

WESTPEAK RESEARCH ASSOCIATION

TripAdvisor, Inc. (NASDAQ: TRIP)

Consumer Discretionary -Travel Services

TripAdvisor, Tripping Up?

April 23, 2020

TripAdvisor, Inc. is an online travel company operating a portfolio of websites with user-generated content and comparison shopping. The company operates in 49 different global markets with 23 different travel media brands to provide customers with the all-encompassing travel booking and planning experience.

Thesis

TripAdvisor is a leading online travel metasearch and review website with a strong brand image, management team and a positive cash flow and a balanced capital structure. As an upward recovery trends from the Covid-19 pandemic, TripAdvisor is in a good position to capitalize on these opportunities. However, current unpredictability in market conditions make TripAdvisor a higher-risk investment.

Drivers

As vaccines for the Covid-19 pandemic become readily available to the general public and governmental regulations lift in various countries, it is expected that TripAdvisor will be able to take advantage of rebounded growth in the travel industry. Furthermore, as regulations on Big Tech tighten in North America and elsewhere, TripAdvisor is expected to see success in growing its market share. Furthermore, the implementation of its new membership program is expected to generate more organic searches through a loyal customer base.

Valuation

Our target share price is \$25.94 based on our EV/EBITDA Exit Multiple and the Perpetuity Growth Multiple from our Discounted Cash Flow analysis as well as the PE/EBITDA and EV/EBITDA Multiples from our Company Comparables Analysis weighted at 15%, 15%, 35% and 35% respectively. Given these inputs, we initiate a **HOLD** rating on TripAdvisor, Inc.

Analyst: Angela Chen, BCom. '24
contact@westpeakresearch.com

Equity Research US

Price Target	CAD\$ 28.12
Rating	Hold
Share Price (Apr. 23 Close)	CAD\$ 50.99
Total Return*	-44.8%

Key Statistics

52 Week H/L	\$64.95/\$14.53
Market Capitalization	\$6.87B
Average Daily Trading Volume	\$3.5M
Net Debt	\$144M
Enterprise Value	\$7,305M
Net Debt/EBITDA	-3.9x
Diluted Shares Outstanding	\$122.0M
Free Float	70.5%
Dividend Yield	- %

WestPeak's Forecast

	2020A	2021E	2022E
Revenue	\$604M	\$1.24B	\$1.49B
EBITDA	-\$169M	\$186M	\$149M
Net Income	-\$290M	\$67M	\$129M
EPS	-\$2.15	\$0.50	\$0.96
P/E	n/a	111.1x	135.6x
EV/EBITDA	n/a	43.3x	53.8x

1-Year Price Performance



*Traditional intrinsic analysis is not representative of stock valuation given that the market appreciates technology/software equities on a future growth potential basis.

See *Weighted Price Target* in *Valuation* section for more details.

Business Overview/Fundamentals

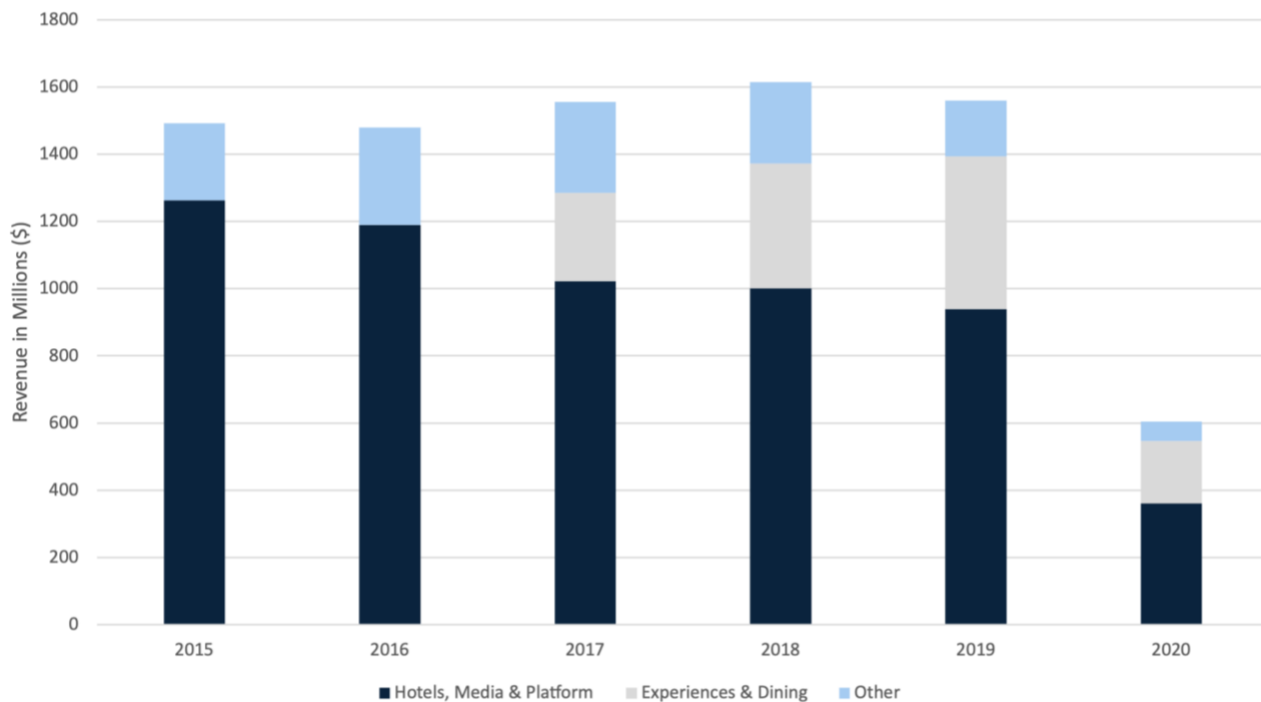
Company Overview

TripAdvisor ("TRIP") is a leading online travel company based in Needham, Massachusetts. Since 2000, its flagship website and portfolio of 23 different travel media brands have aided over 400 million monthly users to plan, book and experience the perfect trip. The business is separated into three distinct branches: Hotels, Media & Platform, Experiences & Dining, and Other (flights, rentals, cruises etc.). Through these sectors, TripAdvisor generates revenue by earning commission from its 'Travel Partners' through linking to their offerings or by allowing its 'Travel Partners' to advertise on their platform various ways. Through brand diversification and a gradual evolution to develop a more all-encompassing experience for its users, TripAdvisor has continued to grow its online presence.

Business Segments

TripAdvisor operates through three distinct business segments which focus on different sectors of online ratings websites: Hotels, Media & Platform, Experiences & Dining and other. Initially it operated with only two distinct segments, Hotels, Media & Platform and Other. However, since 2017 they have segmented a specific Dining & Experiences segment as it has grown to take on a larger proportion of TripAdvisor's revenue.

Annual Revenue Segmentation from 2015 to 2020



Source: Internal Files

Hotels, Media & Platform

The Hotels Media & Platform is TripAdvisor's largest source of revenue, encompassing 60% of total annual revenue in both 2019 and 2020. This segment is composed of two areas: (1) Trip-Advisor branded hotels — hotel travel partners that TripAdvisor connects to customers and (2) Display and Platform — providing the digital space for travel partners to occupy and advertise to potential customers. Trip-Advisor branded hotels revenue includes click-based advertising, subscription based advertising and sponsored placements for travel partners such as Marriott and Hilton. Display and platform revenue derives from advertising fees which occur on a display-based cost per thousand impressions (CPM) basis.

In 2019, net revenue in the Hotels, Media & Platform segment was \$939 million, down 6% from 2018. In 2020, net revenue in the Hotels, Media & Platform segment totalled \$361 million, a 61% decrease caused primarily by the global pandemic.

Experiences & Dining

The company's Experiences & Dining is a fast-growing segment, originally introduced in 2016, which includes revenue generated through (1) Experiences — allowing customers to research and book activities and attractions and (2) Dining — providing information and services for customers to research and book restaurants. Both sources contribute to revenue through commissions wherein travelpartners (restaurants, attractions etc.) pay on the basis of bookings facilitated through TripAdvisor's online reservation system.

