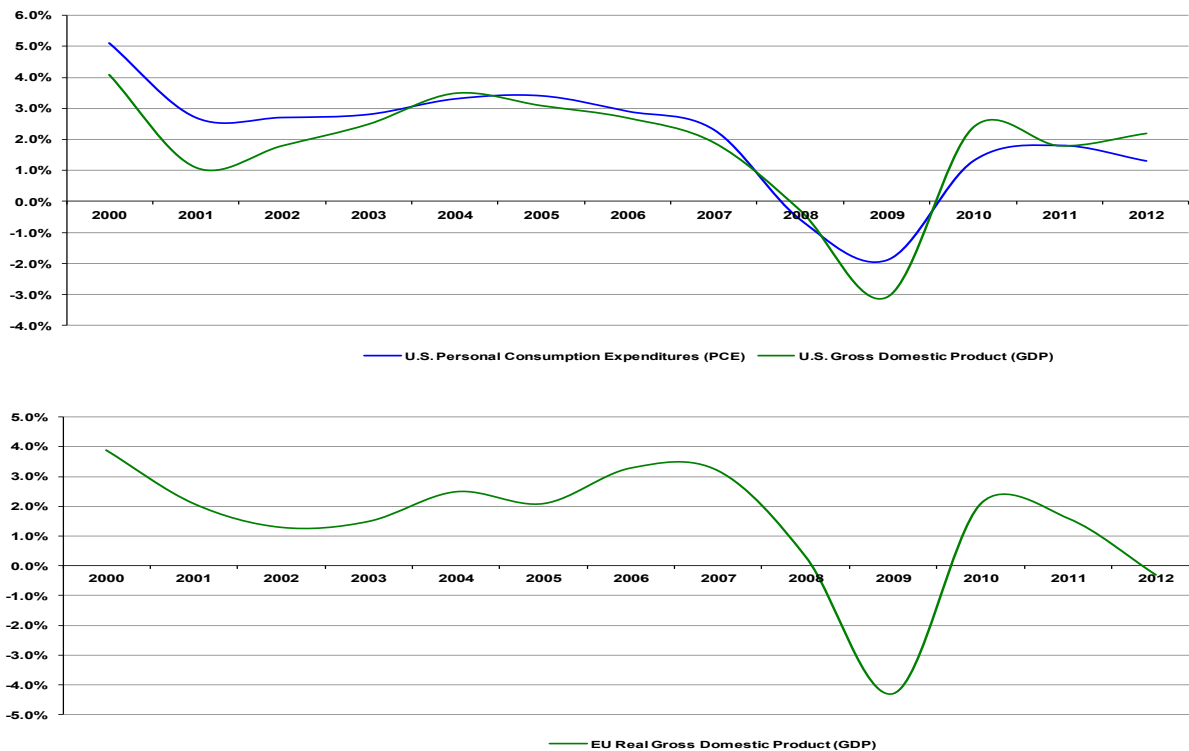
Dependence on Expedia

TripAdvisor was formally a part of Expedia (the world's largest OTA) until December 2011 when the company was spun-off to Expedia's shareholders. Although TripAdvisor and Expedia are now independent companies, Expedia remains TripAdvisor's largest customer and accounted for 27% of TripAdvisor's 2012 revenue. TripAdvisor's heavy reliance on Expedia may subject it to concentration risk with Expedia.

Economic Uncertainty

Travel spending is highly correlated with economic activity and discretionary income levels. Deterioration in economic conditions tends to result in an overall decline in consumer and travel spending, as was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels have improved relatively in 2010, 2011, and 2012, the global macroeconomic environment remains fragile (particularly in Europe). Further economic weakness may result in depressed consumer and travel spending levels; this may have a negative impact on TripAdvisor, its advertisers, travel suppliers, and consumers.

Exhibit 5: U.S. and European Consumer Spending and Economic Growth



Source: U.S. Bureau of Economic Analysis and Eurostat

Concentrated Ownership

Liberty Interactive [Nasdaq:LINTA; Not Rated] owns ~22% of TripAdvisor's shares and ~57% of its votes. Thus, Liberty Interactive has control of the company and it would be difficult for other shareholders to make major business decisions for TripAdvisor.

VALUATION

We are initiating coverage of TripAdvisor with a BUY rating and a 12-month price target of \$76, which reflects a target P/E multiple of 35x our 2014 EPS estimate of \$2.18. This P/E multiple is a ~50% premium above the current 2013 forward peer group median of 23.5x for online travel companies to reflect our expectations for TripAdvisor to grow earnings well above the rate of its peers over the next several years. Our earnings estimates are about in line with consensus expectations and represent ~19% average annual growth from 2012's EPS of \$1.54 (which compares with our estimated average annual growth of ~15% for its peers). We also believe this appropriately balances out the company's risks with the company's growth prospects.

Exhibit 6: Comparable Companies

In millions (unless otherwise noted), excluding per share data

Ticker	Rating	Target	Price				Diluted Shares	Market Cap	Enterprise Value (EV)	Earnings / Share		Price / EPS		Revenues		Ent Val (EV) / Rev		EBITDAS		Ent Val (EV) / EBITDA							
			Price	3s of close	52 Week Range	Low				High	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E					
TRIP	Buy	\$76	\$61.09	\$28.63	\$65.41	145	8,858	8,652	\$1.71	\$2.18	35.7x	28.0x	936	1,142	9.2x	7.6x	388	498	22.3x	17.4x							
Online Travel related																											
Expedia	EXPE	Buy	\$81	\$65.10	\$43.44	\$68.09	141	9,179	8,310	\$3.69	\$4.28	17.6x	15.2x	4,816	5,270	1.7x	1.6x	887	996	9.4x	8.3x						
HomeAway	AWAY	Not Rated	N/A	\$31.67	\$19.58	\$34.30	85	2,692	2,378	\$0.61	\$0.77	51.9x	41.1x	340	408	7.0x	5.8x	99	123	24.0x	19.3x						
Orbitz Worldwide	OWW	Buy	\$10	\$10.76	\$2.07	\$11.09	109	1,173	1,403	\$1.62	\$0.38	6.6x	28.3x	832	864	1.7x	1.6x	146	166	9.6x	8.5x						
Priceline.com	PCLN	Buy	\$975	\$906.68	\$563.42	\$926.40	52	47,147	43,420	\$38.60	\$44.00	23.5x	20.6x	6,710	7,875	6.5x	5.5x	2,522	2,949	17.2x	14.7x						
Travelzoo	TZOO	Neutral	\$32	\$32.68	\$16.56	\$33.95	15	503	438	\$1.16	\$1.30	28.2x	25.1x	158	168	2.8x	2.6x	31	33	14.1x	13.3x						
Online Travel related																											
Average																						25.6x	26.1x	3.9x	3.4x	14.9x	12.8x
Median																						23.5x	25.1x	2.8x	2.6x	14.1x	13.3x
Online Advertising related																											
AOL	AOL	Not Rated	N/A	\$37.50	\$27.14	\$43.93	77	2,888	2,524	\$1.49	\$1.85	25.2x	20.3x	2,243	2,292	1.1x	1.1x	424	451	6.0x	5.6x						
Facebook	FB	Not Rated	N/A	\$26.65	\$17.55	\$32.51	2,420	64,493	57,283	\$0.57	\$0.78	46.8x	34.2x	6,728	8,508	8.5x	6.7x	3,584	4,598	16.0x	12.5x						
Google	GOOG	Not Rated	N/A	\$918.55	\$562.09	\$928.00	332	304,959	262,239	\$46.11	\$53.30	19.9x	17.2x	60,320	70,542	4.3x	3.7x	21,831	25,205	12.0x	10.4x						
IAC/InteractiveCorp.	IACI	Not Rated	N/A	\$52.03	\$38.20	\$55.57	84	4,371	4,271	\$3.95	\$4.62	13.2x	11.3x	3,207	3,588	1.3x	1.2x	606	721	7.0x	5.9x						
Yahoo	YHOO	Not Rated	N/A	\$29.66	\$14.59	\$29.73	1,080	32,033	29,059	\$1.40	\$1.54	21.2x	19.3x	4,531	4,663	6.4x	6.2x	1,654	1,720	17.6x	16.9x						
Yelp	YELP	Not Rated	N/A	\$39.97	\$16.32	\$41.09	64	2,558	2,463	\$(0.15)	\$0.17	n/m	235.1x	219	313	11.2x	7.9x	23	50	107.1x	49.3x						
Online Advertising related																											
Average																						25.2x	56.2x	5.5x	4.5x	27.6x	16.8x
Median																						21.2x	19.8x	5.4x	5.0x	14.0x	11.4x

