

TripAdvisor, Inc.  
Form 10-K/A  
July 31, 2014  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K/A**  
**(Amendment No. 1)**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2013**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

**Commission file number: 001-35362**

**TRIPADVISOR, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**

**80-0743202**

**(State or other jurisdiction of  
incorporation or organization)**

**(I.R.S. Employer  
Identification No.)**

**141 Needham Street**

**Newton, MA 02464**

**(Address of principal executive office) (Zip Code)**

**Registrant's telephone number, including area code:**

**(617) 670-6300**

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each class:**  
Common Stock, \$0.001 par value

**Name of each exchange on which registered:**  
The NASDAQ Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$6,817,578,784 based on the closing price on NASDAQ on such date. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

	<b>Outstanding Shares at</b>
<b>Class</b>	<b>February 6, 2014</b>
Common Stock, \$0.001 par value per share	129,432,796 shares
Class B Common Stock, \$0.001 par value per share	12,799,999 shares

### **Documents Incorporated by Reference**

Portions of the proxy statement for the 2014 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K, as amended.

Table of Contents

Table of Contents

	<b>Page</b>
<u>PART II</u>	
Item 8. <u>Financial Statements and Supplementary Data</u>	1
<u>PART IV</u>	47
Item 15. <u>Exhibits and Financial Statement Schedules</u>	47
<u>SIGNATURES</u>	48

**Table of Contents**

**EXPLANATORY NOTE**

The Registrant is filing this Amendment No. 1 on Form 10-K/A ( Form 10-K/A ) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 ( Form 10-K ) to include a corrected report of independent registered public accounting firm as the report previously provided inadvertently included a reference to a financial statement schedule which was not included in the Form 10-K.

As required by Rule 12b-15, the Registrant's principal executive officer and principal financial officer are providing currently dated certifications on Exhibits 31.3, 31.4, 32.3 and 32.4. Accordingly, the Registrant hereby amends Item 15 in the Form 10-K to add such reports as Exhibits.

Except as described above, this Form 10-K/A does not amend, update or change any other items or disclosures in the Form 10-K, including any of the financial information disclosed in Parts II and IV of the Form 10-K, and does not purport to reflect any information or events subsequent to the filing thereof. As such, this Form 10-K/A speaks only as of the date the Form 10-K was filed, and the Company has not undertaken herein to amend, supplement or update any information contained in the Form 10-K to give effect to any subsequent events. Accordingly, this Form 10-K/A should be read in conjunction with the Form 10-K.

We refer to TripAdvisor, Inc. as the Company, TripAdvisor, Registrant, us, we and our in this report.

**Table of Contents**

**PART II**

**Item 8. Financial Statements and Supplementary Data**

Index to Financial Statements and Supplementary Data:

<u>Report of Independent Registered Public Accounting Firm</u>	2
<u>Consolidated and Combined Statements of Operations for the years ended December 31, 2013, 2012 and 2011</u>	3
<u>Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011</u>	4
<u>Consolidated Balance Sheets as of December 31, 2013 and 2012</u>	5
<u>Consolidated and Combined Statements of Changes in Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011</u>	6
<u>Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011</u>	8
<u>Notes to Consolidated and Combined Financial Statements</u>	9
<u>Quarterly Financial Information (Unaudited)</u>	46

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

of TripAdvisor, Inc.

We have audited the accompanying consolidated balance sheets of TripAdvisor, Inc. as of December 31, 2013 and 2012, and the related consolidated and combined statements of operations, comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TripAdvisor, Inc. at December 31, 2013 and 2012, and the consolidated and combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TripAdvisor, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 11, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 11, 2014



Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS****(in thousands, except per share data)**

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenue	\$ 727,236	\$ 559,215	\$ 426,045
Revenue from Expedia	217,425	203,751	211,018
<b>Total revenue</b>	<b>944,661</b>	<b>762,966</b>	<b>637,063</b>
Costs and expenses:			
Cost of revenue (exclusive of amortization) (1)	17,714	12,074	10,873
Selling and marketing (2)	368,353	266,239	209,176
Technology and content (2)	130,673	86,640	57,448
General and administrative (2)	98,121	75,641	44,770
Depreciation	29,495	19,966	18,362
Amortization of intangible assets	5,731	6,110	7,523
Shared services fee with Expedia			9,222
Spin-off costs			6,932
<b>Total costs and expenses</b>	<b>650,087</b>	<b>466,670</b>	<b>364,306</b>
Operating income	294,574	296,296	272,757
Other income (expense):			
Interest income	1,738	510	808
Interest expense	(10,074)	(11,381)	(417)
Other, net	(1,536)	(3,450)	(1,254)
<b>Total other expense, net</b>	<b>(9,872)</b>	<b>(14,321)</b>	<b>(863)</b>
Income before income taxes	284,702	281,975	271,894
Provision for income taxes	(79,259)	(87,387)	(94,103)
Net income	205,443	194,588	177,791
Net (income) loss attributable to noncontrolling interest		(519)	(114)
Net income attributable to TripAdvisor, Inc.	\$ 205,443	\$ 194,069	\$ 177,677
<b>Earnings Per Share attributable to TripAdvisor, Inc:</b>			
Basic	\$ 1.44	\$ 1.39	\$ 1.33
Diluted	\$ 1.41	\$ 1.37	\$ 1.32
<b>Weighted Average Common Shares Outstanding:</b>			
Basic	142,854	139,462	133,461
Diluted	145,263	141,341	134,865

(1) Excludes amortization as follows:

Amortization of acquired technology included in amortization of intangibles	\$ 949	\$ 708	\$ 578
Amortization of website development costs included in depreciation	19,602	12,816	12,438

\$ 20,551    \$ 13,524    \$ 13,016

(2) Includes stock-based compensation as follows:

Selling and marketing	\$ 10,643	\$ 4,622	\$ 3,216
Technology and content	21,053	11,400	3,931
General and administrative	17,257	14,080	10,197

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)**

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 205,443	\$ 194,588	\$ 177,791
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	548	1,945	(781)
Unrealized gains (losses) on available for sale securities, net of tax benefits of \$6, \$72, and \$0, <sup>(1)</sup>	(4)	(104)	
Total other comprehensive income (loss), net of tax	544	1,841	(781)
Comprehensive income	205,987	196,429	177,010
Less: comprehensive income attributable to noncontrolling interest		(519)	(114)
Comprehensive income attributable to TripAdvisor, Inc.	\$ 205,987	\$ 195,910	\$ 176,896

(1) Net gains (losses) recognized and reclassified during the years ended December 31, 2013, 2012 and 2011 were immaterial.

The accompanying notes are an integral part of these consolidated and combined financial statements.

**Table of Contents****TRIPADVISOR, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except share and per share data)**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 351,148	\$ 367,515
Short-term marketable securities (note 5)	131,220	118,970
Accounts receivable, net of allowance of \$3,300 and \$2,818 at December 31, 2013 and December 31, 2012, respectively (note 2)	97,034	81,459
Receivable from Expedia, net (note 15)	15,828	23,971
Taxes receivable (note 9)	14,291	24,243
Deferred income taxes, net (note 9)	4,550	5,971
Prepaid expenses and other current assets	16,214	10,365
<b>Total current assets</b>	<b>630,285</b>	<b>632,494</b>
Long-term marketable securities (note 5)	188,338	99,248
Property and equipment, net (note 6)	81,528	43,802
Deferred income taxes, net (note 9)	893	502
Other long-term assets	18,144	13,274
Intangible assets, net (note 7)	51,842	38,190
Goodwill (note 7)	501,984	471,684
<b>TOTAL ASSETS</b>	<b>\$ 1,473,014</b>	<b>\$ 1,299,194</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,869	\$ 12,796
Deferred merchant payables (note 2)	29,612	1,303
Deferred revenue	43,970	31,563
Credit facility borrowings (note 8)	28,461	32,145
Borrowings, current (note 8)	40,000	40,000
Taxes payable (note 9)	5,443	14,597
Accrued expenses and other current liabilities (note 10)	85,534	63,236
<b>Total current liabilities</b>	<b>242,889</b>	<b>195,640</b>
Deferred income taxes, net (note 9)	13,114	11,023
Other long-term liabilities (note 11)	52,531	25,563
Borrowings, net of current portion (note 8)	300,000	340,000
<b>Total Liabilities</b>	<b>608,534</b>	<b>572,226</b>