In 2019, net revenue in the Experiences & Dining segment was \$456 million, up 23% from 2018. In 2020, net revenue in the Experiences & Dining segment totalled \$186 million, a 59% decrease due to pandemic-related causes.

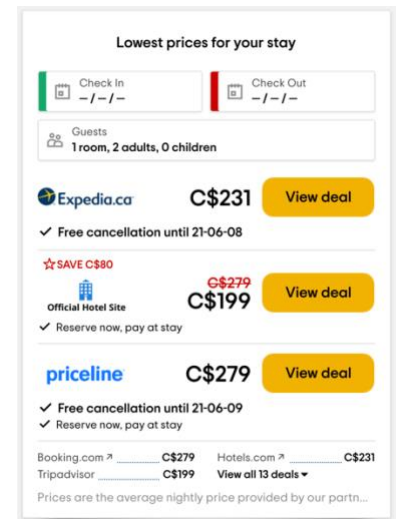


Figure 1. Display advertisements for travel partners

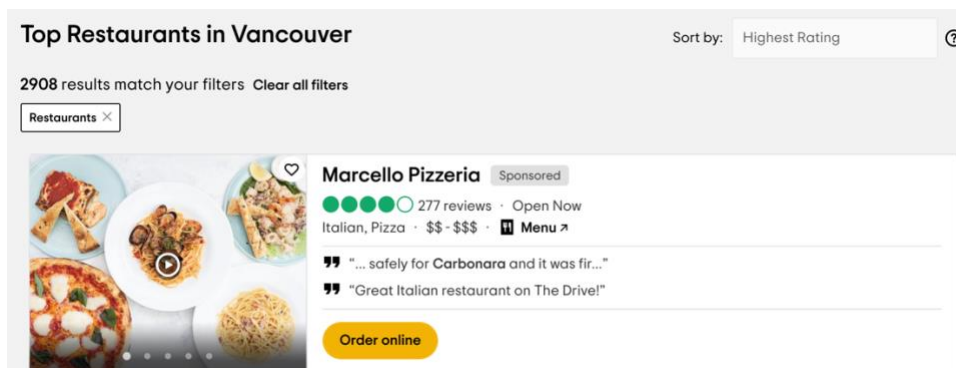


Figure 2. Sponsored restaurants and experiences have results shown to customers first

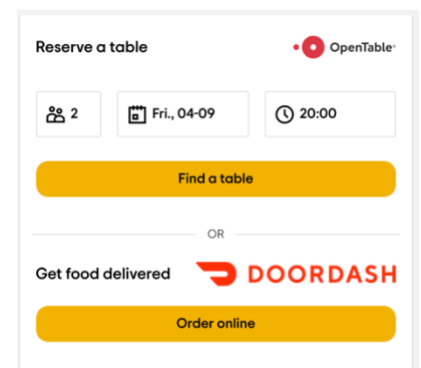


Figure 3. Reservation and Ordering Capabilities

Other (Rentals, Flights/Cruises/Car, SmarterTravel, TripAdvisor China)

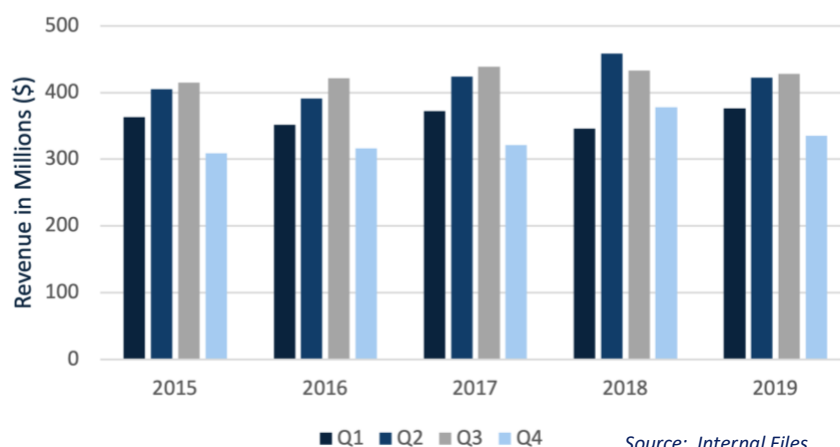
TripAdvisor and its related brands offer a wealth of services whose revenues are not substantial enough to be reported as a full segment, and these have been consolidated into the 'Other' segment. 'Rentals' generates revenue by allowing individual property owners to list vacation and short-term rental properties on TripAdvisor's websites on either a commission or subscription-based option. Users can also book transportation (flights, cars, cruises) through TripAdvisor and TripAdvisor branded websites which generate revenue through a commission structure.

In 2019, net revenue in the Other segment was \$165 million, down 32% from 2018. In 2020, net revenue in the Other segment totalled \$57 million, a 65% decrease from the prior year. This was caused by a combination of TripAdvisor's goal to phase out unprofitable subsidiaries (located primarily in the Other segment) and an overall decrease in demand for transport and travel due to the pandemic.

Seasonality

Due to the cyclical nature of consumer travel expenditures, and consequently travel partner advertising investments, TripAdvisor's revenue and profits follow a similar seasonal pattern. The seasonal peak for consumer demand, hotel and rental stays, and travel experiences and activities occur during the second and third quarters. As such, financial performance has traditionally been the highest during the second and third quarters of the year and lowest during the first and fourth quarters.

Annual Revenue Segmented by Quarter



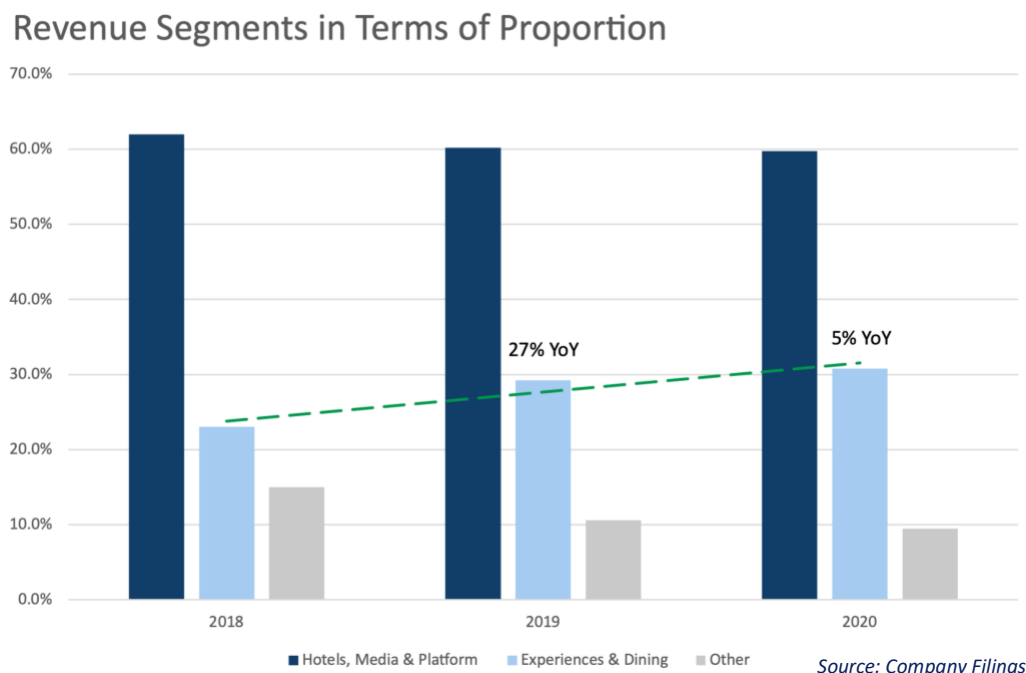
Corporate Strategy

Management has emphasized that TripAdvisor is a growth-oriented company that is seeking to capitalize on the growth of the travel and restaurant industries. TripAdvisor's long term growth strategy has been heavily focused on deepening customer engagement on the platform and finding innovative methods to drive profitable growth. This includes using its platform to delight travelers and hotels/restaurants seeking business to business (B2B) services alike.