Note: For companies not under coverage, Thomson Reuters estimates are used

Source: Company reports, Thomson Reuters, and Ascendant Capital Markets estimates

We compare TripAdvisor to a peer group of publicly traded Internet companies and believe that online travel companies are the most comparable due to its heavy dependence on the travel industry. However, we note that multiples vary significantly between Internet travel and advertising companies; the variance is likely reflective of current financial performances and future growth expectations. TripAdvisor is trading at comparative multiples that are well above its peers to reflect its higher revenue and earnings

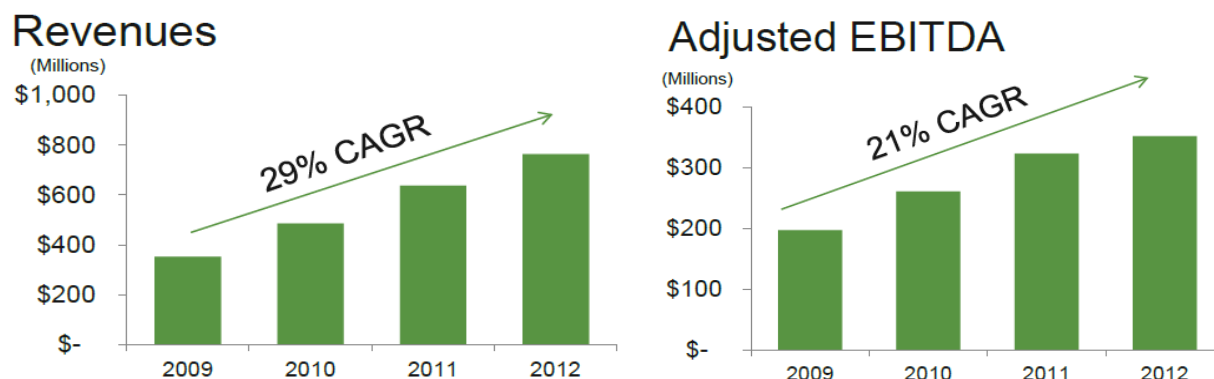
growth. On a P/E basis, TripAdvisor is trading at 28x 2014E EPS compared with the median of 25x. On an EV/Revenue basis, TripAdvisor is trading at 7.6x 2014E revenue compared with the median of 2.6x. On an EV/EBITDAS (operating income plus depreciation, amortization, and stock compensation) basis, TripAdvisor is trading at 17.4x 2014E EBITDAS compared with the median of 13.3x.

As TripAdvisor is likely to grow at a high rate over the next several years, we believe this will result in a comparative valuation closer with its peers. Even with large share price appreciation of +46% so far in 2013 (based on share price of \$41.92 on 12/31/12 and \$61.09 on 7/17/13), we believe that there is still significant upside to current share price.

COMPANY HIGHLIGHTS

Based in Newton, MA, TripAdvisor, Inc. is the world's largest online travel review company. TripAdvisor has over 100 million user reviews (covering more than 670,000 hotels and accommodations and over 1.2 million restaurants and attractions in more than 120,000 destinations throughout the world). TripAdvisor's key brands include SeatGuru (helping airline passengers find the right seat), Tingo (automated savings for hotel bookings), SniqueAway (hotel flash sale), and BookingBuddy (travel metasearch). In 2013, TripAdvisor has made numerous acquisitions including GateGuru (airport information), Niumba.com (Spanish vacation rentals), CruiseWise (cruise booking engine), Jetsetter.com (travel flash sale), and Tiny Post (travel social media). As of March 2013, TripAdvisor employed ~1,600 employees.

Exhibit 7: TripAdvisor's Revenue and EBITDA Growth



Source: Company reports and presentation

TripAdvisor was originally founded in February 2000. IAC/InterActiveCorp [Nasdaq:IACI; Not Rated], which owned Expedia at the time, acquired TripAdvisor for \$212 million in 2004. TripAdvisor became part of Expedia when IAC spun off Expedia in 2005. In April 2011, Expedia announced plans to spin off TripAdvisor (and 18 other travel media brands) into an independent company. On December 20, 2011, the transaction was completed as a tax-free spinoff to Expedia shareholders, with a one-for-two reverse stock split of Expedia's stock prior to the spinoff, then a distribution of one share of Expedia stock and one share of TripAdvisor stock following the spin-off.

In December 2012, Liberty Interactive acquired 4.8 million shares of TripAdvisor from Barry Diller (who was TripAdvisor's Chairman at the time and is still Chairman of Expedia and IAC) for \$300 million (\$62.50/share). TripAdvisor is currently majority-owned (~22% of its shares and ~57% of its votes) by Liberty Interactive.

Exhibit 8: TripAdvisor's Key Brands



Source: Company reports

MANAGEMENT TEAM

Gregory B. Maffei, Chairman of the Board, age 52. Mr. Maffei has served as Chairman since February 2013. Mr. Maffei has served as President and CEO of Liberty Interactive Corporation since February 2006 and as its CEO-elect from November 2005 through February 2006. Mr. Maffei has also served as President and CEO of Liberty Media Corporation since May 2007. Previously, he served as President and CFO of Oracle Corporation during 2005, President and CEO of 360networks Corporation from 2000 until 2005, and CFO of Microsoft Corporation from 1997 until 2000. Mr. Maffei holds an MBA from Harvard Business School, where he was a Baker Scholar, and an AB from Dartmouth College.

Stephen Kaufer, President and Chief Executive Officer, age 50. Mr. Kaufer co-founded TripAdvisor in February 2000 and has been its President and CEO since that date. Prior to TripAdvisor, Mr. Kaufer served as President of CDS, Inc., an independent software vendor specializing in programming and testing tools, and co-founded CenterLine Software and served as its VP of Engineering. Mr. Kaufer serves on the boards of several privately-held companies, including CarGurus, LLC, LiveData, Inc., and GlassDoor, Inc., as well as the charity, Caring for Carcinoid Foundation. Mr. Kaufer holds an AB in Computer Science from Harvard University.

Julie M.B. Bradley, Chief Financial Officer, age 44. Ms. Bradley has served as Senior VP, CFO, Chief Accounting Officer and Treasurer of TripAdvisor since October 2011. Prior to TripAdvisor, from July 2005 to April 2011, Ms. Bradley served as Senior VP, CFO, Treasurer and Secretary of Art Technology Group, Inc., a provider of e-commerce software solutions and services, which was acquired by Oracle Corporation in January 2011. Prior to Art Technology Group, Ms. Bradley was at Akamai Technologies, Inc. from April 2000 to June 2005, most recently as VP of Finance. Previously, Ms. Bradley was an accountant with Deloitte. Ms. Bradley received her B.A. in Economics from Wheaton College and is a certified public accountant.