Commitments and Contingencies (note 12)		
Stockholders' equity: (note 14)		
Preferred stock \$0.001 par value		
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock \$0.001 par value	131	130
Authorized shares: 1,600,000,000		
Shares issued: 131,537,798 and 130,060,138		
Shares outstanding: 129,417,089 and 130,060,138		
Class B common stock \$0.001 par value	13	13
Authorized shares 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999		
Additional paid-in capital	608,001	531,256
Retained earnings	401,881	196,438
Accumulated other comprehensive loss	(325)	(869)
Treasury stock - Common stock, at cost, 2,120,709 and 0 shares, at December 31, 2013 and December 31, 2012 respectively	(145,221)	
Total stockholders' equity	864,480	726,968
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,473,014</b>	<b>\$ 1,299,194</b>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

## TRIPADVISOR, INC.

## CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share data)

	Invested Capital	Common stock Shares	Common stock Amount	Class B common stock Shares	Class B common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock Shares	Treasury stock Amount	Total
<b>Balance as of December 31, 2010</b>	<b>\$ 541,561</b>		\$		\$	\$	\$	\$ (1,929)		\$	<b>\$ 539,632</b>
Net income attributable to TripAdvisor, Inc. prior to Spin-Off	175,308										175,308
Net income attributable to TripAdvisor, Inc. after the Spin-Off							2,369				2,369
Currency translation adjustments								(781)			(781)
Tax benefits on equity awards	1,453										1,453
Stock- based compensation expense- pre-Spin-Off	16,260										16,260
Acquisition of common control subsidiary from Expedia	(40,564)										(40,564)
Adjustment to the fair value of redeemable noncontrolling interest	(571)										(571)
Extinguishment of receivable	(1,525)										(1,525)

due from Expedia related to Spin- Off, including transfers of assets and liabilities									
Distribution to Expedia related to Spin-Off, net	(398,488)								(398,488)
Capitalization of TripAdvisor as a result of Spin-Off from Expedia, including issuance of Common and Class B shares	(293,434)	120,661,808	121	12,799,999	13	293,300			
Stock-based compensation expense- post Spin-Off						444			444
<b>Balance as of December 31, 2011</b>	<b>\$</b>	<b>120,661,808</b>	<b>\$ 121</b>	<b>12,799,999</b>	<b>\$ 13</b>	<b>\$ 293,744</b>	<b>\$ 2,369</b>	<b>\$ (2,710)</b>	<b>\$ 293,537</b>
Net income attributable to TripAdvisor, Inc.							194,069		194,069
Currency translation adjustments								1,945	1,945
Unrealized loss on marketable securities, net of tax								(104)	(104)
Issuance of common stock related to exercise of options and warrants and vesting of RSUs		9,398,330	9			230,702			230,711
Tax benefits on equity awards						3,933			3,933
Minimum withholding taxes on net						(6,675)			(6,675)

share settlements of equity awards		
Adjustment to the fair value of redeemable noncontrolling interest	(14,617)	(14,617)
Reclassification of non-employee equity awards to liability	(1,462)	(1,462)
Stock-based compensation expense	25,631	25,631



**Table of Contents**

	Invested Capital	Common stock Shares	Common stock Amount	Class B common stock Shares	Class B common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock Shares	Treasury stock Amount	Total
<b>Balance as of December 31, 2012</b>	\$	130,060,138	\$ 130	12,799,999	\$ 13	\$ 531,256	\$ 196,438	\$ (869)		\$	\$ 726,960
Net income attributable to TripAdvisor, Inc.							205,443				205,443
Currency translation adjustments								548			548
Unrealized loss on marketable securities, net of tax and classification adjustments								(4)			(4)
Issuance of common stock related to exercise of options and vesting of RSUs		1,477,660	1			27,067					27,068
Repurchase of common stock								(2,120,709)		\$(145,221)	\$(145,221)
Provision for deferred tax benefits on equity awards						12,227					12,227
Minimum cash requirement for stock-based compensation											
Settlements of equity awards and stock-based compensation						(13,907)					(13,907)
Share-based compensation expense						51,358					51,358
<b>Balance as of December 31, 2013</b>	\$	131,537,798	\$ 131	12,799,999	\$ 13	\$ 608,001	\$ 401,881	\$ (325)	(2,120,709)	\$(145,221)	\$ 864,480

The accompanying notes are an integral part of these consolidated and combined financial statements.



**Table of Contents****TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

(in thousands)

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating activities:</b>			
Net income	\$ 205,443	\$ 194,588	\$ 177,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment, including amortization of internal-use software and website development	29,495	19,966	18,362
Stock-based compensation	48,953	30,102	17,344
Amortization of intangible assets	5,731	6,110	7,523
Amortization of deferred financing costs	779	889	21
Amortization of discounts and premiums on marketable securities, net	4,905	527	
Deferred tax (benefit) expense	5,473	(4,960)	(931)
Excess tax benefits from stock-based compensation	(12,425)	(2,717)	(1,571)
Provision (recovery) for doubtful accounts	1,485	(1,050)	909
Foreign currency transaction (gains) losses, net	(154)	1,644	209
Other, net	1,691	187	(131)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(16,184)	(11,810)	(15,910)
Receivable from Expedia, net	8,099	(16,921)	
Taxes receivable	9,952	(24,243)	
Prepaid expenses and other assets	(3,655)	(3,305)	(1,821)
Accounts payable	(5,884)	15,322	4,133
Deferred merchant payable	16,767	(1,345)	1,752
Taxes payable	16,852	7,073	3,244
Accrued expenses and other liabilities	23,404	17,067	82
Deferred revenue	8,796	11,942	6,876
<b>Net cash provided by operating activities</b>	<b>349,523</b>	<b>239,066</b>	<b>217,882</b>
<b>Investing activities:</b>			
Acquisitions, net of cash acquired	(34,819)	(3,007)	(7,894)
Capital expenditures, including internal-use software and website development costs	(55,455)	(29,282)	(21,323)
Purchases of marketable securities	(432,373)	(218,922)	
Sales of marketable securities	174,723		
Maturities of marketable securities	150,780		20,090
Distribution to Expedia related to Spin-Off		7,028	(405,516)
Acquisitions, net of cash acquired, from Expedia			(28,099)
Transfers to Expedia, net			(95,967)
Other, net	350		(153)

<b>Net cash used in investing activities</b>	(196,794)	(244,183)	(538,862)
<b>Financing activities:</b>			
Repurchase of common stock	(145,221)		
Proceeds from credit facilities	10,201	15,372	18,158
Payments on credit facilities	(14,728)	(10,000)	
Principal payments on long-term debt	(40,000)	(20,000)	
Proceeds from issuance of long-term debt, net of issuance costs			396,516
Proceeds from exercise of stock options and warrants	23,703	230,711	
Payment of minimum withholding taxes on net share settlements of equity awards	(13,907)	(6,675)	
Excess tax benefits from stock-based compensation	12,425	2,717	1,571
Payments on construction in process related to build to suit lease obligations	(2,148)		
Payments to purchase subsidiary shares from noncontrolling interest		(22,304)	
Acquisitions funded by Expedia			5,135
Payments on acquisition earn-out			(9,546)
<b>Net cash (used) provided by financing activities</b>	(169,675)	189,821	411,834
Effect of exchange rate changes on cash and cash equivalents	579	(721)	(455)
<b>Net (decrease) increase in cash and cash equivalents</b>	(16,367)	183,983	90,399
Cash and cash equivalents at beginning of year	367,515	183,532	93,133
<b>Cash and cash equivalents at end of year</b>	\$ 351,148	\$ 367,515	\$ 183,532
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid directly to taxing authorities, net of refunds	\$ 49,989	\$ 107,799	\$ 42,220
Income taxes paid to Expedia			49,570
<b>Total income taxes paid, net of refunds</b>	\$ 49,989	\$ 107,799	\$ 91,790
Cash paid during the period for interest	\$ 8,291	\$ 9,792	\$ 313
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Capitalization of construction in-process related to build to suit lease obligation	\$ 7,877		
Non-cash fair value increase for redeemable noncontrolling interests		\$ 14,617	\$ 571
Distribution receivable from Expedia, Inc.			(7,028)

The accompanying notes are an integral part of these consolidated and combined financial statements.

---

**Table of Contents**

**TRIPADVISOR, INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

**NOTE 1: ORGANIZATION AND BUSINESS DESCRIPTION**

We refer to TripAdvisor, Inc. and our wholly-owned subsidiaries as TripAdvisor, the Company, us, we and our these notes to the consolidated and combined financial statements.