Inorganic Growth and Strategic Brand Acquisition

A major part of TripAdvisor's long term growth strategy revolves around inorganic growth through the acquisition of smaller brands within the industry. While TripAdvisor's growth is somewhat inorganic, it finances these activities using available cash and a portion of their revolving credit as opposed to imposing long-term debt.

Given TripAdvisor's reliance on its Hotels, Media & Platform segment, diversification of its revenue streams has become an increasingly important aspect when considering brands to acquire. Over the last few years, TripAdvisor has been focused on purchasing brands that enable them to penetrate markets where they have less experience such as markets outside of North America and their Experiences and Dining segment. Their most recent \$51M acquisition of SinglePlatform in 2019 is particularly indicative of TripAdvisor's push towards taking hold in the restaurant industry. This timely acquisition helped increase TripAdvisor's resiliency during the Covid-19 pandemic by boosting its Experiences & Dining segment as they saw major decreases in their Hotels, Media & Platform segment which serves as the backbone for their revenue.



That being said, while TripAdvisor has seen more recent success in acquisitions relating to its Dining segment have been successful in generating traction for TripAdvisor within this space, some of its prior acquisitions have been more unreliable. Its 2014 acquisition of Viator, a touring company, resulted in significant redundancies and conflict with TripAdvisor's namesake brand. As such, what had been a company growing in popularity and market share saw itself stagnating after the acquisition. This can be attributed primarily to management's handling of the deal and vision for the acquisition. Management has expressed that the 2020 decision to restructure the company and offer Viator more autonomy has allowed for greater internal corporate harmony. While financial metrics for this decision are unreliable due to the Covid-19 pandemic's impact on travel, it is evidence that management is flexible in its treatment of acquired brands and despite initial issues, are generally able to make necessary adjustments.

Beyond that there have been cases of unfavourable acquisitions on TripAdvisor's part such as its non-core Travel Media subsidiaries like Oyster.com and BookingBuddy, which all contributed minimal amounts to revenue in the 'Other' segment. However, TripAdvisor was able to successfully unload 8 of these brands in 2020 in order to focus on building up their more profitable subsidiaries and set their sights on companies more in line with their current goals for growth.

Developing Brand Loyalty

TripAdvisor is seeking to break away from reliance on search engines (ie. Google) to attract visitors and is focusing its efforts on increasing direct traffic to its site and phone app. Search engines like Google can place their own products or different products at the top of a search page, taking website traffic away from TripAdvisor. Management is seeking to focus on increasing repeat usage from users and plans to build up its membership program and mobile apps to do so. TripAdvisor focuses on two key groups for this brand loyalty, firstly, its hotels and advertising partners and secondly, the customers and users of its apps.

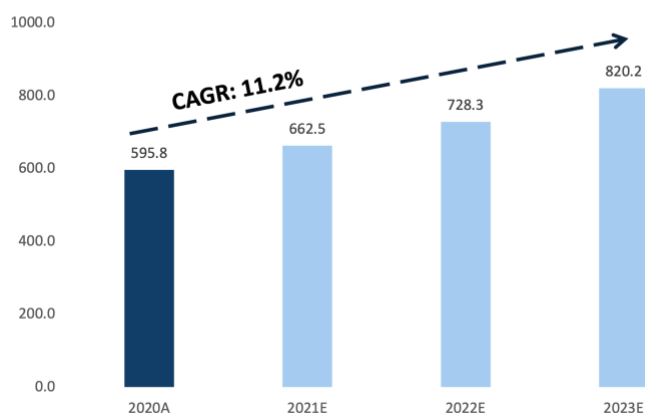
TripAdvisor has historically placed a greater importance on developing its relationships with its 'Travel Partners' and has released many features to aid its advertising partners with ease of usage like data analysis and brand amplification measures. Customer engagement, however, has been an area of weakness for TripAdvisor and management plans to resolve this through the addition of more personalized trip-planning features, such as Reco, its custom trip designing service, and the building of communities to boost engagement and long-term attachment/usage of the mobile and web apps.

To extend customer engagement further, TripAdvisor has begun rolling out a new subscription service, TripAdvisor Plus, which allows members to access special deals like additional discounts, upgrades and other exclusive perks across its various hotels, restaurants and experiences. There is still much speculation about how successful this venture will be, but analysts have estimated that this could generate up to an additional \$1 billion dollars in revenue.

Industry Analysis

TripAdvisor operates in the online travel agency (OTA) industry functioning primarily as a review site. TripAdvisor is the 4th biggest online travel agency by market capitalization. Despite facing headwinds from the economic slowdown and restrictions from the coronavirus pandemic in 2020, the global OTA market is expected to grow to US\$820.2 billion in 2023 at a compounded annual growth rate (CAGR) of 11.2%. This growth is projected to occur as the travel industry picks up again with the release of governmental regulations and vaccines for Covid-19. TripAdvisor operates principally in the North American market but has sought to grow its European and Chinese sites in recent years.

Global Online Travel Agency Market Size



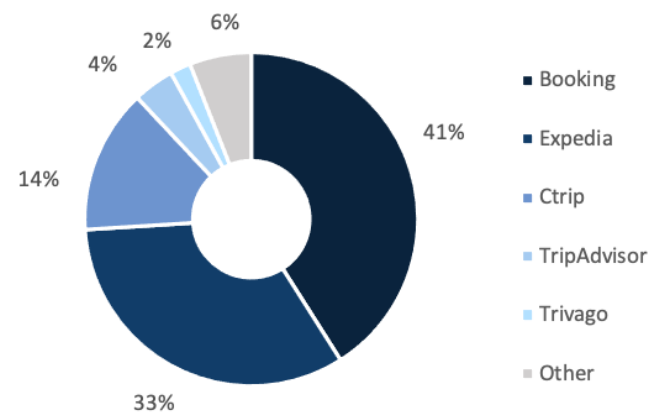
Source: Statista

Online Travel Agency Industry — *North America*

The North American OTA industry is concentrated by a few large firms (ie. Booking (NASDAQ: BKNG), Expedia (NASDAQ: EXPE)) who have acquired many the majority of smaller firms operating in the space. As such, pricing is relatively standardised across the board and smaller OTA's seek to differentiate themselves by offering long-term membership programs for hotels and businesses, a strategy that TripAdvisor has begun to integrate into their business model recently.

Google's push to move into the online travel review/agency industry has been to a great detriment of metasearch sites, North American ones in particular. Search engine optimization has become increasingly expensive and difficult as these sites must compete with Google's subsidiaries (Google Reviews, Google Maps, Google Flights) on Google's search engine. This rising threat has led to several key changes to the industry in the last several years, the consolidation of companies being one. In order to compete with the larger tech company, larger firms have tried to diversify their offerings and revenue streams by acquiring companies in adjacent industries (ex. Online restaurant, transportation)

Global Online Travel Agencies by Revenue

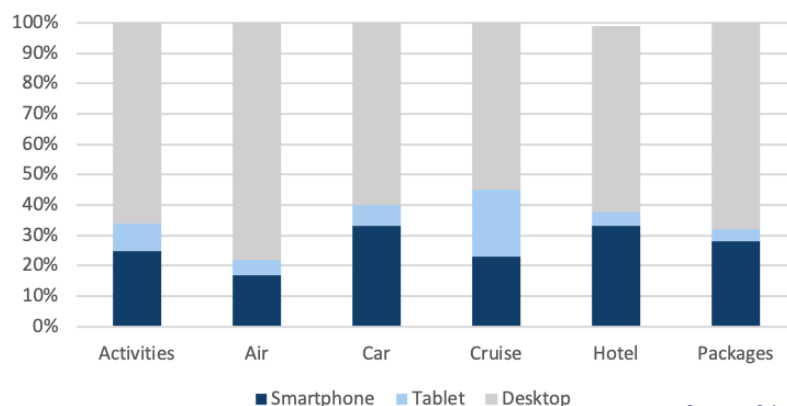


Source: Statista

Proliferation of Mobile App Development

A growing trend amongst OTA's is the usage of mobile apps for customer retention. There are several key reasons for this, the first being a rise in consumer demand for mobile apps due to convenience factors. Secondly, this bypasses the need for external search engines and can incentivize repeat usage due to convenience and in-app membership programs. By focusing on app development, companies are able to gather more data and engage in behavioural marketing tactics and increase customer engagement rates. As seen below, approximately 1/3 of hotel bookings are placed by smartphone device and this trend is expected to rise.