PRODUCT MIX

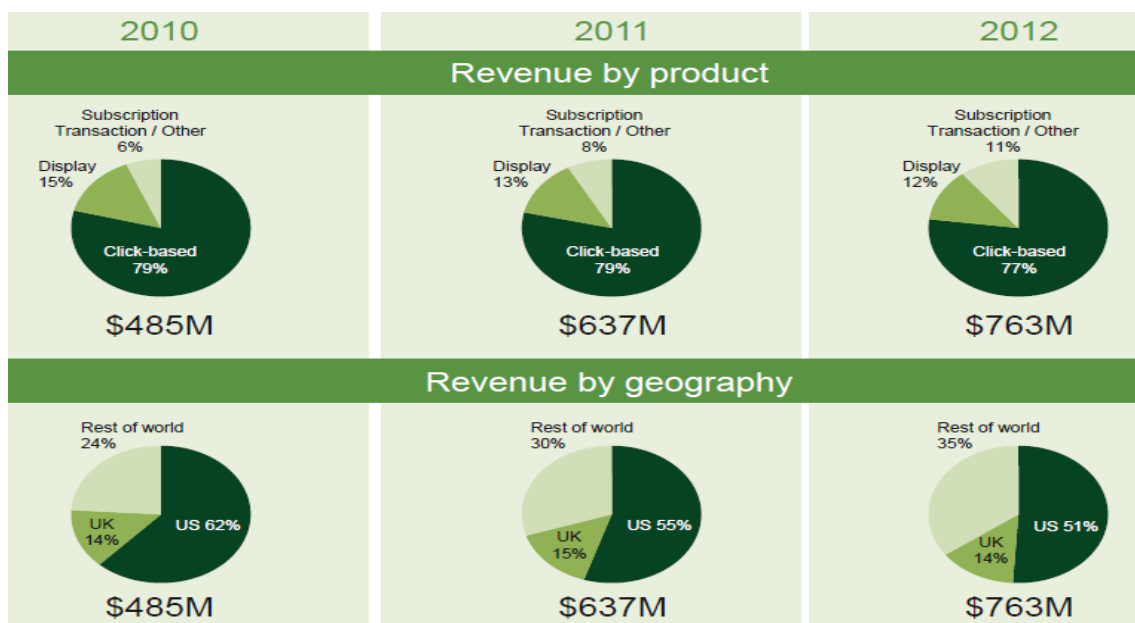
TripAdvisor generates most of its revenue from the sale of advertising on its websites and to a smaller extent through other revenues such as subscriptions (business listings and vacation rentals), selling room nights on its transactional sites (Jetsetter.com and Tingo), and content licensing. In 2012, TripAdvisor’s revenue was 77% click-based advertising, 12% display-based advertising, and 11% from other revenue. Advertising partners are mainly online travel agencies (OTA) and direct suppliers of hotel, airline and cruise products, but also include marketing organizations, casinos, resorts, attractions, and non-travel advertisers. TripAdvisor generates approximately 50% of its revenue in the U.S. and internationally.

Exhibit 9: TripAdvisor Business Model

The screenshot shows the TripAdvisor page for the Palace Hotel in San Francisco. The page is annotated with callouts that identify key features and their business value:

- Consumer Value:**
 - Facebook friend experiences at the property
 - Popularity ranking; ratings summary; latest review
 - Candid traveler photos
 - Review summary & rating histogram; room tips
 - Search filtering
 - Reviewer profile: photo, badges & helpful votes
 - Detailed reviews
- Business Value:**
 - Business Listing
 - Cost-per-click lead generation
 - Personalization
 - Display ad / sponsorship

Source: Company reports and presentation

Exhibit 10: Revenue Breakdown


Source: Company reports and presentation

INDUSTRY HIGHLIGHTS
TRAVEL INDUSTRY

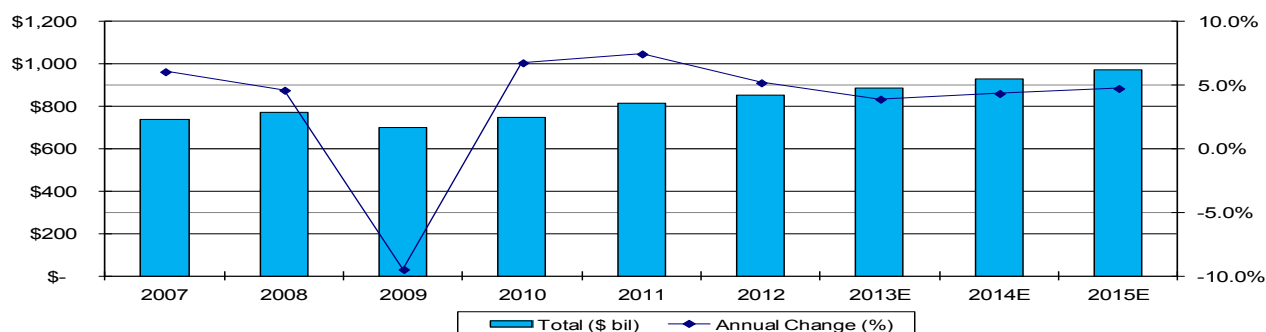
The worldwide travel industry is one of the largest sectors of the economy, with the three largest markets in the world being the U.S., Europe, and Asia-Pacific. After a slowdown in the global travel industry in 2008 and 2009 due to the Great Recession, the travel market has slowly recovered and is expected to grow an estimated +3–5% annual rate over the next 5 years.

Exhibit 11: Global Travel & Tourism Economic Impact (in 2011 US\$ billions)

Travel & Tourism Direct Contribution to GDP (2011 US\$ bn)									
	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Europe	635	618	589	591	608	613	619	638	659
North America	564	529	484	507	529	542	555	575	596
Asia	481	474	473	490	505	535	568	606	647
Africa	135	139	142	149	146	149	155	163	172
Latin America	122	123	127	128	133	139	145	155	163
World Total	1,937	1,884	1,815	1,864	1,920	1,977	2,043	2,137	2,237
Travel & Tourism Direct Contribution to GDP (Real Growth %)									
	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Europe	1.1%	-2.7%	-4.9%	0.6%	2.7%	0.6%	0.7%	3.0%	3.2%
North America	1.6%	-6.2%	-8.7%	4.9%	4.5%	2.3%	2.4%	3.5%	3.7%
Asia	6.0%	-1.4%	-0.3%	3.5%	3.1%	5.8%	6.3%	6.7%	6.7%
Africa	8.7%	3.5%	3.0%	2.4%	-1.9%	3.7%	3.7%	5.9%	4.9%
Latin America	-0.3%	0.7%	3.1%	0.3%	3.8%	4.7%	4.6%	6.4%	5.5%
World Total	2.6%	-2.8%	-4.2%	3.3%	3.3%	2.9%	2.7%	4.2%	4.4%

Source: World Travel & Tourism Council (WTTC)

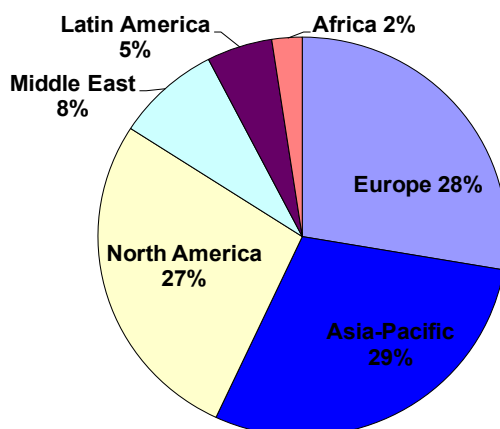
Exhibit 12: Total Travel Expenditure in the U.S. (\$ billions)



Source: U.S. Travel Association (5/13)

While we expect the U.S. and European markets to experience solid growth over the next several years, we expect growth to be higher in Asia and other emerging markets as improved economic conditions tend to increase demand and ability to pay for travel and leisure products. We believe that solid industry growth should benefit travel providers and sellers, but that online travel agents (OTA) will benefit from additional growth as consumers transition away from traditional travel agents and purchasing travel products from offline channels to online channels. Over 50% of all travel in the U.S. is purchased online; however, the rate is lower in Europe (~42%), and even lower in Asia (~24%) despite having travel markets that are almost similar in size to the U.S.