During 2011, Expedia, Inc., or Expedia, announced its plan to separate into two independent public companies in order to better achieve certain strategic objectives of its various businesses. We refer to this transaction as the Spin-Off. On December 20, 2011, following the close of trading on the NASDAQ Global Select Market ( NASDAQ ), the Spin-Off was completed, and TripAdvisor began trading as an independent public company on December 21, 2011. Expedia effected the Spin-Off by means of a reclassification of its capital stock that resulted in the holders of Expedia capital stock immediately prior to the time of effectiveness of the reclassification having the right to receive a proportionate amount of TripAdvisor capital stock. In connection with the Spin-Off, Expedia contributed or transferred all of the subsidiaries and assets relating to Expedia's TripAdvisor Media Group to TripAdvisor and TripAdvisor assumed all of the liabilities relating to Expedia's TripAdvisor Media Group.

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates (the Stock Purchase ). As a result, as of December 31, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.8% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.8% of our voting power.

Our common stock trades on the NASDAQ under the trading symbol TRIP.

***Description of Business***

TripAdvisor is an online travel company, empowering users to plan and have the perfect trip. TripAdvisor's travel research platform aggregates reviews and opinions of members about destinations, accommodations (hotels, B&Bs, specialty lodging and vacation rentals), restaurants and activities throughout the world through our flagship TripAdvisor brand. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 33 countries, including in China under the brand daodao.com. Beyond travel-related content, TripAdvisor websites also include links to the websites of our travel advertisers allowing travelers to directly book their travel arrangements. In addition to the flagship TripAdvisor brand, we manage and operate 20 other travel brands, connected by the common goal of providing comprehensive travel planning resources across the travel sector. We derive substantially all of our revenue from advertising, primarily through click-based advertising and display-based advertising sales. In addition, we earn revenue through a combination of subscription-based offerings from our Business Listings and Vacation Rental products, transaction revenue from making hotel room nights available for booking on our transactional sites, and other revenue including licensing our content to third-parties. We have one operating and reportable segment: TripAdvisor. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

***Seasonality***

Expenditures by travel advertisers tend to be seasonal. Traditionally, our strongest quarter has been the third quarter, which is a key travel research period, with the weakest quarter being the fourth quarter. However,

---

**Table of Contents**

adverse economic conditions or continued growth of our international operations with differing holiday peaks may influence the typical trend of our seasonality in the future.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES*****Basis of Presentation***

The accompanying consolidated and combined financial statements include TripAdvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We record our investments in entities that we do not control, but over which we have the ability to exercise significant influence, using the equity method. We record noncontrolling interest in our consolidated and combined financial statements to recognize the minority ownership interest in our consolidated and combined subsidiaries. Noncontrolling interest in the earnings and losses of consolidated and combined subsidiaries represent the share of net income or loss allocated to members or partners in our consolidated and combined entities. We have eliminated significant intercompany transactions and accounts. The accounting for income taxes was computed for TripAdvisor on a separate tax return basis (see Note 9 *Income Taxes* for further information). The accompanying consolidated and combined financial statements have been prepared in accordance with generally accepted accounting principles in the United States ( GAAP ).

Certain of our subsidiaries that operate in China, have variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in Internet content provision businesses. Although we do not own the capital stock of some of our Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activities of these affiliates. Our variable interest entities are not material for all periods presented.

The financial statements and related financial information pertaining to the period preceding December 21, 2011 have been presented on a combined basis and reflect the results of TripAdvisor that were ultimately transferred to us as part of the Spin-Off. The financial statements and related financial information pertaining to the period from December 21, 2011 onward have been presented on a consolidated basis. Prior to the Spin-Off, certain functions, including accounting, legal, tax, corporate development, treasury, employee benefits, financial reporting and real estate management, were historically managed by the corporate division of Expedia on behalf of its subsidiaries. The assets, liabilities and expenses related to the support of these centralized corporate functions have been allocated to us on a specific identification basis to the extent possible. Otherwise, allocations related to these services, in the form of a shared services fee, were primarily based upon an estimate of the proportion of corporate amounts applicable to us. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. In the opinion of management, the assumptions and allocations were made on a reasonable basis. Management believes that amounts allocated to TripAdvisor reflect a reasonable representation of the types of costs that would have been incurred if we had performed these functions as a stand-alone company. However, as estimation is inherent within the aforementioned allocation process, these combined financial statements do not include all of the actual amounts that would have been incurred had we been a stand-alone entity during the periods presented and also do not necessarily reflect our future financial position, results of operations and cash flows.

***Accounting Estimates***

We use estimates and assumptions in the preparation of our consolidated and combined financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and

disclosure of contingent assets and liabilities as of the date of our consolidated and combined financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any



## **Table of Contents**

period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated and combined financial statements include recoverability of long-lived assets and investments, recoverability of intangible assets and goodwill; income taxes; useful lives of property and equipment; purchase accounting and stock-based compensation.

### ***Reclassifications***

Certain reclassifications have been made to conform the prior period to the current presentation. These reclassifications had no net effect on our consolidated and combined financial statements and were not material.

### ***Revenue Recognition***

We recognize revenue from the advertising services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

*Click-based Advertising.* Revenue is derived primarily from click-through fees charged to our travel partners for traveler leads sent to the travel partners' website. We record revenue from click-through fees after the traveler makes the click-through to the travel partners' websites.

*Display and Other Advertising.* We recognize display advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract. Subscription-based revenue is recognized ratably over the related subscription period. We recognize revenue from all other sources either upon delivery or when we provide the service.

Deferred revenue, which primarily relates to our subscription-based programs, is recorded when payments are received in advance of our performance as required by the underlying agreements.

### ***Cost of Revenue***

Cost of revenue consists of expenses that are closely correlated or directly related to revenue generation, including advertising fees, flight search fees, credit card fees and data center costs.

### ***Selling and Marketing***

Sales and marketing expenses primarily consist of direct costs, including search engine marketing, or SEM, other traffic acquisition costs, syndication costs and affiliate program commissions, brand advertising and public relations. In addition, our indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

### ***Technology and Content***

Technology and content expenses consist of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites. Other costs include licensing and maintenance expense.

*General and Administrative*

General and administrative expenses consist primarily of personnel and related overhead costs, including executive leadership, finance, legal and human resource functions and stock-based compensation as well as professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense and our charitable foundation costs.

## **Table of Contents**

### ***Interest Income***

Interest income primarily consists of interest earned and amortization of discounts and premiums on our marketable securities.

### ***Interest Expense***

Interest expense primarily consists of interest incurred, commitment fees and debt issuance cost amortization related to our Credit Agreement and Chinese Credit Facilities.

### ***Cash, Cash Equivalents and Marketable Securities***

Our cash equivalents consist of highly liquid investments with maturities of 90 days or less at the date of purchase. Our marketable debt and equity securities have been classified and accounted for as available-for-sale. We determine the appropriate classification of our investments at the time of purchase and reevaluate the designations at each balance sheet date. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss and providing liquidity of investments sufficient to meet our operating and capital spending requirements and debt repayments.

We classify our marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date and as to whether and when we intend to sell a particular security prior to its maturity date. Marketable debt securities with maturities greater than 90 days at the date of purchase and 12 months or less remaining at the balance sheet date will be classified as short-term and marketable debt securities with maturities greater than 12 months from the balance sheet date will generally be classified as long-term. We classify our marketable equity securities, limited to money market funds and mutual funds, as either short-term or long-term based on the nature of each security and its availability for use in current operations. Our marketable debt and equity securities are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) as a component of shareholders' equity. Fair values are determined for each individual security in the investment portfolio.

Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. We may sell certain of our marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and liquidity and duration management. The weighted average maturity of our total invested cash shall not exceed 18 months, and no security shall have a final maturity date greater than three years.

We continually review our available for sale securities to determine whether a decline in fair value below the carrying value is other than temporary. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If we do not intend to sell the debt security, but it is probable that we will not collect all amounts due, then only the impairment due to the credit risk would be recognized in earnings and the remaining amount of the impairment would be recognized in accumulated other comprehensive loss within stockholders' equity.

Cash consists of cash deposits held in global financial institutions.



---

**Table of Contents*****Fair Value Measurements***

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We measure assets and liabilities at fair value based on the expected exit price, which is the amount that would be received on the sale of an asset or amount paid to transfer a liability, as the case may be, in an orderly transaction between market participants in the principal or most advantageous market in which we would transact. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability at the measurement date. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1 Valuations are based on quoted prices for identical assets and liabilities in active markets.