% Share of Travel Related Bookings by Device



Source: Criteo

Investment Thesis

Market View

The market views TripAdvisor as a leading company within the online travel services industry but its slowed growth in recent years due to rising competition from other firms have tainted market perceptions. The Covid-19 pandemic and its associated country-wide shutdowns and travel bans were particularly damaging for the company and its prospects. However, there is consensus within the market that access to vaccines and a strong desire from consumers to travel once more will give TripAdvisor the potential to thrive within the coming years. Further, the recent launch of TripAdvisor Plus has temporarily bolstered the market's impressions of the company as excitement about its possibility's surges. However, investors are cautious in anticipating the release of first and second quarter results to determine if this new service will become a substantive new revenue stream or driver of customer site interactions.

Investment Thesis 1: Growth Maintenance in the Experiences & Dining Segment

Over the last several years, TripAdvisor has struggled with the ability to diversify its revenue streams outside of its core Hotels, Media & Platform segment. Over the course of the Covid-19 pandemic, however, the company has become more reliant on their Experiences & Dining segment which took up a larger proportion of revenue throughout the pandemic. Management has stated that it is their wish to grow this portion of their revenue and is seeking to acquire more brands that are in line with this desire and may seek to develop more partnerships associated with experiences and dining.

Investment Thesis 2: Legal Gridlock Squeezes OTA Market Share

The oligarchical nature of the OTA industry means that comparatively smaller companies such as TripAdvisor may have difficulty retaining market share over a prolonged period of time. Large tech firms like Google have recently taken to entering the industry and have been able to take over significant market share due to their role in directing consumers towards websites. The American government has recently taken notice of the Google's anticompetitive nature and ability to monopolize various industries relating to technology, but the Justice Department's antitrust will not go on trial until late 2023. This leaves plenty of time for Google and similarly large anticompetitive companies to take market share in the OTA industry which would be damaging for companies like TripAdvisor who are reliant on website traffic to generate revenue.

Catalysts

Release of Covid-19 Vaccines to General Public

The global travel industry saw a 42.1% loss in revenue from 2019 as fears of the Covid-19 pandemic and heavy government restrictions on foreign travel reduced the capacity of individuals to move freely. After announcements that the Pfizer vaccine was able to be widely distributed in November of 2020, TripAdvisor saw its stock price rise 22% and has since continued to rise. Currently, vaccines are only available to public health workers and high-risk individuals, but all American adults are expected to be capable of receiving their first dosage of a vaccine by May of 2021. The onset of vaccine availability to members of the general public is expected to cause a surge in demand for travel-related services.

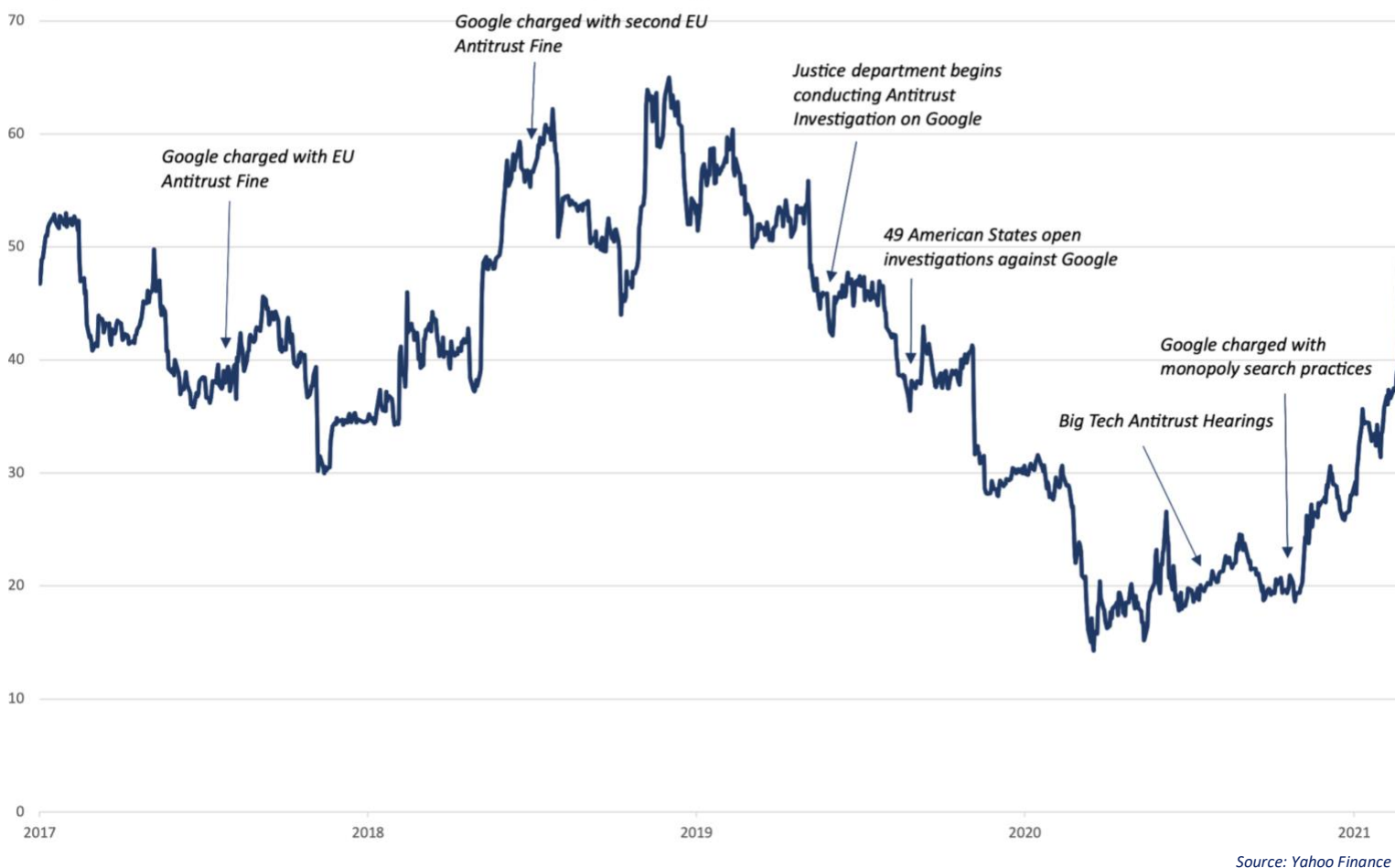
Future Acquisitions

There are a number of smaller companies entering the online travel/leisure industry with innovative ideas but are unable to compete in the already saturated market. Despite a decrease in available cash due to the Covid-19 pandemic, TripAdvisor still holds a strong position on free cash flow and could pursue future acquisitions to strengthen its hold in the market, particularly in their 'Experiences & Dining' segment which has been the most resilient throughout 2020. If management continues to pursue future acquisitions as part of their long-term growth strategy, the sales growth generated from these deals could serve as catalyst for an increase in share price.

Google Antitrust Lawsuits

The consolidation and monopolisation of 'Big Tech' has become a key concern for the US government, as evidenced by the July 2020 Tech Antitrust Hearings and the antitrust lawsuit filed by the U.S. Justice Department in October of 2020. Google is currently TripAdvisor's biggest competitor, bigger yet than other online travel agencies/metasearch websites, given Google's position as a director of web traffic.