Exhibit 13: Global Air Travel By Region (Based on Passenger Traffic)

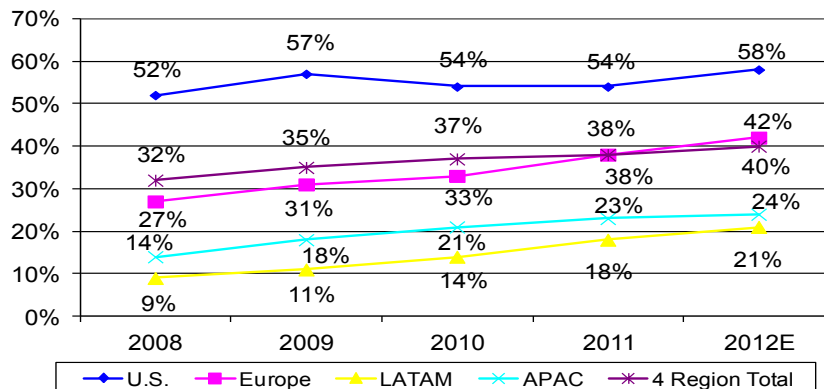


Source: International Air Transport Association (IATA) May 2013

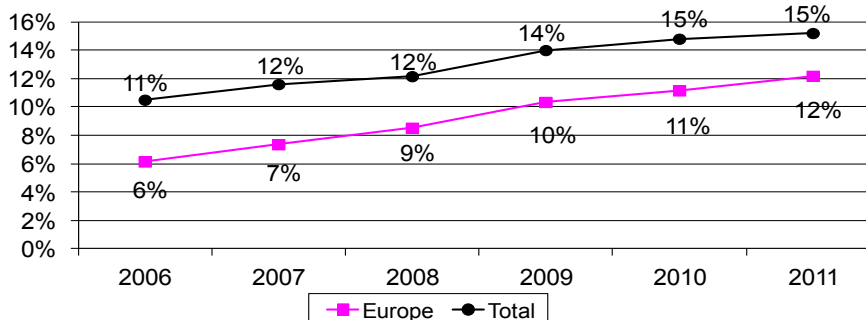
With Internet usage rates increasing globally, we believe that online travel commerce will continue to grow, presenting major opportunities for online travel companies. In addition, the increased usage of the Internet is driving consumers to go online for travel content and research (which is increasing at a very fast rate due to social media, blogs, and mobile computing). This, in turn, is driving increased advertising spending towards online media. In the U.S., the online advertising market grew to \$37 billion.

Exhibit 14: Online Travel and OTA Market Penetration

Online Travel % Share of Total Travel Market



OTA % Share of Total Travel Market



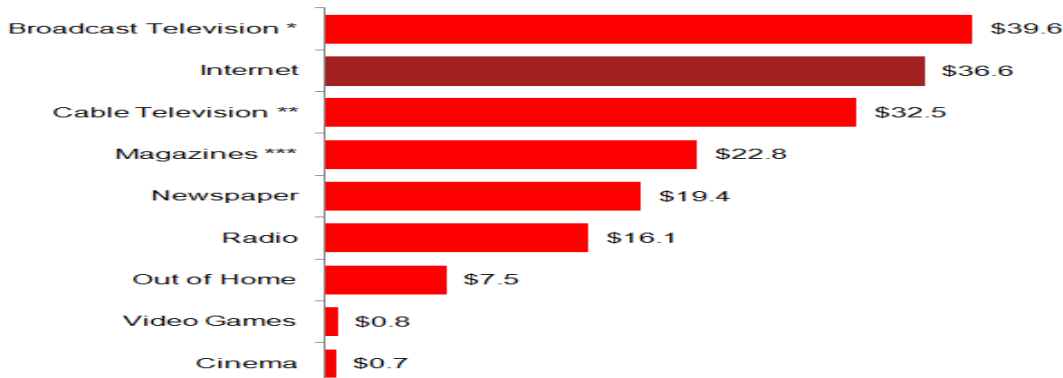
Source: Expedia, PhoCusWright, European Technology & Travel Services Association (ET TSA), Ascendant Capital Markets estimates

Exhibit 15: World Internet Usage and Population Statistics

World Regions	Population (2012 Est.)	Internet Users	(%) of Population
Africa	1,073,380,925	167,335,676	16%
Asia	3,922,066,987	1,076,681,059	28%
Europe	820,918,446	518,512,109	63%
Middle East	223,608,203	90,000,455	40%
North America	348,280,154	273,785,413	79%
Latin America / Carib.	593,688,638	254,915,745	43%
Oceania / Australia	35,903,569	24,287,919	68%
WORLD TOTAL	7,017,846,922	2,405,518,376	34%

Source: www.internetworldstats.com

Exhibit 16: U.S. Advertising Market By Media Revenue – 2012 (in billions)



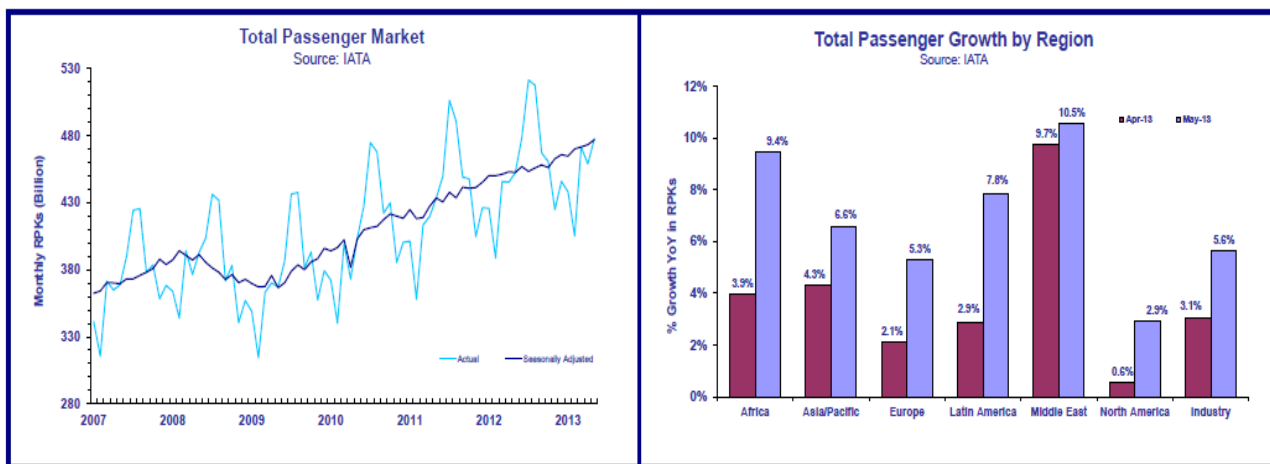
Source: IAB Internet Advertising Revenue Report, PwC

AIRLINE INDUSTRY

The global airline industry, consisting of over 300 carriers worldwide, is seeing continued improvement in air traffic and revenue, though it continues to be challenged by volatile and high fuel prices. According to the IATA, the total passenger market (in RPK) increased 5.6% y-o-y in May 2013 and 4.3% y-o-y YTD. Growth has been solid in the U.S., Europe, and Asia, with emerging markets growing even faster over the past several years.

The IATA anticipates slower but continued positive growth in 2013 even with uncertain economic conditions and the impact of high fuel prices. Jet fuel prices are directly tied to crude oil prices and can be up to 30 - 40% of an airline’s total operating costs. With relatively steady oil prices (~\$100 price per barrel (WTI) vs. ~\$93 at the beginning of 2013), we believe that airfares may stay steady which tends to slightly benefit the overall travel market (though we note oil prices have trended up a bit recently). We believe increased international trade and higher global demand for leisure travel will help spur the long-term growth in international air travel.