Level 2 Valuations are based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

***Derivative Financial Instruments***

Our goal in managing our foreign exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. We account for our derivative instruments as either assets or liabilities and carry them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in income. For derivative instruments that hedge the exposure to changes in the fair value of an asset or a liability and that are designated as fair value hedges, both the net gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings in the current period. The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure of the net investment in a foreign operation is reported in the same manner as a foreign currency translation adjustment. For forward exchange contracts designated as net investment hedges, we exclude changes in fair value relating to changes in the forward carrying component from its definition of effectiveness. Accordingly, any gains or losses related to this component are recognized in current income. We have not entered into any cash flow, fair value or net investment hedges to date as of December 31, 2013.

Derivatives that do not qualify for hedge accounting must be adjusted to fair value through current income. In certain circumstances, we enter into foreign currency forward exchange contracts ( forward contracts ) to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. Our derivative

instruments or forward contracts that were entered into and are not designated as hedges as of December 31, 2013 are disclosed below in Note 5 *Financial Instruments* in the notes to the consolidated and combined financial statements. Monetary assets and liabilities denominated in a currency other than the functional currency of a given subsidiary are remeasured at spot rates in effect on the balance sheet date

**Table of Contents**

with the effects of changes in spot rates reported in Other, net on our consolidated and combined statements of operations. Accordingly, fair value changes in the forward contracts help mitigate the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not expected to be significant due to the short-term nature of the contracts, which typically have average maturities at inception of less than one year.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are generally due within 30 days and are recorded net of an allowance for doubtful accounts. We record accounts receivable at the invoiced amount and do not charge interest. Collateral is not required for accounts receivable. We consider accounts outstanding longer than the contractual payment terms as past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

The following table presents the changes in the allowance for doubtful accounts for the periods presented:

	<b>2013</b>	<b>December 31, 2012</b>	<b>2011</b>
	<b>(in thousands)</b>		
<b>Allowance for doubtful accounts:</b>			
Balance, beginning of period	\$ 2,818	\$ 5,370	\$ 5,184
Charges (recoveries) to earnings	1,485	(1,050)	909
Write-offs, net of recoveries and other adjustments	(1,003)	(1,502)	(723)
Balance, end of period	\$ 3,300	\$ 2,818	\$ 5,370

***Property and Equipment, Including Website and Software Development Costs***

We record property and equipment at cost, net of accumulated depreciation. We capitalize certain costs incurred during the application development stage related to the development of websites and internal use software when it is probable the project will be completed and the software will be used as intended. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. We expense costs related to the planning and post-implementation phases of software and website development as these costs are incurred. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software resulting in added functionality, in which case the costs are capitalized.

We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment and purchased software, capitalized software and website development and furniture and other equipment. We depreciate leasehold improvements using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

***Leases***

We lease office space in several countries around the world under non-cancelable lease agreements. We generally lease our office facilities under operating lease agreements. Office facilities subject to an operating lease and the related lease payments are not recorded on our balance sheet. The terms of certain lease agreements provide for rental payments on a graduated basis, however, we recognize rent expense on a straight-line basis over the lease period in accordance with authoritative accounting guidance. Any lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. The lease term begins on the date we become legally obligated for the rent payments or when we take possession of the office space, whichever is earlier.



---

**Table of Contents**

We establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease. Upon occupancy of facilities under build-to-suit leases, we assess whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance. If we continue to be the deemed owner, the facilities are accounted for as financing leases.

***Recoverability of Goodwill and Indefinite-Lived Intangible Assets******Goodwill***

We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. We assess goodwill, which is not amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment). We have one reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of the reporting unit is less than the carrying amount. If we determine that it is not more likely than not that the fair value of the goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

***Indefinite-Lived Intangible Assets***

Intangible assets that have indefinite lives are not amortized and are tested for impairment annually on October 1, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

As part of our qualitative assessment for our 2013 impairment analysis, the factors that we considered for our goodwill and indefinite-lived intangible assets included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) comparison of our current

financial performance to historical and budgeted results, (f) changes in excess market capitalization over book value based on our current common stock price and latest consolidated balance sheet, and (g) comparison of the excess of the fair value of our trade names and trademarks to the carrying value of

## **Table of Contents**

those same assets, using the results of our most recent quantitative assessment. After considering these factors and the impact that changes in such factors would have on the inputs used in our previous quantitative assessment, we determined for our goodwill and indefinite-lived intangible assets that it was more likely than not that these assets were not impaired.

Since the annual impairment tests in October 2013, there have been no events or changes in circumstances to indicate any potential impairment to goodwill or our indefinite lived intangible assets. In the event that future circumstances indicate that any portion of our goodwill or our indefinite-lived intangibles is impaired, an impairment charge would be recorded.

### ***Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets***

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of two to eleven years. The straight-line method of amortization is currently used for our definite-lived intangible assets as it approximates, or is our best estimate, of the distribution of the economic use of our identifiable intangible assets. We review the carrying value of long-lived assets or asset groups, including property and equipment, to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable.

Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we assess the recoverability of the asset by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If the recoverability test indicates that the carrying value of the asset is not recoverable, we will estimate the fair value of the asset using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured by the amount that the carrying value of such assets exceeds their fair value. We have not identified any circumstances that would warrant an impairment assessment as of December 31, 2013.

### ***Income Taxes***

We compute and account for our income taxes on a stand-alone basis. We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

We recognize in our consolidated and combined financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.



**Table of Contents**

***Foreign Currency Translation and Transaction Gains and Losses***

Our consolidated and combined financial statements are reported in U.S. dollars. Certain of our subsidiaries outside of the United States use the related local currency as their functional currency and not the U.S. dollar. Therefore assets and liabilities of our foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated and combined statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Due to the nature of our operations and our corporate structure, we also have subsidiaries that have transactions in foreign currencies other than their functional currency. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated and combined statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Accordingly, we have recorded foreign exchange losses of \$0.2 million, 3.2 million and \$1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, in Other, net. These losses are net of those realized and unrealized on foreign currency forward contracts.

***Advertising Expense***

We incur advertising expense consisting of traffic generation costs from search engines and Internet portals, other online and offline (including television) advertising expense, promotions and public relations to promote our brands. We expense the costs associated with communicating the advertisements in the period in which the advertisement takes place. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. For the years ended December 31, 2013, 2012 and 2011, our advertising expense was \$236.5 million, \$175.0 million, and \$135.6 million, respectively. As of December 31, 2013 and 2012, we had \$1.3 million and \$1.4 million of prepaid marketing expenses included in prepaid expenses and other current assets.

***Stock-Based Compensation***

*Stock Options.* The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant.

The estimated fair value of stock options is calculated using a Black-Scholes Merton option-pricing model (Black-Scholes model). The Black-Scholes model incorporates assumptions to value stock-based awards, which includes the risk-free rate of return, expected volatility, expected term and expected dividend yield.

Our risk-free interest rate is based on the rates currently available on zero-coupon U.S. Treasury issues, in effect at the time of the grant, whose remaining maturity period most closely approximates the stock option's expected term assumption. We estimate volatility of our common stock by using an average of our historical stock price volatility and of publicly traded companies that we consider peers based on daily price observations over a period equivalent to or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor with a peer group was based upon the relatively short period of availability of data on our common stock. We estimate our expected term using the simplified method for all stock options as we do not have sufficient historical

exercise data on our common stock. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date and do not expect to pay any cash dividends for the foreseeable future.

---

**Table of Contents**

*Restricted Stock Units.* RSUs are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value of stock options and RSUs, net of estimated forfeitures, as stock-based compensation expense over the vesting term of generally four years on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. We use historical data to estimate pre-vesting stock option and RSU forfeitures and record share-based compensation expense only for those awards that are expected to vest. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment in the period of change which also impacts the amount of stock compensation expense to be recognized in future periods.

Performance-based stock options and RSUs vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of performance-based awards is determined based on the fair value, which is calculated using the same method as our service based stock options and RSUs described above. We then assess whether it is probable that the performance targets would be achieved. If assessed as probable, compensation expense will be recorded for these awards over the estimated performance period. At each reporting period, we will reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

***Deferred Merchant Payables***

We receive cash from travelers at the time of booking related to our vacation rental and transaction-based businesses and we record these amounts, net of commissions, on our consolidated balance sheets as deferred merchant payables. We pay the hotel or vacation rental owners after the travelers use and subsequent billing from the hotel or vacation rental owners. Therefore, we receive cash from the traveler prior to paying the hotel or vacation rental owners, and this operating cycle represents a working capital source of cash to us. As long as our transaction-based businesses grow, we expect that changes in working capital related to these transactions will positively impact operating cash flows. As of December 31, 2013, our deferred merchant payables balance was \$29.6 million and for the year ended December 31, 2013, the related transactions generated positive operating cash flow of \$16.8 million. A payable balance of \$11.5 million was acquired with our business acquisitions during the year ended December 31, 2013, and therefore is included within investing activities in our consolidated and combined cashflow statements. For additional information on our business acquisitions refer to Note 3 *Acquisitions* below. The deferred merchant payables balance at December 31, 2012 was \$1.3 million.