TripAdvisor Share Price after events relating to Google AntiTrust



Current antitrust lawsuits in both North America and Europe will have adverse effects on TripAdvisor. If Google is given the permission to continue as they are or are only forced to provide monetary compensation without direct actions to prevent anti-competitive actions, it is possible that TripAdvisor will face even harsher difficulties in maintaining SEO and reaching a large customer base. If these antitrust lawsuits force Google to change its anti-competitive actions, TripAdvisor is in a strong position to regain customer base and increase usage.

Management Team

Stephen Kaufer — Co-Founder, President and Chief Executive Officer

Stephen Kaufer, the current president and Chief Executive Officer (CEO) of TripAdvisor, co-founded the company in February of 2000. Under his leadership, TripAdvisor has grown enormously to include 24 other travel media brands and expanded to operate in 48 global markets. In addition to TripAdvisor, Mr. Kaufer has served as a director for Expedia, Inc. ("Expedia") ever since TripAdvisor spun off from Expedia in 2011, he also serves on the boards of CarGurus and the Neuroendocrine Tumor Research Foundation. Prior to co-founding TripAdvisor, Mr. Kaufer served as president of CDS Inc., an independent software vendor and prior to that, as co-founder and vice president of engineering at CenterLine Software. Mr. Kaufer holds a Bachelor of Arts degree in Computer Science from Harvard University. Mr. Kaufer owns 1.5% of shares outstanding worth approximately \$54 million.



Source: Company Filings

Ernst Teunissen — Chief Financial Officer

Ernst Teunissen has held the Chief Financial Officer (CFO) position at TripAdvisor since October of 2015 where he has been responsible for overseeing global finance operations as well as leading operations for the Cruise Critic business. Prior to working at TripAdvisor, Mr. Teunissen served as executive vice president and CFO of Cimpress N.V. (formerly known as Vistaprint N.V.), Co-founder of two companies: Manifold Partners and ThreeStone Ventures and prior to those, as Executive Director of telecoms and media at Morgan Stanley. Mr. Teunissen holds a Master of Business Administration from the University of Oregon and a Bachelor of Business Administration degree from Nyenrode Business University. Mr. Teunissen owns 0.25% of shares outstanding worth approximately \$8.6 million.



Source: Company Filings

Seth Kalvert — Senior VP, General Counsel and Secretary

Seth Kalvert has held the position of Senior VP and General Counsel since August of 2011. Prior to his current role Mr. Kalvert held various positions at Expedia, Inc. including Vice President and Associate General Counsel where he developed a wealth of experience in the online travel industry space, overseeing in particular the mergers and acquisitions of the Expedia brand. Before joining Expedia, Mr. Kalvert acted as Senior Counsel at InterActiveCorp and as a corporate attorney for Debevoise and Plimpton. Mr. Kalvert holds a Juris Doctorate from Columbia Law School and a Bachelor of Arts from Brown University. Mr. Kalvert owns 0.25% of shares outstanding worth approximately \$8.6 million.



Source: Company Filings

Shareholder Base, Liquidity, Market Depth

Shareholder Base

TripAdvisor has 134.5 million shares outstanding and a free float of 87.2 million shares, translating to a free float of about 64.9%. TripAdvisor's ten largest shareholders are listed in the figure below. TripAdvisor's shareholders are based primarily in the United States and are composed of the following: 66.8% institutional investors, 28.18% public corporations, 6.26% hedge fund managers, 0.59% insiders, and 0.03% Public and Other.

Top 10 Largest Shareholders

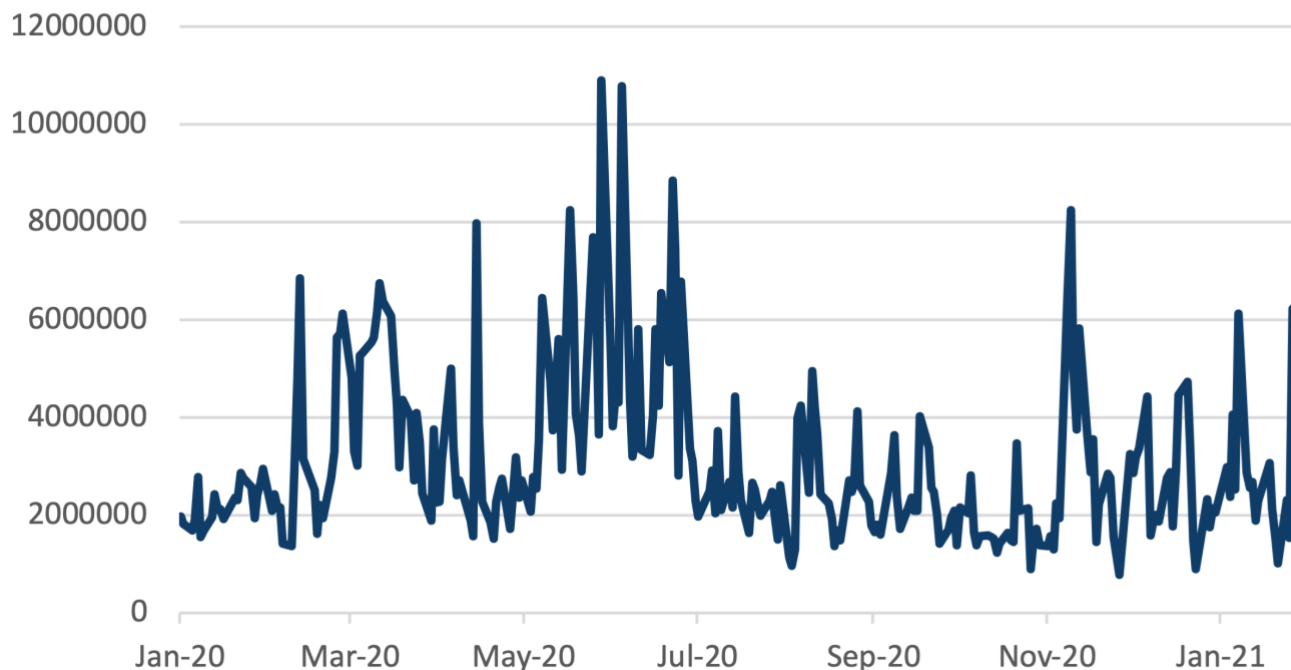
Shareholder Name	% Shares Outstanding	Current Position	Value (\$MM)
Liberty TripAdvisor Holdings, Inc.	23.01	30,959,752	1,071.2
PAR Capital Management, Inc.	6.26	8,415,258	164.8
The Vanguard Group, Inc.	6.10	8,201,013	160.6
BlackRock, Inc.	5.97	8,034,759	278.0
Eagle Capital Management, LLC	5.75	7,734,883	267.6
Trip.com Group Limited	5.17	6,954,228	240.6
Renaissance Technologies Corp.	4.31	5,803,684	200.8
Polar Capital Holdings plc	3.16	4,249,944	147.0
Fidelity International Ltd	3.04	4,088,478	141.5
SoMA Equity Partners, L.P.	2.23	3,000,000	103.8

Source: Capital IQ

Liquidity

TripAdvisor has an average daily trading volume of 3.28 million shares, where spikes in liquidity occur after the posting of quarterly earnings reports as well as major events that affected the online travel industry such as the announcement of vaccine availability.