Exhibit 17: Total Worldwide Airline Passenger Data

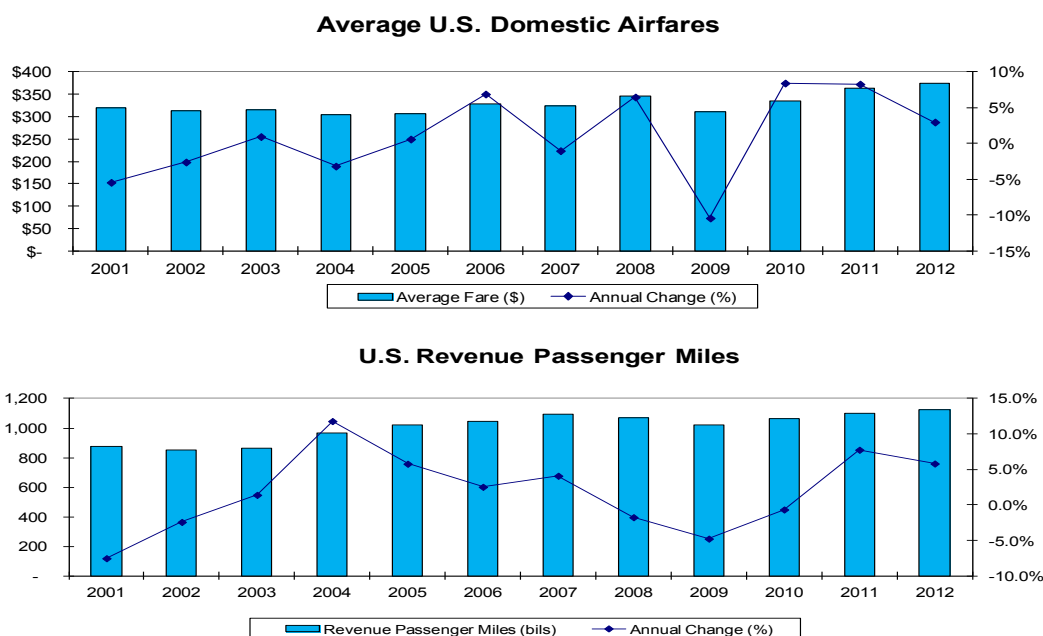


Source: IATA, May 2013

However, due to long standing structural financial problems with many airlines around the world (including competition, rising oil prices, labor issues, volatile operating costs), there have been many bankruptcies and consolidations of major airlines. Over the past several years in the U.S., Delta Air Lines bought Northwest Airlines for \$2.6 billion in 2008, while United Airlines bought Continental Airlines for \$3.2 billion in 2010. In the U.S., American Airlines (#4 U.S. carrier) is currently in bankruptcy and is in process to merge with U.S. Airways (#5 U.S. carrier). In December 2012, Delta Air Lines (#1 U.S. carrier) bought a 49% stake in Virgin Atlantic Airways for \$360 million (from Singapore Airlines) to boost its share of the lucrative trans-Atlantic airline market.

RPK (or RPM), which stands for Revenue Passenger Kilometers (or Miles), is an important measure of sales volume of air passenger traffic. Passenger Load Factor (PLF) and Available Seat Kilometers or Miles (ASK or ASM) are key measures of an airline’s capacity utilization. Given the high fixed-cost and capital-intensive nature of the airline industry, the efficiency with which planes are used are important determinants of the health of the airline industry and prospects for growth in air travel and airfares.

Exhibit 18: U.S. Airline Statistics



Source: Bureau of Transportation Statistics

HOTEL INDUSTRY

The global hotel industry is fragmented, with hundreds of thousands of different properties around the world as compared with only ~300 airlines worldwide. In the U.S. alone, there are over 50,000 hotels with approximately 5 million guest rooms. While in the U.S. most hotels are chain branded (such as Hilton, Hyatt, Marriott, Starwood, etc.), they are actually usually owned as individual properties by investors. This, along with the perishable nature of hotel rooms, makes the hotel business very competitive.

To gain scale, hotels may partner with large chain hotel brands to benefit from consumer branding, advertising, and shared reservation systems. In return, hotels pay an average of 3–5% of revenues as royalties to the management companies. In the U.S., approximately 70% of hotels are branded but only 35% in Europe and we believe that the rate is much lower in Asia. These independent hotels rely more heavily on travel agents (offline and OTA) to sell hotel rooms.

The global and U.S. hotel industry is seeing continued improvement in hotel stays and revenue, though it continues to be challenged by uncertain economic conditions. Since 2010, most hotels around the world have seen solid growth in hotel metrics (Occupancy, ADR and RevPAR). This is the same in the U.S., which is rebounding solidly from the downturn in 2008 and 2009 and is expected to continue to grow over the next several years to be at or exceed pre-recession levels.

In the hotel industry, there are three key hospitality performance measurements (Occupancy, ADR, and RevPAR). Occupancy rate is the percentage of rooms rented compared with rooms available at a given time. Average Daily Rate (ADR) is the average realized room rental rate per day for each room sold. Revenue per Available Room (RevPAR) is calculated by multiplying a hotel's ADR by its occupancy rate; it measures average revenue per total available room (not just the rooms sold). A hotel operator will try to balance the three metrics in order to maximize revenue and profitability.

Exhibit 19: Global Hotel Metrics

	May 2013			May 2013		
	Occup %	ADR	RevPar	Occup %	ADR	RevPar
Asia Pacific	66%	\$ 119.69	\$ 78.82	-1.3%	-2.5%	-3.8%
Americas	64%	\$ 111.69	\$ 71.48	1.2%	3.5%	4.7%
Europe	72%	\$ 136.49	\$ 98.30	2.6%	2.4%	5.0%
Middle East/Africa	63%	\$ 152.29	\$ 95.50	4.1%	5.5%	9.8%

	YTD May 2013			YTD May 2013		
	Occup %	ADR	RevPar	Occup %	ADR	RevPar
Asia Pacific	66%	\$ 127.89	\$ 84.70	-1.0%	-2.1%	-3.1%
Americas	60%	\$ 111.80	\$ 67.44	1.9%	3.9%	5.9%
Europe	63%	\$ 129.88	\$ 81.53	1.8%	-1.1%	0.6%
Middle East/Africa	64%	\$ 171.79	\$ 110.30	4.9%	2.9%	8.0%

Source: 2013 STR Global Limited

Exhibit 20: U.S. Hotel Metrics

U.S. Hotel Data

	2007	2008	2009	2010	2011	2012	2013E	2014E
Occup %	63.1%	60.4%	55.1%	57.6%	60.1%	61.4%	61.9%	62.7%
ADR	\$ 103.97	\$ 106.55	\$ 97.51	\$ 98.08	\$ 101.64	\$ 106.10	\$ 111.30	\$ 116.42
RevPar	\$ 65.62	\$ 64.37	\$ 53.71	\$ 56.47	\$ 61.06	\$ 65.17	\$ 68.88	\$ 73.02

U.S. Hotel Growth Rate Forecast

	2007	2008	2009	2010	2011	2012	2013E	2014E
Occup %	-0.5%	-4.2%	-8.7%	5.7%	4.4%	2.5%	0.8%	1.3%
ADR	6.8%	2.4%	-8.8%	-0.1%	3.6%	4.2%	4.9%	4.6%
RevPar	6.4%	-1.9%	-16.7%	5.5%	8.2%	6.8%	5.7%	6.0%

Source: GBTA Hotel Industry Overview, August 22, 2011, Smith Travel Research, Inc., 2012 STR Global Limited (January 2013)

COMPETITION

The online travel industry is highly competitive with OTA, travel providers, and online travel companies all differentiating themselves based on content, quality, breadth of products, channel features, technology, usability, branding, and price. On a broad level, TripAdvisor competes against other travel companies including online travel agencies (OTA), offline agencies, travel suppliers, and search engine and other Internet or traditional media companies for customers, suppliers, and advertisers.

Exhibit 21: Travel Industry Competitive Landscape



Source: Expedia and Ascendant Capital Markets estimates

The following are several of TripAdvisor's larger public competitors:

Expedia [NASDAQ: EXPE – Buy]

Based in Bellevue, WA, Expedia is the world's largest online travel agent (OTA) with brands including Expedia, Hotels.com, Hotwire, Egencia, and eLong. In March 2013, Expedia completed the acquisition of a majority interest (62% stake) of trivago GmbH (a leading European travel metasearch website) for ~\$600 million. TripAdvisor was part of Expedia until December 2011, when it was spun off (to Expedia's shareholders) as an independent company. Expedia's 2012 revenues were \$4.0 billion (~56% of revenues in the U.S. and ~44% international). Its current market capitalization is ~\$9.2 billion.

Google [NASDAQ: GOOG – Not Rated]

Based in Mountain View, CA, Google is the world's largest online advertising and search company. Google's 2012 revenues were \$50 billion (~47% of revenues in the U.S. and ~53% international). Its current market capitalization is ~\$305 billion.

HomeAway [NASDAQ: AWAY – Not Rated]

Based in Austin, TX, HomeAway operates an online marketplace (including HomeAway.com, VRBO.com, and VacationRentals.com) for the vacation rental industry worldwide. HomeAway's 2012 revenues were \$280 million (~62% of revenues in the U.S. and ~38% international). Its current market capitalization is ~\$2.7 billion.

Orbitz Worldwide [NYSE: OWW – Buy]

Based in Chicago, IL, Orbitz is a leading global online travel agent (OTA) with brands including Orbitz, CheapTickets, The Away Network, ebookers, HotelClub, and RatesToGo. Orbitz's 2012 revenues were \$779 million (~72% of revenues in the U.S. and ~28% international). Its current market capitalization is ~\$1.2 billion.