***Credit Risk and Concentrations***

Financial instruments, which potentially subject us to concentration of credit risk, consist primarily of cash and cash equivalents, corporate debt securities, foreign exchange contracts, accounts receivable and customer concentrations. We maintain some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. Our cash and cash equivalents are primarily composed of prime institutional money market funds as well as bank account balances primarily denominated in U.S. dollars, Euros, British pound

sterling, Chinese renminbi and Singapore dollars. We invest in highly-rated corporate debt securities, and our investment policy limits the amount of credit exposure to any one issuer,



## **Table of Contents**

industry group and currency. Our credit risk related to corporate debt securities is also mitigated by the relatively short maturity period required by our investment policy. Foreign exchange contracts are transacted with various international financial institutions with high credit standing.

Our business is also subject to certain risks due to concentrations related to dependence on our relationships with our customers. We are highly dependent on our advertising and media relationship with Expedia, (see Note 15 *Related Party Transactions* ). For the years ended December 31, 2013, 2012 and 2011 our two most significant advertising customers, Expedia and Priceline, accounted for a combined 47%, 48% and 49% of total revenue, respectively. As of December 31, 2013 and 2012, there were no customers that accounted for 10% or more of our accounts receivable. Our overall credit risk related to accounts receivable is mitigated by the relatively short collection period.

### ***Contingent Liabilities***

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated and combined statements of operations. We provide disclosure in the notes to the consolidated and combined financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated and combined financial statements.

### ***Comprehensive Income (Loss)***

Comprehensive loss currently consists of net income (loss), cumulative foreign currency translation adjustments, and unrealized gains and losses on available-for-sale securities, net of tax.

### ***Earnings per Share (EPS)***

In connection with the Spin-Off a one-for-two reverse stock split of outstanding Expedia capital stock occurred immediately prior to the Spin-Off, which resulted in 120,661,020 shares of common stock and 12,799,999 shares of Class B common stock outstanding immediately following the Spin-Off.

### ***Basic Earnings Per Share***

We compute basic earnings per share by dividing net income attributable to TripAdvisor by the weighted average number of common shares outstanding during the period. We compute the weighted average number of common shares outstanding during the reporting period using the total of common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted average of any additional shares issued and outstanding less the weighted average of any treasury shares repurchased during the reporting period.

For the year ended December 31, 2011, we computed basic earnings per share using the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, as if such shares were outstanding for the entire period prior to the Spin-Off, plus the weighted average of any additional shares issued and outstanding following the Spin-Off date through December 31, 2011.



**Table of Contents***Diluted Earnings Per Share*

We compute diluted earnings per share by dividing net income attributable to TripAdvisor by the sum of the weighted average number of common and common equivalent shares outstanding during the period. We computed the weighted average number of common and common equivalent shares outstanding during the period using the sum of (i) the number of shares of common stock and Class B common stock used in the basic earnings per share calculation as indicated above, and (ii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of outstanding common equivalent shares related to stock options, stock warrants and the vesting of restricted stock units using the treasury stock method, and (iii) if dilutive, performance based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

We treated all outstanding equity awards assumed at Spin-Off as if they were granted as of the Spin-Off and we included them in our diluted earnings per share calculation for the year ended December 31, 2011, based on the number of days they were outstanding.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise, the average unrecognized compensation cost during the period and any tax benefits credited upon exercise to additional paid-in-capital. The treasury stock method assumes that a company uses the proceeds from the exercise of an award to repurchase common stock at the average market price for the period. Windfall tax benefits created upon the exercise of an award would be added to assumed proceeds, while shortfalls charged to additional paid-in-capital would be deducted from assumed proceeds. Any shortfalls not covered by the windfall tax pool would be charged to the income statement and would be excluded from the calculation of assumed proceeds, if any.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating diluted earnings per share (in thousands, except for per share information) for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Numerator:</b>			
Net income attributable to TripAdvisor, Inc.	\$ 205,443	\$ 194,069	\$ 177,677
<b>Denominator:</b>			
Weighted average shares used to compute Basic EPS	142,854	139,462	133,461
Effect of dilutive securities:			
Stock options	2,131	1,207	1,164
RSUs	278	161	240
Stock warrants		511	
<b>Weighted average shares used to compute Diluted EPS</b>	<b>145,263</b>	<b>141,341</b>	<b>134,865</b>
Basic EPS	\$ 1.44	\$ 1.39	\$ 1.33
Diluted EPS	\$ 1.41	\$ 1.37	\$ 1.32

**Table of Contents**

The following potential common shares related to stock options, stock warrants and RSUs were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented:

	2013 (1)	December 31, 2012 (2)(3) (In thousands)	2011 (3)
Stock options	2,244	3,944	2,261
RSUs	27	21	80
Warrants			8,047
Total	2,271	3,965	10,388

- (1) These totals do not include 155,000 performance based options and 44,000 performance based RSUs representing the right to acquire 199,000 shares of common stock for which all targets required to trigger vesting have not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.
- (2) These totals do not include performance based options representing the right to acquire 110,000 shares of common stock, respectively, for which all targets required to trigger vesting had not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.
- (3) These totals do not include performance based RSUs representing the right to acquire 200,000 and 400,000 shares of common stock at December 31, 2012 and 2011, respectively, for which all targets required to trigger vesting had not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

**Recently Adopted Accounting Pronouncements***Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*

In February 2013, the Financial Accounting Standards Board, or FASB, issued new accounting guidance which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The new guidance requires that companies present, either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified based on its source and is effective for public companies in interim and annual reporting periods beginning after December 15, 2012. Accordingly, we have adopted these presentation requirements during the first quarter of 2013. The adoption of this new guidance did not have a material impact on our consolidated and combined financial statements or related disclosures.

**New Accounting Pronouncements Not Yet Adopted**

*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*

In July 2013, the FASB issued new accounting guidance on the presentation of unrecognized tax benefits. The new guidance requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use the deferred tax

**Table of Contents**

asset for such purpose, then the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013, with early adoption permitted. Accordingly, we plan to adopt these presentation requirements during the first quarter of 2014. The adoption of this new guidance is not expected to have a material impact on our consolidated and combined financial statements or related disclosures.

**NOTE 3: ACQUISITIONS**

During the year ended December 31, 2013, we completed six acquisitions for total cash consideration paid of \$34.8 million, net of cash acquired. The total cash consideration is subject to adjustment based on the finalization of working capital adjustments and amounts retained with payment subject to certain indemnification obligations by the respective sellers for our benefit in future periods. We acquired TinyPost, the developer of a product that enables users to write over photos and turn them into stories, Jetsetter, a members-only private sale site for hotel bookings; CruiseWise, a cruise research and planning site; Niumba, a Spain-based vacation rental site; GateGuru, a mobile app with flight and airport information around the world; Oyster, a hotel review website featuring expert reviews and photos covering about 150 cities, all of which complement our existing brands in those areas of the travel ecosystem.

The total purchase price of these acquisitions, all of which were accounted for as purchases of businesses under the acquisition method, have been allocated to the tangible and identifiable intangible assets acquired and the net liabilities assumed based on their respective fair values on the acquisition date. The purchase price allocation of our 2013 acquisitions are preliminary and subject to revision as more information becomes available, but in any case will not be revised beyond 12 months after the acquisition date and any change to the fair value of net liabilities acquired will lead to a corresponding change to the purchase price allocable to goodwill on a retroactive basis. The primary areas of the purchase price allocation that are not yet finalized are related to the fair values of certain liabilities and income tax balances. Acquisition-related costs were expensed as incurred and were \$1.6 million during the year ended December 31, 2013 and were not material during the years ended December 31, 2012 and 2011. All acquisition related expenses were included in general and administrative expenses on our consolidated and combined statements of operations.