Average Trading Volume



Source: Yahoo Finance

Valuation

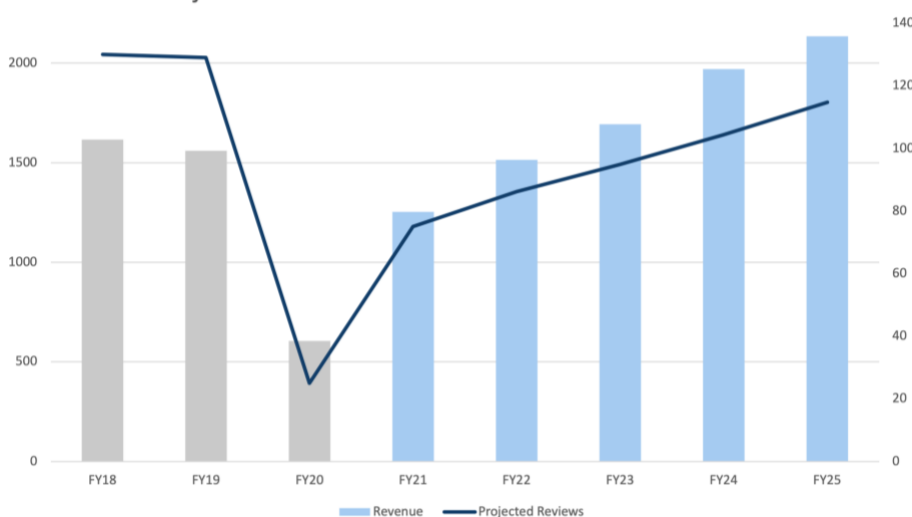
Discounted Cash Flow

Revenue Assumptions

As governmental regulations ease and countries and individuals adjust to a 'new-normal,' it has been projected that travel will pick up and revenue for TripAdvisor will increase after the next year. Further, the implementation of TripAdvisor's subscription model eases room for improved behavioural targeting methods which can increase attribution rates.

We have driven revenue growth of the Hotels, Media & Platform segment through the average sales per review. The number of reviews is representative of the position of the company and its ability to receive traction

Revenue vs. Adjusted Number of Reviews



and subsequent travel partnerships. Due to announcements in the United States and Canada that most adults will have access to vaccines for the Covid-19 virus by May to September 2021, it is expected that demand for travel will increase greatly as countries begin to reopen their borders and reduce pandemic-related movement restrictions. Additionally, the addition of the new premium member subscription service is expected to drive up site traffic and subsequent engagement. Therefore, it has been projected that the number of reviews will increase by 212% YoY in 2021. From there, it is expected that reviews will rise at a steady YoY rate of 10%.

Given the growth and injection of investments into the Dining and Experiences segment of TripAdvisor, it is forecasted that this segment will see a 15% growth rate from 2021 forwards. In general, TripAdvisor's Other segment has seen negative growth averaging a decrease of 7.4% annually from 2016-2019. Given that TripAdvisor recently sold off acquisitions pertaining to the Other segment and has been trying to decrease this segment's prominence. It was projected that the 'Other' segment's 2021 revenue would increase to 50% of its prepandemic state and would decrease at a rate of 2% per year from there.

SG&A

We have predicted the SG&A margin to decrease slightly over the next years as TripAdvisor recovers from major increases in SG&A spending attributed to the Covid-19 pandemic and to taper off at 11% for the next several years as overhead and personnel costs have historically hovered around this amount.

Capital Expenditures

Based on TripAdvisor's historical capital expenditures on acquisitions of various brands and technological improvements to compete effectively against competitors, it was predicted that similar spending would reoccur as individuals begin to travel again. As such, it was projected that beginning in 2022, capital expenditures would increase to 25%, rising up to a maximum of 30%.

Further given the expectation for increased inorganic growth post-pandemic as well as a greater need for maintenance and data storage for its recent website changes, it is assumed that these capital expenditure spendings would occur at a higher rate in general.

Weighted Average Cost of Capital

To determine the weighted average cost of capital (WACC) for TripAdvisor, figures were taken from the Bloomberg financial software. The cost of equity was calculated through a risk-free rate of 1.2% based on the US 10-Year Treasury Bonds with an expected market return of 9.7%. The company's 5-year beta of 1.47 was used to calculate a cost of equity of 13.7%.

The cost of debt was determined by using a pre-tax cost of debt of 1.1% and an effective tax rate of 0% resulting in a total cost of debt of 1.1%.

Based on the calculations for cost of equity and cost of debt, a WACC of 12.6% was found.

Terminal EV/EBITDA Multiple

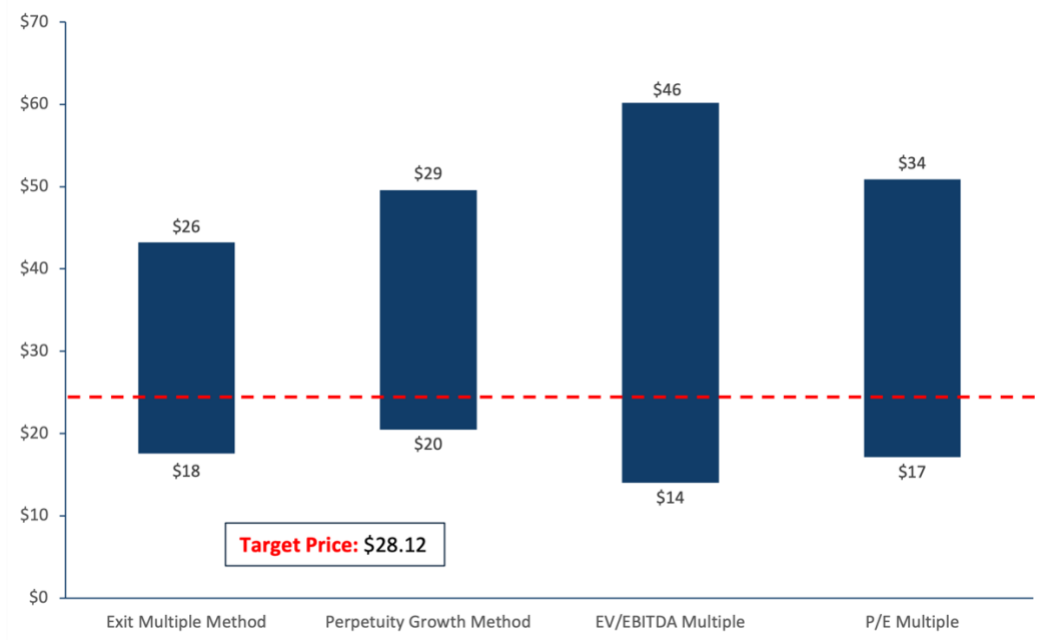
An EV/EBITDA exit multiple of 11.4x was used. This multiple is based on the median trading multiple of the company's industry comparable companies. It is below TripAdvisor's 2019E EV/EBITDA multiple of 17.0x, but we believe this is justified given the effects of Covid-19 on the industry and the rise in expenses for SEO and technology improvements.

Weighted Price Target

As a technology company, traditional valuation methods do not represent the full picture of TripAdvisor's stock valuation. Instead, stock price for software technology companies such as TripAdvisor is rooted in expectations for future growth. Recently, excitement surrounding TripAdvisor's new subscription model have increased its stock price to a higher price than standard valuation strategy price targets would suggest. This has been considered in the weighting of the price target but should also be understood as reasoning for the current overvaluation of the company and the large discrepancy between our current price target and TripAdvisor's current share price.

We have chosen to favour our comparable company analysis over our DCF given the weak performance in 2020 due to the Covid-19 virus. Within the DCF, the implied price given by the Perpetuity Growth Rate is \$22.10 and the implied price given by the Exit Multiple method is \$26.52, weighted at 15% each. From the comparable valuation, the EV/EBITDA implied price is \$30.26 and the P/E implied price is \$29.25, weighted at 35% each. This results in a target share price of \$28.12.

Our DCF was weighted at 30% because TripAdvisor is a tech company with unpredictable growth rates, particularly in its share price. An intrinsic valuation of the company fails to account for volatility in market expectations which are rooted more heavily in growth potential as opposed to present or past intrinsic value. As such, plans for expansion paired with relatively stable historical performance are likely to result in strong support for the equity which is not directly priced into the intrinsic valuation.



Comparable Company Analysis Set

The companies listed below are comparable companies for TripAdvisor, Inc. they share similar operating activities and/or a similar customer base and are of a similar size to TripAdvisor. These companies operate in similar geographic markets comprised primarily of the United States and Canada.

Yelp (NYSE: YELP): Yelp is a platform that connects consumers with businesses through reviews and opinions operating primarily in North America. The company delivers targeted search advertising for local businesses and their target audience.

Expedia Group, Inc. (NASDAQ: EXPE): Expedia operates a portfolio of online brands offering travelers with the tools and information to research, book and experience travel. The company's offers businesses the ability to advertise and sell products directly from their websites.