Priceline.com [NASDAQ: PCLN – Buy]

Based in Norwalk, CT, Priceline.com is the 2nd largest global online travel agent (OTA) with brands including priceline.com, Booking.com, and Agoda. In May 2013, Priceline.com completed its acquisition of Kayak Software (a leading travel metasearch website) in a deal valued at ~\$1.8 billion. Priceline.com's 2012 revenues were \$5.3 billion (~32% of revenues in the U.S. and ~68% international). Its current market capitalization is ~\$47 billion.

Travelzoo [NASDAQ: TZOO – Neutral]

Based in New York, Travelzoo publishes emails offering travel-related specials and local travel and entertainment deals to its subscriber base of 22.9 million. Travelzoo's 2012 revenues were \$151 million (~70% of revenues in the U.S. and ~30% international). Its current market capitalization is ~\$503 million.

Yahoo! [NASDAQ: YHOO – Not Rated]

Based in Sunnyvale, CA, Yahoo! is a leading online content, advertising, and search company. Yahoo!'s 2012 revenues were \$5 billion (~70% of revenues in the U.S. and ~30% international). Its current market capitalization is ~\$32 billion.

FINANCIALS

TripAdvisor's fiscal year ends on December 31. Due to the seasonality of travel, TripAdvisor's Q2 and Q3 typically are its strongest quarters. The company has 130 million common stock (1 vote per share) and 13 million Class B stock (10 votes per share) currently outstanding.

Recent Results (fiscal Q1 ending March 2013)

TripAdvisor's recent financial results have been strong. The company reported Q1 2013 revenue and EBITDA growth of +25% and +30% y-o-y respectively. This was driven by strength in traffic growth acceleration (monthly unique users grew 54% y-o-y), increased hotel shoppers, and continued rapid growth of its travel reviews (now over 100 million). Revenue from click-based advertising increased 24% y-o-y, display-based advertising +14% y-o-y, and other revenue +51% y-o-y.

However, the company continues to invest in its business as it focuses on improving its user experience and hotel metasearch products. Operating expense of \$138 million was up 28% from Q1 2012. This resulted in pro forma EPS of \$0.50, up from \$0.38 in Q1 2012.

Exhibit 22: Consensus Expectations

	Revenue (mil)			EPS	
	2013E	2014E		2013E	2014E
Q1 Mar	\$230A	\$279E	Q1 Mar	\$0.50A	\$0.58E
Q2 Jun	\$237E	\$289E	Q2 Jun	\$0.49E	\$0.59E
Q3 Sep	\$258E	\$313E	Q3 Sep	\$0.46E	\$0.64E
Q4 Dec	\$211E	\$259E	Q4 Dec	\$0.27E	\$0.43E
Total	\$936E	\$1,145E	Total	\$1.72E	\$2.20E

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

Source: Company report, Thomson Reuters, and Ascendant Capital Markets estimates

The company typically only provides general financial guidance (for revenue and EBITDA) for the current year. It reiterated its 2013 revenue guidance for growth to increase in “the low 20s%”, but lowered its EBITDA guidance for growth to “mid single-digit” range from “high single-digit”. The company did not provide detailed quarterly guidance but stated that there may be negative EBITDA growth in Q3 and Q4 due to off-line advertising costs. Despite the company’s recent investments, we believe that current industry trends for an improving travel industry and the company’s positive momentum should drive continued strong growth for TripAdvisor.

We have modeled improving revenue growth in 2013 (+23% y-o-y), up from growth of +20% in 2012. As the company has already or is currently investing significantly in its international expansion and hotel metasearch products, we expect it should realize increasing leverage from future revenue growth. For 2013, we expect revenues of \$936 million and EPS of \$1.71 which is about in line with current consensus estimates. While challenges from competition and an uncertain economic environment may increase in the future, we believe the near term risks are mitigated by strong overall industry growth for online travel.

We believe that the biggest potential variable in our financial model is the ability of the company to continue to grow its user and advertiser base particularly in international markets and for hotel rooms. It is these areas that have been driving most of the recent growth of the company and present the largest growth opportunities going forward. If the company can grow these businesses, then revenue and earnings will likely grow significantly. However, if the company has difficulties (likely due to competition particularly from Google who can control search traffic and may develop its own travel content and reviews), then revenue and earnings growth will likely grow at a more moderate rate.

The company’s balance sheet is solid with \$597 million in cash and \$391 million in debt (consisting primarily of a \$400 million floating rate (LIBOR plus 175 basis points) term loan due December 2016). TripAdvisor has not paid any dividends, but currently has a \$250 million stock repurchase program.

TripAdvisor will report Q2 2013 (ending June) results after market close on Wednesday, July 24, 2013, and will hold a conference call at 2:00pm PT (877-224-9081 or at <http://ir.tripadvisor.com/events.cfm>).

FINANCIAL MODEL

TripAdvisor, Inc.