As no individual acquisition was material, the following table presents the aggregate components of the purchase prices initially recorded for all businesses on our consolidated balance sheets at the respective acquisition dates for the periods presented:

	<b>December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(In thousands)</b>		
Goodwill (1)	\$ 29,551	\$ 3,043	\$ 6,390
Intangible assets (2)	19,195		1,642
Net (liabilities)/assets (3)	(9,936)	7	(16)
Deferred tax assets	693		
<b>Total (4)</b>	<b>\$ 39,503</b>	<b>\$ 3,050</b>	<b>\$ 8,016</b>

(1)

The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in these transactions is primarily attributable to expected operational synergies, the assembled workforces, and the future development initiatives of the assembled workforces. Goodwill in the amount of \$14.1 million is expected to be deductible for tax purposes.

- (2) Identifiable definite-lived intangible assets acquired during 2013 were comprised of developed technology of \$2.4 million, trade names of \$7.6 million, customer relationships of \$8.0 million, and other intangibles of \$1.2 million. The overall weighted-average life of the identifiable definite-lived intangible assets acquired in the purchase of the companies during 2013 was 8.0 years, which will be amortized on a straight-line basis

**Table of Contents**

over their estimated useful lives from acquisition date. The overall weighted average life of acquired intangible assets during 2011 was 2.8 years.

- (3) Includes cash acquired of \$2.9 million, \$0 million and \$0.1 million during 2013, 2012 and 2011, respectively.  
 (4) Subject to adjustment based on (i) final working capital adjustment calculations to be determined, and (ii) indemnification obligations of the acquired company stockholders that remains to be paid of \$1.8 million at December 31, 2013.

Our consolidated and combined financial statements include the operating results of all acquired businesses from the date of each acquisition. We did not have any material acquisitions, individually or in the aggregate, during the years 2013, 2012 and 2011; therefore no pro-forma results have been provided.

**Other Acquisition Activity**

During 2012 we also paid \$22.3 million for the remaining noncontrolling interest subsidiary shares related to a 2008 acquisition, which brought our ownership to 100%. This amount is included in financing activities in the consolidated statement of cash flows for 2012.

During 2011, we paid \$13 million of contingent purchase consideration under prior acquisitions. The amount in 2011 represented an earn-out payment, of which approximately \$10 million and \$3 million are recorded to financing activities and operating activities, respectively, in the consolidated and combined statement of cash flows. All contingent consideration accrued and paid was calculated based on the financial performance of the acquired entity to which it relates. We also purchased a subsidiary in China from Expedia for \$37 million, or \$28 million net of acquired cash. This acquisition was accounted for as a common control transaction, with net liabilities recorded at a carrying value of \$4 million, including an additional \$7 million of short term borrowings from the Chinese Credit Facilities (refer to Note 8 *Debt* below for further information on the Chinese Credit Facilities). No goodwill or other intangibles were recorded as a result of this acquisition and no contingent payments are outstanding. The difference between the purchase price and the carrying value of the net liabilities was recorded to additional paid in capital. The results of operations from this business are included in our consolidated and combined financial statements from the transaction closing date.

**NOTE 4: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS****Stock-based Compensation Expense**

The following table presents the amount of stock-based compensation related to stock-based awards, primarily stock options and RSUs, on our consolidated and combined statements of operations during the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(In thousands)</b>		
Selling and marketing	\$ 10,643	\$ 4,622	\$ 3,216
Technology and content	21,053	11,400	3,931
General and administrative	17,257	14,080	10,197
Total stock-based compensation	48,953	30,102	17,344
Income tax benefit from stock-based compensation	(18,014)	(10,648)	(6,504)



Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Total stock-based compensation, net of tax effect	\$ 30,939	\$ 19,454	\$ 10,840
---	-----------	-----------	-----------

The year ended December 31, 2011 includes a one-time modification charge of \$8.0 million related to the Spin-Off, primarily due to the modification of vested stock options that remained unexercised at the date of the Spin-Off, which the majority of was recorded to general and administrative expense. There were no material modifications to stock based awards for the years ended December 31, 2013 or 2012, respectively.

---

## **Table of Contents**

Prior to the Spin-Off, we participated in the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan, under which we, through Expedia, granted RSUs, stock options, and other stock-based awards to our directors, officers, employees and consultants. At Spin-Off, these existing Expedia stock-based awards were converted into TripAdvisor stock-based equity awards and resulted in approximately 6,575,000 stock options (of which approximately 3,548,000 were fully vested at Spin-Off) and 893,000 RSUs outstanding. These awards accounted for our 2011 stock-based compensation expense. We will continue to amortize the fair value, net of estimated forfeitures, over the remaining vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. All remaining unrecognized stock-based compensation expense related to these awards is included in Unrecognized Stock-Based Compensation below.

### ***Stock and Incentive Plan***

On December 20, 2011, our 2011 Stock and Annual Incentive Plan became effective. On December 20, 2011, we filed Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (File No. 333-178637) (the Prior Registration Statement ) with the Securities and Exchange Commission (the Commission ), registering a total of 17,500,000 shares of our common stock, of which 17,400,000 shares were issuable in connection with grants of equity-based awards under our 2011 Incentive Plan (7,400,000 of which shares were originally registered on the Form S-4 and 10,000,000 of which shares were first registered on the Prior Registration Statement) and 100,000 shares were issuable under our Deferred Compensation Plan for Non-Employee Directors (refer to Note 13 *Employee Benefit Plans* below for information on our Deferred Compensation Plan for Non-Employee Directors).

At our annual meeting of stockholders held on June 28, 2013 (the Annual Meeting ), our stockholders approved an amendment to our 2011 Stock and Annual Incentive Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance thereunder by 15,000,000 shares. We refer to our 2011 Stock and Annual Incentive Plan, as amended by the amendment as the 2011 Incentive Plan. A summary of the material terms of the 2011 Incentive Plan can be found in Proposal 3: Approval of the 2011 Stock and Annual Incentive Plan, as amended in our Proxy Statement for the Annual Meeting.

Pursuant to the 2011 Stock and Annual Incentive Plan, we may, among other things, grant RSUs, restricted stock, stock options and other stock-based awards to our directors, officers, employees and consultants. The summary of the material terms of the 2011 Incentive Plan is qualified in its entirety by the full text of the 2011 Incentive Plan previously filed.

As of December 31, 2013, the total number of shares available under the 2011 Incentive Plan is 18,085,169 shares. All shares of common stock issued in respect of the exercise of options or other equity awards since Spin-Off have been issued from authorized, but unissued common stock.

### ***Stock Based Award Activity and Valuation***

#### ***2013 Stock Option Activity***

During the year ended December 31, 2013, we have issued 2,824,583 of primarily service based non-qualified stock options under the 2011 Incentive Plan. These stock options generally have a term of ten years from the date of grant and vest over a four-year requisite service period. We will amortize the fair value of the 2013 grants, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.



**Table of Contents**

A summary of the status and activity for stock option awards relating to our common stock for the year ended December 31, 2013, is presented below:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price Per Share</b>	<b>Weighted Average Remaining Contractual Life (In years)</b>	<b>Aggregate Intrinsic Value</b>
	<b>(In thousands)</b>			<b>(In thousands)</b>
Options outstanding at January 1, 2013	8,654	\$ 31.41		
Granted	2,825	58.03		
Exercised (1)	1,487	23.81		
Cancelled or expired	522	38.09		
Options outstanding at December 31, 2013	9,470	\$ 40.18	5.9	\$ 403,828
Exercisable as of December 31, 2013	3,533	\$ 30.11	3.0	\$ 186,273
Vested and expected to vest after December 31, 2013	8,731	\$ 39.94	5.7	\$ 374,487

(1) Inclusive of 242,767 options which were not converted into shares due to net share settlement in order to cover the aggregate exercise price and the minimum amount of required employee withholding taxes. Potential shares which had been convertible under stock options that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. We began net-share settling the majority of our stock option exercises during the third quarter of 2013. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on NASDAQ as of December 31, 2013 was \$82.83. The total intrinsic value of stock options exercised for the years ended December 31, 2013 and 2012 were \$58.2 million and \$25.1 million, respectively. No stock options were exercised between Spin-Off and December 31, 2011.

The fair value of stock option grants under the 2011 Incentive Plan has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the periods presented:

	<b>December 31, 2013</b>	<b>2012</b>
Risk free interest rate	1.41%	1.03%
Expected term (in years)	6.06	6.21

Expected volatility	50.78%	53.46%
Expected dividend yield	%	%

The weighted-average grant date fair value of options granted was \$28.30 and \$20.36 for the years ended December 31, 2013 and 2012, respectively. No stock options were granted under the 2011 Incentive Plan for the year ended December 31, 2011. The total fair value of stock options vested for the years ended December 31, 2013 and 2012 were \$26.6 million and \$9.8 million, respectively. No stock options were vested between Spin-Off and December 31, 2011.