JetBlue Airways Corporation (NASDAQ: JBLU): JetBlue Airways is a low-cost passenger carrier airline based in the United States. Jetblue serves 100 domestic (US) and international destinations across the Americas. Its consumers are generally seeking affordable short-haul airline travel.

Wyndham Hotels & Resorts, Inc. (NYSE:WH): Wyndham Hotels & Resorts is a hotel and resort franchising company operating subsidiaries like La Quinta, Ramada, Travelodge etc. focused on targeting midscale hotelier brands. Wyndham currently operates in 90 countries.

Choice Hotels International (NYSE: CHH): Choice Hotels operates as a midscale hotel franchisor of brands such as Comfort Inn, Quality, Comfort Suites and the recent addition of extended-stay offerings. Choice Hotels currently operates in 40 different countries.

Trivago N.V. (NASDAQ: TRVG): Trivago is a hotel and accommodations search platform based in Dusseldorf, Germany but operates heavily in the North American market. The firm gains most of its revenue from referring users to its advertisers and travel partners' websites.

Recommendation

Hold

Given our assumptions and qualitative understanding of the company's efforts and the direction in which the industry is currently moving, we believe that the market has valued TripAdvisor, Inc. fairly. The company recognizes its decline in revenue as a result of major competitors positioning themselves better to reach potential customers but has continued to maintain a large gross profit margin due to minimal expenses. As such, TripAdvisor continues to be well positioned to take advantage of external opportunities for growth such as a shift in demand for travel and travel-related services or measures being taken by global governments to limit anti-competitive behaviour.

Based on our discounted cash flow and Comparable Companies analyses, we initiate a **hold** rating on TripAdvisor, Inc. at a target share price of \$28.12. If TripAdvisor is successful in capturing a market share as consumers seek to travel again or is able to improve its search engine optimization, we would expect to see the valuation for TripAdvisor to increase accordingly.

Risks

Prolonged Covid-19 Pandemic

There remains much uncertainty as to the result of the Covid-19 pandemic. Governmental restrictions and public health concerns have caused major declines to consumer demand for travel, hospitality, restaurant and leisure industries. While there has been a significant shift towards localized travel and leisure activities, flight restrictions and travel bans continue to put a damper on the industry. While countries saw a decline in cases during Q2 of 2020 and a subsequent uptick in travel-related activities, a second wave with new strands of the virus has forced many countries and states to reimplement restrictions leading to a heightened degree of uncertainty as to the future of the hospitality and tourism industry as a whole. A prolonged pandemic could lead to financial hardships that TripAdvisor may not be capable of recovering from. TripAdvisor can seek to mitigate this risk by

Dependence on Search Engines

While TripAdvisor has made significant efforts to reduce its reliance on search engines for website traffic through the development of its app and encouragement of membership, external search engines (ex. Google) continue to drive the majority of site visitors. If TripAdvisor's strategies to maintain long-term customer relationships is unsuccessful, TripAdvisor would find itself competing against the very partners it relies on. Further, this would increase the cost of expenses used to improve search engine optimization. TripAdvisor is on track to mitigating this risk with its long-term growth strategy but may want to focus more on the advertisement and growth of its webapp at a faster pace.

Appendix 1: Model Summary

	Summary Page										
	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
(Figures in mm USD)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Income Statement											
Revenue	1,492.0	1,480.0	1,556.0	1,615.0	1,560.0	604.0	1,242.6	1,497.3	1,698.4	2,008.1	2,269.6
EBITDA	325.0	267.0	235.0	299.0	313.0	(169.0)	186.2	242.6	339.7	387.6	369.9
Net Income	198.0	120.0	(19.0)	113.0	126.0	(290.0)	67.2	129.7	202.8	257.8	259.4
Earnings Per Share	\$ 1.36	\$ 0.82	\$ (0.14)	\$ 0.81	\$ 0.89	\$ (2.15)	\$ 0.50	\$ 0.96	\$ 1.50	\$ 1.91	\$ 1.92
Cash Flow Statement											
Capital Expenditures	(109.0)	(72.0)	(64.0)	(61.0)	(83.0)	(55.0)	(42.5)	(33.8)	(34.5)	(26.1)	(18.3)
Acquisitions	(29.0)	(43.0)	-	(24.0)	(110.0)	-	-	(50.0)	(10.0)	-	(100.0)
Divestitures	25.0	-	-	-	-	-	-	-	-	-	-
Balance Sheet											
Current Assets	865.0	950.0	993.0	915.0	533.0	573.0	500.4	556.7	801.3	1,098.2	1,285.1
Non-Current Assets	1,263.0	1,288.0	1,279.0	1,252.0	1,451.0	1,396.0	1,325.0	1,328.3	1,286.6	1,247.4	1,320.0
Assets	2,128.0	2,238.0	2,272.0	2,167.0	1,984.0	1,969.0	1,825.4	1,885.0	2,087.9	2,345.7	2,605.1
Current Liabilities	312.0	423.0	372.0	393.0	435.0	242.0	234.0	234.0	234.0	234.0	234.0
Non-Current Liabilities	404.0	313.0	537.0	303.0	388.0	841.0	650.0	580.0	580.0	580.0	580.0
Liabilities	716.0	736.0	909.0	696.0	823.0	1,083.0	884.0	814.0	814.0	814.0	814.0
Shareholders' Equity	1,412.0	1,502.0	1,363.0	1,471.0	1,161.0	886.0	941.4	1,071.0	1,273.9	1,531.7	1,791.1
Cash	614.0	612.0	673.0	655.0	319.0	418.0	286.2	308.1	529.8	788.4	943.0
Debt	716.0	736.0	909.0	696.0	823.0	1,083.0	884.0	814.0	814.0	814.0	814.0
Net Debt	102.0	124.0	236.0	41.0	504.0	665.0	597.8	505.9	284.2	25.6	(129.0)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	0.3 x	0.5 x	1.0 x	0.1 x	1.6 x	n/a	3.2 x	2.1 x	0.8 x	0.1 x	n/a
Operating Metrics											
Return on Equity (ROE)	14.0%	8.0%	-1.4%	7.7%	10.9%	-32.7%	7.1%	12.1%	15.9%	16.8%	14.5%
Return on Assets (ROA)	9.3%	5.4%	-0.8%	5.2%	6.4%	-14.7%	3.7%	6.9%	9.7%	11.0%	10.0%
Return on Invested Capital (ROIC)	-331.4%	-80.9%	-357.0%	-243.9%	-69.0%	508.4%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Valuation Metrics											
Stock Price (High)	\$ 94.00	\$ 83.97	\$ 53.58	\$ 69.00	\$ 60.90	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68
Stock Price (Low)	\$ 62.24	\$ 45.63	\$ 29.50	\$ 34.08	\$ 27.66	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68
Stock Price (Average)	\$ 78.12	\$ 64.80	\$ 41.54	\$ 51.54	\$ 44.28	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68	\$ 51.68
Diluted Shares Outstanding (Average)	146.0	147.0	140.0	140.0	141.0	135.0	135.0	135.0	135.0	135.0	135.0
Market Capitalization (Average)	11,405.5	9,525.6	5,815.6	7,215.6	6,243.5	6,976.8	6,976.8	6,976.8	6,976.8	6,976.8	6,976.8
Enterprise Value (Average)	11,507.5	9,649.6	6,051.6	7,256.6	6,747.5	7,641.8	7,574.6	7,482.7	7,261.0	7,002.4	6,847.8
P/E	57.6 x	79.4 x	n/a	63.9 x	49.6 x	n/a	103.8 x	53.8 x	34.4 x	27.1 x	26.9 x
EV/EBITDA	35.4 x	36.1 x	25.8 x	24.3 x	21.6 x	n/a	40.7 x	30.8 x	21.4 x	18.1 x	18.5 x
FCF Yield to Market Capitalization	1.4%	1.5%	0.1%	2.7%	2.9%	-2.4%	0.8%	2.5%	4.0%	4.6%	4.6%
FCF Yield to Enterprise Value	1.4%	1.5%	0.1%	2.6%	2.7%	-2.2%	0.8%	2.3%	3.9%	4.6%	4.7%
Free Cash Flow											
EBIT	232.0	166.0	124.0	183.0	187.0	(329.0)	84.5	162.1	253.5	322.3	324.2
Tax Expense	(41.0)	(31.0)	(129.0)	(60.0)	(68.0)	78.0	(17.3)	-	-	-	-
D&A	93.0	101.0	111.0	116.0	126.0	125.0	101.7	80.5	86.2	65.3	45.7
Capital Expenditures	(109.0)	(72.0)	(64.0)	(61.0)	(83.0)	(55.0)	(42.5)	(33.8)	(34.5)	(26.1)	(18.3)
Changes in NWC	(18.0)	(17.0)	(36.0)	14.0	22.0	16.0	(67.2)	(34.5)	(22.8)	(38.3)	(32.3)
Unlevered Free Cash Flow	157.0	147.0	6.0	192.0	184.0	(165.0)	59.2	174.3	282.4	323.1	319.4
Valuation Summary											
Current Price	\$ 51.68										
Target Price	\$ 28.12										
Total Return	-45.6%										
Recommendation	HOLD										
DCF Valuation											
Perpetuity Growth Implied Price	\$ 22.07										
Exit Multiple Implied Price	\$ 26.52										
Comps Valuation											
Comps - EV/EBITDA Implied Price	\$ 30.26										
Comps - P/E Implied Price	\$ 29.25										