Income Statement (\$ millions)	Mar-12	Jun-12	Sep-12	Dec-12	2012	Mar-13	Jun-13	Sep-13	Dec-13	2013	Mar-14	Jun-14	Sep-14	Dec-14	2014
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Revenue	183.7	197.1	212.7	169.4	763.0	229.9	236.6	259.5	210.0	936.1	280.5	288.6	316.6	256.3	1,142.0
Cost of Revenues	<u>2.7</u>	<u>2.9</u>	<u>2.9</u>	<u>3.5</u>	<u>12.1</u>	<u>3.6</u>	<u>3.8</u>	<u>4.2</u>	<u>4.4</u>	<u>16.0</u>	<u>4.2</u>	<u>4.3</u>	<u>4.7</u>	<u>3.8</u>	<u>17.1</u>
Gross Profit	181.0	194.2	209.8	165.9	750.9	226.3	232.8	255.4	205.6	920.1	276.3	284.3	311.8	252.4	1,124.9
Operating expenses:															
Sales and marketing	67.4	64.2	67.6	67.0	266.2	79.3	82.8	106.7	91.6	360.3	98.2	101.0	123.2	102.5	424.9
Technology and content	17.8	21.6	23.5	23.7	86.6	28.8	27.2	28.5	28.6	113.1	32.3	31.7	34.8	29.5	128.3
General and administrative	16.3	18.3	20.1	21.1	75.6	22.4	22.5	24.4	26.9	96.2	27.5	26.0	27.2	29.5	110.2
Depreciation	4.3	4.7	5.0	5.9	20.0	6.3	5.0	5.0	5.0	21.3	5.2	5.2	5.2	5.2	20.8
Amortization of intangible	1.8	1.8	1.3	1.2	6.1	1.1	1.6	1.6	1.6	5.9	2.0	2.0	2.0	2.0	8.0
Related-party shared services fee					0.0					0.0					0.0
Restructuring and other					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	107.6	110.5	117.6	118.9	454.6	138.0	139.1	166.2	153.6	596.9	165.1	165.9	192.4	168.6	692.1
Operating income (loss)	73.4	83.7	92.2	47.0	296.3	88.3	93.7	89.2	52.0	323.2	111.2	118.4	119.4	83.8	432.7
Interest income (expense)	(2.2)	(6.9)	(1.4)	(3.7)	(14.3)	(3.9)	(4.3)	(4.3)	(4.3)	(16.7)	(4.2)	(4.2)	(4.2)	(4.2)	(16.8)
Other and minority interest	(0.1)	(0.1)	(0.2)	(0.1)	(0.5)					0.0					0.0
Income before income taxes	71.1	76.6	90.6	43.2	281.5	84.4	89.4	84.9	47.7	306.5	106.9	114.1	115.2	79.6	415.9
Income taxes	<u>23.0</u>	<u>23.6</u>	<u>31.3</u>	<u>9.6</u>	<u>87.4</u>	<u>22.1</u>	<u>24.1</u>	<u>22.9</u>	<u>12.9</u>	<u>82.1</u>	<u>28.9</u>	<u>30.8</u>	<u>31.1</u>	<u>21.5</u>	<u>112.3</u>
Net income (loss)	48.1	53.0	59.4	33.6	194.1	62.3	65.3	62.0	34.9	224.4	78.1	83.3	84.1	58.1	303.6
Nonrecurring/noncash adjustment	4.4	5.5	6.4	7.7	24.1	10.8	4.5	4.5	4.5	24.3	4.5	4.5	4.5	4.5	18.0
Net income	52.5	58.5	65.8	41.3	218.1	73.1	69.8	66.5	39.4	248.7	82.6	87.8	88.6	62.6	321.6
EBITDAS	84.2	96.9	107.1	64.3	352.5	109.3	108.3	103.8	66.6	388.0	127.4	134.6	135.6	100.0	497.5
Shares, Basic	133.8	139.3	142.3	142.5	139.5	143.1	143.6	144.1	144.6	143.8	145.1	145.6	146.1	146.6	145.8
Shares, Diluted	136.8	141.7	143.7	143.8	141.3	145.1	145.6	146.1	146.6	145.8	147.1	147.6	148.1	148.6	147.8
EPS Basic (Pro forma)	0.39	0.42	0.46	0.29	1.56	0.51	0.49	0.46	0.27	1.73	0.57	0.60	0.61	0.43	2.21
EPS Diluted (Pro forma)	0.38	0.41	0.46	0.29	1.54	0.50	0.48	0.46	0.27	1.71	0.56	0.60	0.60	0.42	2.18
Income Statement Ratios															
Gross margin	98.5%	98.5%	98.6%	97.9%	98.4%	98.4%	98.4%	98.4%	97.9%	98.3%	98.5%	98.5%	98.5%	98.5%	98.5%
Sales and marketing	36.7%	32.6%	31.8%	39.5%	34.9%	34.5%	35.0%	41.1%	43.6%	38.5%	35.0%	35.0%	38.9%	40.0%	37.2%
Technology and content	9.7%	10.9%	11.1%	14.0%	11.4%	12.5%	11.5%	11.0%	13.6%	12.1%	11.5%	11.0%	11.0%	11.5%	11.2%
General and administrative	8.8%	9.3%	9.4%	12.4%	9.9%	9.8%	9.5%	9.4%	12.8%	10.3%	9.8%	9.0%	8.6%	11.5%	9.6%
Operating margin	39.9%	42.4%	43.4%	27.7%	38.8%	38.4%	39.6%	34.4%	24.8%	34.5%	39.6%	41.0%	37.7%	32.7%	37.9%
Tax rate, GAAP	32.3%	30.8%	34.5%	22.2%	31.0%	26.2%	27.0%	27.0%	27.0%	26.8%	27.0%	27.0%	27.0%	27.0%	27.0%
Net margin	26.2%	26.9%	27.9%	19.8%	25.4%	27.1%	27.6%	23.9%	16.6%	24.0%	27.8%	28.9%	26.6%	22.7%	26.6%
YY % change															
Revenue	23.1%	16.5%	17.6%	22.9%	19.8%	25.1%	20.0%	22.0%	24.0%	22.7%	22.0%	22.0%	22.0%	22.0%	22.0%
Gross margin	23.1%	16.6%	18.2%	22.7%	19.9%	25.0%	19.9%	21.7%	24.0%	22.5%	22.1%	22.1%	22.1%	22.7%	22.3%
Sales and marketing	52.5%	21.9%	12.1%	28.9%	27.3%	17.7%	28.9%	57.7%	36.8%	35.3%	23.8%	22.0%	15.5%	11.9%	17.9%
Technology and content	8.9%	26.5%	27.9%	45.9%	27.3%	61.5%	26.1%	21.3%	20.6%	30.6%	11.9%	16.7%	22.0%	3.2%	13.4%
General and administrative	80.5%	107.9%	97.3%	8.4%	59.6%	38.0%	23.1%	21.6%	27.5%	27.2%	22.5%	15.6%	11.6%	9.6%	14.5%
Operating income (loss)	0.1%	-0.2%	12.4%	40.0%	8.6%	20.3%	12.0%	-3.4%	10.7%	9.1%	25.9%	26.3%	34.0%	61.1%	33.9%
Net income (loss)	1.8%	-1.9%	9.3%	52.5%	9.2%	29.5%	23.1%	4.4%	3.8%	15.6%	25.3%	27.6%	35.8%	66.7%	35.3%
EPS Diluted (Pro forma)	2.1%	-3.6%	3.9%	28.6%	6.2%	31.2%	16.1%	-0.6%	-6.5%	10.5%	11.4%	24.2%	31.6%	57.0%	27.6%

Source: Company reports and Ascendant Capital Markets estimates.

TripAdvisor, Inc.

Balance Sheet (\$ millions)	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets												
Cash and cash equivalents	208.6	478.2	548.4	367.5	211.9	294.0	363.4	422.0	523.8	631.8	722.9	809.5
Restricted cash												
Short term investments				119.0	194.3	194.3	194.3	194.3	194.3	194.3	194.3	194.3
Accounts receivable, net	98.6	96.9	103.1	81.5	113.3	105.1	106.7	70.0	149.6	128.3	130.2	85.4
Receivable from Expedia	33.5	40.2	32.5	24.0	37.9	37.9	37.9	37.9	37.9	37.9	37.9	37.9
Prepaid expenses and other current assets	8.2	8.7	8.9	10.4	11.3	11.6	10.4	8.4	11.2	11.5	12.7	10.3
<u>Deferred income taxes</u>	<u>6.5</u>	<u>6.5</u>	<u>6.6</u>	<u>30.2</u>	<u>15.2</u>	<u>15.2</u>	<u>15.2</u>	<u>15.2</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
Total current assets	355.3	630.4	699.6	632.5	583.8	658.1	727.8	747.8	927.8	1,014.9	1,108.9	1,148.4
Property and equipment, net	37.8	38.8	41.1	43.8	46.7	54.7	63.7	72.7	81.5	91.3	101.1	111.9
Long term investments and other				99.2	190.9	190.9	190.9	190.9	190.9	190.9	190.9	190.9
Goodwill and intangibles, net	510.6	507.6	508.1	509.9	506.2	504.6	503.0	501.4	499.4	497.4	495.4	493.4
<u>Other</u>	<u>10.8</u>	<u>10.4</u>	<u>10.5</u>	<u>13.8</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total assets	914.4	1,187.3	1,259.3	1,299.2	1,341.7	1,422.4	1,499.5	1,526.9	1,702.6	1,797.5	1,899.3	1,947.6
Liabilities and stockholders' equity												
Accounts payable	23.8	28.4	20.4	14.1	10.8	16.6	18.2	14.7	19.6	20.2	22.2	17.9
Payable to Expedia						0.0	0.0	0.0	2.0	2.0	2.0	2.0
Deferred revenue	27.0	27.0	30.0	31.6	35.2	35.2	35.2	35.2	35.2	35.2	35.2	35.2
Tax payable	24.4	14.6	14.9	14.6	11.4	11.4	11.4	11.4	70.0	70.0	70.0	70.0
Accrued expenses and other	37.5	45.5	47.7	63.2	55.8	57.4	63.0	51.0	68.1	70.0	76.8	62.2
<u>Short-term debt</u>	<u>44.6</u>	<u>54.4</u>	<u>64.5</u>	<u>72.1</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>	<u>61.3</u>
Total current liabilities	157.4	169.8	177.5	195.6	174.5	181.9	189.0	173.6	256.2	258.8	267.5	248.6
Long-term debt	370.0	360.0	350.0	340.0	330.0	330.0	330.0	330.0	330.0	330.0	330.0	330.0
Deferred tax	16.1	14.8	13.4	11.0	7.0	7.0	7.0	7.0	25.0	25.0	25.0	25.0
Other long-term liabilities	16.2	15.7	29.7	25.6	30.0	30.0	30.0	30.0	18.0	18.0	18.0	18.0
<u>Minority interest</u>												
Total other liabilities	402.3	390.4	393.1	376.6	367.0	367.0	367.0	367.0	373.0	373.0	373.0	373.0
Common stock, class A	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Common stock, class B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	305.4	525.8	526.4	531.3	545.9	553.9	561.9	569.9	578.9	587.9	596.9	605.9
Treasury stock						0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings (deficit)	50.5	103.5	162.9	196.4	258.7	324.0	386.0	420.8	498.9	582.2	666.3	724.4
Unearned compensation						0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Accumulated other comprehensive (loss)</u>	<u>(1.3)</u>	<u>(2.5)</u>	<u>(0.8)</u>	<u>(0.9)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>	<u>(4.5)</u>
Total stockholders' equity	354.7	627.0	688.6	727.0	800.3	873.5	943.5	986.3	1,073.4	1,165.7	1,258.8	1,325.9
Total stockholders' equity and liabilities	914.4	1,187.3	1,259.3	1,299.2	1,341.7	1,422.4	1,499.5	1,526.9	1,702.6	1,797.5	1,899.3	1,947.6