*2013 RSU Activity*

During the year ended December 31, 2013, we issued 1,148,976 RSUs under the 2011 Incentive Plan for which the fair value was measured based on the quoted price of our common stock. These RSUs generally vest over a four-year requisite service period. We will amortize the fair value of the 2013 grants, net of estimated

**Table of Contents**

forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

The following table presents a summary of RSU activity on our common stock during the year ended December 31, 2013:

	RSUs Outstanding	Weighted Average Grant- Date Fair Value Per Share (In thousands)	Aggregate Intrinsic Value
Unvested RSUs outstanding as of January 1, 2013	446	\$ 26.11	
Granted	1,149	50.72	
Vested and released (1)	363	22.95	
Cancelled	97	46.80	
Unvested RSUs outstanding as of December 31, 2013	1,135	\$ 49.64	\$ 94,125

- (1) Inclusive of 133,449 RSUs withheld to satisfy employee minimum tax withholding requirements due to net share settlement. Potential shares which had been convertible under RSUs that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.

*Other Equity Activity*

Upon Spin-Off, we entered into a warrant agreement (the *Warrant Agreement*) with Mellon Investor Services LLC and issued warrants exercisable for TripAdvisor common stock in respect of previously outstanding warrants exercisable for Expedia common stock that were adjusted on account of Expedia's reverse stock split and the Spin-Off. In total, at Spin-Off, the warrants could have been converted into a maximum of 8,046,698 shares of our common stock without any further adjustments to the *Warrant Agreement* and had an expiration date of May 7, 2012.

One tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$12.23 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$6.48 per warrant, and the other tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$14.45 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$7.66 per warrant. The exercise price could have been paid in cash or via cashless exercise as set forth in the *Warrant Agreement*.

During the year ended December 31, 2012, and prior to the expiration date, there were a total of 32,186,791 warrants exercised which resulted in a total of 7,952,456 shares of our common stock being issued during that period, which

included 31,641,337 warrants for which the exercise price was paid in cash at a weighted average price of \$27.11. We received total exercise proceeds of \$214.5 million related to these warrant exercises, which is reflected as a financing activity within the consolidated statement of cash flows. In addition there were 545,454 cashless warrants exercised with a weighted average exercise price of \$25.92 of which we did not receive any exercise proceeds. As a result, we currently have no outstanding warrants remaining which could be convertible to shares of our common stock.

**Table of Contents****Unrecognized Stock-Based Compensation**

A summary of our remaining unrecognized compensation expense, net of estimated forfeitures, and the weighted average remaining amortization period at December 31, 2013 related to our non-vested stock options and RSU awards is presented below (in thousands, except per year information):

	<b>Stock Options</b>	<b>RSUs</b>
Unrecognized compensation expense (net of forfeitures)	\$ 93,696	\$ 33,200
Weighted average period remaining (in years)	3.27	3.10

**NOTE 5: FINANCIAL INSTRUMENTS****Cash, Cash Equivalents and Marketable Securities**

The following tables show our cash and available-for-sale securities amortized cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or short and long-term marketable securities as of December 31, 2013 and December 31, 2012 (in thousands):

	<b>December 31, 2013</b>						
	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Cash and Cash Equivalents</b>	<b>Short-Term Marketable Securities</b>	<b>Long-Term Marketable Securities</b>
Cash	\$ 195,226	\$	\$	\$ 195,226	\$ 195,226	\$	\$
Level 1:							
Money market funds	155,922			155,922	155,922		
Level 2:							
U.S. agency securities	36,753	9	(18)	36,744		13,718	23,026
Certificates of deposit	23,901	17	(4)	23,914		16,410	7,504
Commercial paper	5,493	1	(1)	5,493		5,493	
Corporate debt securities	253,597	132	(322)	253,407		95,599	157,808
Subtotal	319,744	159	(345)	319,558		131,220	188,338
Total	\$ 670,892	\$ 159	\$ (345)	\$ 670,706	\$ 351,148	\$ 131,220	\$ 188,338

	<b>December 31, 2012</b>						
	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Cash and Cash Equivalents</b>	<b>Short-Term Marketable Securities</b>	<b>Long-Term Marketable Securities</b>
Cash	\$ 141,460	\$	\$	\$ 141,460	\$ 141,460	\$	\$
Level 1:							



Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Money market funds	215,052			215,052	215,052		
Level 2:							
U.S. agency securities	13,634	4	(3)	13,635		7,635	6,000
Commercial paper	48,710	15	(22)	48,703	9,999	38,704	
Corporate debt securities	162,050	12	(180)	161,882	1,004	67,630	93,248
Municipal securities	5,003		(2)	5,001		5,001	
Subtotal	229,397	31	(207)	229,221	11,003	118,970	99,248
Total	\$ 585,909	\$ 31	\$ (207)	\$ 585,733	\$ 367,515	\$ 118,970	\$ 99,248

Our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities, with maturities of 90 days or less at the date purchased. The remaining maturities of

**Table of Contents**

our long-term marketable securities range from one to three years and our short-term marketable securities include maturities that were greater than 90 days at the date purchased and have 12 months or less remaining at December 31, 2013 and 2012, respectively.

We classify our cash equivalents and marketable securities within Level 1 and Level 2 as we value our cash equivalents and marketable securities using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we used to measure the fair value of money market funds were derived from quoted prices in active markets for identical assets or liabilities. Fair values for Level 2 investments are considered Level 2 valuations because they are obtained from independent pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our independent pricing services against fair values obtained from another independent source.

There were no material realized gains or losses related to sales of our marketable securities for the years ended December 31, 2013, 2012 and 2011.

As of December 31, 2013, we have marketable securities with a total fair value of \$168.8 million in a total gross unrealized loss position of \$0.3 million. We consider the declines in market value of our marketable securities investment portfolio to be temporary in nature and do not consider any of our investments other-than-temporarily impaired. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and the our intent to sell, or whether it is more likely than not we will be required to sell the investment before recovery of the investment's cost basis. During the years ended December 31, 2013, 2012 and 2011, we did not recognize any impairment charges. We did not have any material investments in marketable securities that were in a continuous unrealized loss position for 12 months or greater at December 31, 2013 or 2012.

***Derivative Financial Instruments***

In the normal course of business, we are exposed to the impact of foreign currency fluctuations, which we attempt to mitigate through the use of derivative instruments. Accordingly, we have entered into forward contracts to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. We do not use derivatives for trading or speculative purposes. In accordance with current accounting guidance on derivative instruments and hedging activities, we record all our derivative instruments as either an asset or liability measured at their fair value. Our derivative instruments are typically short-term in nature.

Our current forward contracts are not designated as hedges. Consequently, any gain or loss resulting from the change in fair value is recognized in the current period earnings. These gains or losses are offset by the exposure related to receivables and payables with our foreign subsidiaries. We recorded a net loss of \$0.3 million and \$0.7 million for the years ended December 31, 2013 and 2012, respectively, related to our forward contracts in our consolidated statements of operations in Other, net. The net cash received or paid related to our derivative instruments are classified as operating in our consolidated statements of cash flows, which is based on the objective of the derivative instruments. No derivative instruments were entered into or settled during the year ended December 31, 2011.

**Table of Contents**

The following table shows the fair value and notional principal amounts of our outstanding or unsettled derivative instruments that are not designated as hedging instruments for the periods presented:

(in thousands)	Balance Sheet Caption	December 31, 2013	
		Fair Value of Derivative (2) Asset	U.S. Dollar Notional Liability
Foreign exchange-forward contracts (current)	Accrued and other current liabilities (1)	\$ 64	\$5,164

(in thousands)	Balance Sheet Caption	December 31, 2012	
		Fair Value of Derivative (2) Asset	U.S. Dollar Notional Liability
Foreign exchange-forward contracts (current)	Accrued and other current liabilities (1)	\$ 64	\$ 2,710

- (1) Current derivative contracts address foreign exchange fluctuations for the Euro versus the U.S. Dollar.
- (2) The fair value of our derivative liability is measured using Level 2 fair value inputs as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets, or observable market inputs.

**Concentration of Credit Risk**

Counterparties to currency exchange derivatives consist of major international financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. While we may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated.