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis																								
	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	
(Figures in mm USD)	FY2016	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	
WACC Calculations																								
Free Cash Flow																								
EBIT	232.0	166.0	124.0	23.0	49.0	89.0	22.0	183.0	31.0	66.0	68.0	23.0	187.0	(27.0)	(164.0)	(46.0)	(92.0)	(329.0)	84.5	162.1	253.5	322.3	324.2	
Less: Tax expense	(41.0)	(31.0)	(129.0)	(16.0)	(10.0)	(18.0)	(16.0)	(60.0)	(7.0)	(34.0)	(23.0)	(5.0)	(68.0)	11.0	26.0	10.0	31.0	78.0	(17.3)	-	-	-	-	
Add: Depreciation and amortization	93.0	101.0	111.0	28.0	29.0	28.0	31.0	116.0	31.0	30.0	32.0	33.0	126.0	32.0	32.0	30.0	31.0	125.0	101.7	80.5	86.2	65.3	45.7	
Less: Capital expenditures	(109.0)	(72.0)	(64.0)	(15.0)	(16.0)	(15.0)	(15.0)	(61.0)	(17.0)	(21.0)	(23.0)	(22.0)	(83.0)	(20.0)	(15.0)	(11.0)	(9.0)	(55.0)	(42.5)	(33.8)	(34.5)	(26.1)	(18.3)	
Less: Change in net working capital	(18.0)	(17.0)	(36.0)	-	-	-	-	14.0	-	-	-	-	22.0	-	-	-	16.0	16.0	(67.2)	(34.5)	(22.8)	(38.3)	(32.3)	
Unlevered Free Cash Flow	157.0	147.0	6.0	20.0	52.0	84.0	22.0	192.0	38.0	41.0	54.0	29.0	184.0	(4.0)	(121.0)	(17.0)	(23.0)	(165.0)	59.2	174.3	282.4	323.1	319.4	
Discount factor																				1.00	2.00	3.00	4.00	
Present Value of Unlevered Free Cash Flow																				155.8	225.7	230.9	204.0	
Discounted Cash Flow Valuations																								
Perpetuity Growth Method																								
Perpetuity Growth Rate	2.5%																							
PV sum of unlevered FCF	816.5																							
Terminal value	2,236.3																							
Enterprise Value	3,052.7																							
Add: Cash	418.0																							
Less: Debt	491.0																							
Less: Other EV adjustments	-																							
Equity Value	2,979.7																							
Shares outstanding	135.0																							
Implied Share Price	\$ 22.07																							
Current Price	\$ 51.68																							
Implied Price	\$ 22.07																							
Total Return	-57.3%																							
Exit Multiple Method																								
Terminal EV/EBITDA Multiple	12.0 x																							
PV sum of unlevered FCF	2836.249																							
Terminal value	2836.249																							
Enterprise Value	3,652.7																							
Add: Cash	418.0																							
Less: Debt	491.0																							
Less: Other EV adjustments	-																							
Equity Value	3,579.7																							
Shares outstanding	135.0																							
Implied Share Price	\$ 26.82																							
Current Price	\$ 51.68																							
Implied Price	\$ 26.52																							
Total Return	-48.7%																							

Appendix 3: Comparable Companies Analysis

Comparable Company Analysis

(Figures in mm USD)

(Figures in mm USD)				EV/EBITDA Multiple			P/E Multiple			
Company	Ticker	Equity Value	Enterprise Value	2020A EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	2020A P/E	2021E P/E	2022E P/E	
Yelp Inc.	(NYSE:YELP)	2,364.3	1,983.2	n/a	11.0 x	9.2 x	(96.8 x)	22.2 x	17.9 x	
Expedia Group Inc.	(NASDAQ:EXPE)	19,944.4	27,418.4	n/a	22.3 x	11.9 x	(9.1 x)	180.7 x	20.9 x	
JetBlue Airways Corp	(NASDAQ: JBL	4,657.7	7,372.7	n/a	9.2 x	5.6 x	(5.0 x)	(14.8 x)	13.8 x	
Wyndham Hotels & Re	(NYSE: WH)	5,735.5	7,914.5	19.7 x	16.3 x	16.4 x	(94.7 x)	60.9 x	27.2 x	
Choice Hotels Internat	(NYSE: CHH)	5,927.7	6,816.0	31.5 x	21.1 x	17.9 x	54.9 x	32.5 x	25.0 x	
trivago N.V.	(NASDAQ: TRV	813.5	654.0	n/a	18.7 x	9.9 x	(2.9 x)	76.7 x	25.6 x	
Trip Advisor (TRIP)	(NASDAQ: TRIP	6,976.8	7,049.8	(59.2 x)	35.0 x	20.0 x	(34.9 x)	105.5 x	41.7 x	
Median					17.5 x	10.9 x	46.7 x			
Mean					16.4 x	11.8 x	59.7 x			
High					22.3 x	17.9 x	180.7 x			
Low					9.2 x	5.6 x	(14.8 x)			
					EV/EBITDA Implied Price				P/E Implied Price	
Median					\$	25.57	\$	27.87	\$	22.89
Mean					\$	23.97	\$	30.26	\$	29.25
High					\$	32.64	\$	46.17	\$	88.55
Low					\$	13.25	\$	14.02	-\$	7.26

Legal Disclaimer

The content, opinions, estimates, and projections contained in this report are those of WestPeak Research Association (known as “WestPeak” or “WestPeak Research”) and its directors, analysts, and affiliates and are subject to change without notice. The content, opinions, estimates, and projections on this report may not have been updated directly by WestPeak and its directors, analysts, and affiliates and may also have been altered or without your or our knowledge. WestPeak and its directors, analysts, and affiliates, without exception, do not accept any liability for factual, typographical, and grammatical errors, omissions, or content in this report. WestPeak and its directors, analysts, and affiliates do not accept any liability for damages arising from the use of or reliance on any of the content, opinions, estimates, and projections on this report. WestPeak and its directors, analysts, and affiliates endeavor to ensure that the content, opinions, estimates, and projections have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. Information may be available to WestPeak and its directors, analysts, and affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This report is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. WestPeak and its directors, analysts, and affiliates may have a personal long or short position in any of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that WestPeak and its directors, analysts, and affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The reader, by the viewing of and use of the content, opinions, estimates, and projections contained in this report is assumed by WestPeak and its directors, analysts, and affiliates to have fully read, understood, and unconditionally agreed to all the terms and conditions set forth in this legal disclaimer.

Angela Chen
Analyst

WestPeak Research Association
contact@westpeakresearch.com