Balance Sheet Drivers

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	4%	4%	4%	6%	5%	5%	4%	4%	4%	4%	4%	4%
Accounts payable as % of total rev	13%	14%	10%	8%	5%	7%	7%	7%	7%	7%	7%	7%
Accrued expenses as % of total rev	20%	23%	22%	37%	24%	24%	24%	24%	24%	24%	24%	24%
Activity Ratios												
A/R Days Sales Outstanding	48	44	44	43	44	40	37	30	48	40	37	30
A/P Days Payable	784	874	639	359	266	394	394	300	420	420	420	420
Book & Cash Value (per share)												
Book Value per Share (diluted)	\$2.59	\$4.42	\$4.79	\$5.05	\$5.52	\$6.00	\$6.46	\$6.73	\$7.30	\$7.90	\$8.50	\$8.92
Cash per Share (diluted)	\$1.52	\$3.37	\$3.82	\$4.07	\$4.12	\$4.67	\$5.12	\$5.51	\$6.18	\$6.89	\$7.48	\$8.04
Net cash per Share (diluted)	\$1.08	\$2.89	\$3.28	\$3.49	\$3.64	\$4.20	\$4.66	\$5.04	\$5.59	\$6.31	\$6.90	\$7.46
Total Debt	\$415	\$414	\$414	\$412	\$391	\$391	\$391	\$391	\$391	\$391	\$391	\$391

Source: Company reports and Ascendant Capital Markets estimates.

TripAdvisor, Inc.

Cash Flow Statement (\$ millions)	Mar-12	Jun-12	Sep-12	Dec-12	2012	Mar-13	Jun-13	Sep-13	Dec-13	2013	Mar-14	Jun-14	Sep-14	Dec-14	2014
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities															
Net income	48.2	53.2	59.5	33.7	194.6	62.3	65.3	62.0	34.9	224.4	78.1	83.3	84.1	58.1	303.6
Depreciation	4.3	4.7	5.0	5.9	20.0	6.3	5.0	5.0	5.0	21.3	5.2	5.2	5.2	5.2	20.8
Stock comp	3.0	6.4	8.3	9.7	27.4	12.7	8.0	8.0	8.0	36.7	9.0	9.0	9.0	9.0	36.0
Amortization of intangibles	1.8	1.8	1.3	1.2	6.1	1.1	1.6	1.6	1.6	5.9	2.0	2.0	2.0	2.0	8.0
Amortization of deferred financing cc	0.3	0.2	0.2	0.2	0.9	0.2				0.2					0.0
Deferred tax	(0.0)	(0.0)	0.5	(5.4)	(5.0)	(2.7)	0.0	0.0	0.0	(2.7)	22.2	0.0	0.0	0.0	22.2
F/X gains/losses	(0.5)	2.8	(0.5)	(0.1)	1.6	1.6	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0
Expedia receivable and payable	(26.4)	(8.0)	8.9		(25.5)	(14.0)	0.0	0.0	0.0	(14.0)	2.0	0.0	0.0	0.0	2.0
Other gains/losses	(0.4)	(0.9)	(0.3)	0.5	(1.0)	1.6	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.5	(0.5)	0.7	0.7	(0.3)	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities:															
Accounts receivable	(29.6)	2.2	(5.0)	20.7	(11.8)	(32.7)	8.2	(1.5)	36.7	10.6	(79.6)	21.3	(1.9)	44.7	(15.4)
Prepaid expenses & other current as	(1.2)	(0.7)	(0.0)	7.2	5.3	(1.7)	(0.3)	1.2	2.0	1.2	(2.8)	(0.3)	(1.1)	2.4	(1.8)
Accounts payable	12.1	5.7	(8.9)	5.1	14.0	(3.3)	5.8	1.6	(3.5)	0.6	4.9	0.6	2.0	(4.2)	3.2
Tax payable	8.8	(10.6)	(2.7)	(12.6)	(17.2)	19.1	0.0	0.0	0.0	19.1	58.6	0.0	0.0	0.0	58.6
Accrued expenses & other	2.0	4.3	7.9	2.9	17.1	(10.7)	1.6	5.6	(12.0)	(15.6)	17.1	2.0	6.8	(14.6)	11.2
Deferred revenue	7.5	0.1	2.8	1.6	11.9	4.1	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0
Other					0.0		0.0	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	(0.9)
Net cash (used in) provided by ope	29.7	61.8	76.5	71.1	239.1	43.7	95.1	83.4	72.6	294.8	115.7	123.1	106.1	102.6	447.5
Cash flow from investing activities															
Purchases of property and equipmer	(7.3)	(5.9)	(7.3)	(8.7)	(29.3)	(9.3)	(13.0)	(14.0)	(14.0)	(50.3)	(14.0)	(15.0)	(15.0)	(16.0)	(60.0)
Purchases of short-term investments				(218.9)	(218.9)	(213.7)	0.0	0.0	0.0	(213.7)	0.0	0.0	0.0	0.0	0.0
Sale of short-term investments					0.0	45.4	0.0	0.0	0.0	45.4	0.0	0.0	0.0	0.0	0.0
Acquisitions				(3.0)	(3.0)	(1.2)	0.0	0.0	0.0	(1.2)	0.0	0.0	0.0	0.0	0.0
Transfer to Expedia	7.0				7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in investing activitie	(0.3)	(5.9)	(7.3)	(230.6)	(244.2)	(178.7)	(13.0)	(14.0)	(14.0)	(219.7)	(14.0)	(15.0)	(15.0)	(16.0)	(60.0)
Cash flow from financing activities															
Term loan borrowing (net)	(12.1)	(0.3)	0.2	(2.4)	(14.6)	(21.0)	0.0	0.0	0.0	(21.0)	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock option exercise	7.7	216.8	0.0	2.0	226.5	2.2	0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0
Change in restricted cash					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.3		(22.3)	(22.1)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition funding by Expedia					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash provided by (used in) financin	(4.5)	216.8	0.2	(22.7)	189.8	(18.8)	0.0	0.0	0.0	(18.8)	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash and c:	0.1	(3.1)	0.8	1.4	(0.7)	(1.8)	0.0	0.0	0.0	(1.8)	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash and	25.1	269.6	70.1	(180.9)	184.0	(155.6)	82.1	69.4	58.6	54.5	101.7	108.1	91.1	86.6	387.5
Beginning cash and equivalents	183.5	208.6	478.2	548.4	183.5	367.5	211.9	294.0	363.4	367.5	422.0	523.8	631.8	722.9	422.0
Ending cash and equivalents	208.6	478.2	548.4	367.5	367.5	211.9	294.0	363.4	422.0	422.0	523.8	631.8	722.9	809.5	809.5

Source: Company reports and Ascendant Capital Markets estimates.

Public Companies Under Coverage Mentioned in this Report (priced as of close 7/17/13)

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
EXPEDIA	EXPE	BUY	\$65.10	\$81
ORBITZ WORLDWIDE	OWW	BUY	\$10.76	\$10
PRICELINE.COM	PCLN	BUY	\$906.68	\$975
TRAVELZOO	TZOO	NEUTRAL	\$32.68	\$32

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	Date	Rating	Price Target
1	1/27/2012	Buy	\$34
2	3/5/2012	Buy	\$34
3	4/19/2012	Buy	\$31
4	7/19/2012	Buy	\$29
5	10/3/2012	Buy	\$27
6	10/15/2012	Neutral	\$21
7	10/25/2012	Neutral	\$19
8	11/19/2012	Neutral	\$19
9	1/24/2013	Neutral	\$24
10	2/4/2013	Neutral	\$24

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- 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 July 16, 2013)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Strong Buy	13	22%	1	8%
Buy	36	60%	2	6%
Neutral	9	15%	1	11%
Sell	2	3%	0	0%
Total	60	100%	4	7%

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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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