**Other Financial Instruments**

Other financial instruments not measured at fair value on a recurring basis include trade receivables, receivables from Expedia, trade payables, deferred merchant payables, short-term debt, accrued and other current liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments as reported on the consolidated balance sheets as of December 31, 2013 and December 31, 2012. The carrying value of the long-term borrowings outstanding on our Credit Agreement bear interest at a variable rate and therefore is also considered to approximate fair value.

We did not have any Level 3 assets or liabilities at December 31, 2013 or 2012.

**NOTE 6: PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>	
Capitalized software and website development	\$ 73,575	\$ 48,527
Leasehold improvements	21,776	14,244
Computer equipment	21,124	13,174
Furniture and other equipment	5,734	5,276
	122,209	81,221
Less: accumulated depreciation	(48,625)	(37,626)
Construction in progress (1)	7,877	
Software and website development projects in progress	67	207
<b>Property and equipment, net</b>	<b>\$ 81,528</b>	<b>\$ 43,802</b>

(1) We capitalize construction in progress for build-to-suit lease agreements where we are considered the owner, for accounting purposes only, during the construction period.

As of December 31, 2013 and 2012, our recorded capitalized software and website development costs, net of accumulated amortization, were \$46.2 million and \$28.4 million, respectively. For the years ended December 31, 2013 and 2012, we capitalized \$38.4 million and \$20.2 million, respectively, related to software

**Table of Contents**

and website development costs. For the years ended December 31, 2013, 2012 and 2011, we recorded amortization of capitalized software and website development costs of \$19.6 million, \$12.8 million and \$12.4 million, respectively, which is included in depreciation expense on our consolidated and combined statements of operations.

During the year ended December 31, 2013, we retired property and equipment, primarily capitalized software and website development, which were no longer in use with a total cost of \$19.7 million and associated accumulated depreciation of 18.5 million, resulting in a loss of \$1.2 million included in Other, net on our consolidated statements of operations.

**NOTE 7: GOODWILL AND INTANGIBLE ASSETS, NET**

The following table presents the changes in goodwill for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>	
Beginning balance as of January 1	\$ 471,684	\$ 466,892
Additions (1)	29,551	3,043
Purchase price allocation adjustments (2)	(873)	
Foreign exchange translation adjustment	1,622	1,749
Ending balance as of December 31	\$ 501,984	\$ 471,684

(1) The additions to goodwill relate to our 2013 business acquisitions. See Note 3 *Acquisitions*, above for further information.

(2) Purchase price allocation adjustments related to our 2012 acquisition, primarily a tax related adjustment for acquired net operating loss carryforwards, or NOL s.

Intangible assets, which were acquired in business combinations and recorded at fair value on the date of purchase, consist of the following for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>	
Intangible assets with definite lives	\$ 36,214	\$ 21,382
Less: accumulated amortization	(14,672)	(13,492)
Intangible assets with definite lives, net	21,542	7,890
Intangible assets with indefinite lives	30,300	30,300
	\$ 51,842	\$ 38,190

Amortization expense was \$5.7 million, \$6.1 million, and \$7.5 million, respectively, for the years ended December 31, 2013, 2012 and 2011.

Our indefinite-lived assets relate to trade names and trademarks. Refer to *Note 2 Significant Accounting Policies* above for a discussion of our annual indefinite-lived intangible asset impairment assessment.

**Table of Contents**

The following table presents the components of our intangible assets with definite lives for the periods presented:

	Weighted Ave Remaining Life (in years)	December 31, 2013			December 31, 2012		
		Gross Carrying Amount (In thousands)	Accumulated Amortization (In thousands)	Net Carrying Amount	Gross Carrying Amount (In thousands)	Accumulated Amortization (In thousands)	Net Carrying Amount
Trade names and trademarks	8.4	\$ 17,975	\$ (7,462)	\$ 10,513	\$ 14,431	\$ (9,029)	\$ 5,402
Subscriber relationships	6.1	13,835	(5,858)	7,977	5,617	(3,511)	2,106
Technology and other	2.7	4,404	(1,352)	3,052	1,334	(952)	382
Total	6.7	\$ 36,214	\$ (14,672)	\$ 21,542	\$ 21,382	\$ (13,492)	\$ 7,890

The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2013, assuming no subsequent impairment of the underlying assets, is as follows, in thousands:

2014	5,201
2015	3,264
2016	2,716
2017	2,292
2018	2,130
2019 and thereafter	5,939
Total	\$ 21,542

**NOTE 8: DEBT*****Term Loan Facility Due 2016 and Revolving Credit Facility****Overview*

On December 20, 2011, we entered into a credit agreement, dated as of December 20, 2011, by and among TripAdvisor, TripAdvisor Holdings, LLC, and TripAdvisor LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Europe Limited, as London agent (this credit agreement, together with all exhibits, schedules, annexes, certificates, assignments and related documents contemplated thereby, is referred to herein as the Credit Agreement ), which provides \$600 million of borrowing including:

the Term Loan Facility, or Term Loan, in an aggregate principal amount of \$400 million with a term of five years due December 2016; and

the Revolving Credit Facility in an aggregate principal amount of \$200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on our leverage ratio. We are also required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 150 basis points, or the Eurocurrency Spread, or the alternate base rate ( ABR ) plus 50 basis points, and undrawn amounts are currently subject to a commitment fee of 22.5 basis points. As of December 31, 2013 we are using a one-month interest period Eurocurrency Spread which is approximately 1.7% per annum. Interest is currently payable on a monthly basis while we are borrowing under the one-month interest rate period. The current interest rates are based on current assumptions, leverage and LIBOR rates and do not take into account that rates will reset periodically.



**Table of Contents**

The Term Loan principal is currently repayable in quarterly installments on the last day of each calendar quarter equal to 2.5% of the original principal amount with the balance due on the final maturity date. Principal payments aggregating \$40 million were made during the year ended December 31, 2013.

The Revolving Credit Facility includes \$40 million of borrowing capacity available for letters of credit and \$40 million for borrowings on same-day notice. As of December 31, 2013 there are no outstanding borrowings under our Revolving Credit Facility.

During the years ended December 31, 2013, 2012 and 2011, we recorded total interest and commitment fees on our Credit Agreement of \$7.5 million, \$8.7 million and \$0.3 million, respectively, to interest expense on our consolidated and combined statements of operations. All unpaid interest and commitment fee amounts as of December 31, 2013 and 2012 were not material.

In connection with the Credit Agreement, we also incurred debt financing costs totaling \$3.5 million, which were capitalized as deferred financing costs. Approximately \$0.7 million, recorded in other current assets, and approximately \$ 1.1 million, reported in other long term assets, remain on the consolidated balance sheet as of December 31, 2013, net of amortization. During the years ended December 31, 2013, 2012 and 2011, we recorded amortization expense of \$0.8 million, \$0.9 million and \$0 million, respectively, to interest expense on our consolidated and consolidated statements of operations. These costs will continue to be amortized over the remaining term of the Term Loan using the effective interest rate method.

Total outstanding borrowings under the Credit Agreement consist of the following:

	<b>December 31, 2013 (in thousands)</b>
<b>Short-Term Debt:</b>	
Revolving Credit Facility	\$
Term Loan	40,000
<b>Total Short-Term Borrowings</b>	<b>\$ 40,000</b>
<b>Long-Term Debt:</b>	
Term Loan	\$ 300,000
<b>Total Long-Term Borrowings</b>	<b>\$ 300,000</b>

The future minimum principal payment obligations due under the Credit Agreement related to our Term Loan is as follows:

<b>Year Ending December 31,</b>	<b>Principal Payments (in thousands)</b>
2014	\$ 40,000
2015	40,000

2016	260,000
Total	\$ 340,000

*Prepayments*

We may voluntarily repay any outstanding borrowing under the Credit Agreement at any time without premium or penalty, other than customary breakage costs with respect to eurocurrency loans.

*Guarantees*

All obligations under the Credit Agreement are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized direct or indirect wholly-owned domestic and foreign restricted

**Table of Contents**

subsidiaries, subject to certain exceptions for subsidiaries that are controlled foreign corporations, foreign subsidiaries in jurisdictions where applicable law would otherwise be violated, and non-material subsidiaries.

*Covenants*

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The Credit Agreement also requires us to maintain a maximum leverage ratio and a minimum cash interest coverage ratio, and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under Credit Agreement and all actions permitted to be taken by a secured creditor.

As of December 31, 2013 we believe we are in compliance with all of our debt covenants.

*Chinese Credit Facilities*

In addition to our borrowings under the Credit Agreement, we maintain our Chinese Credit Facilities. As of December 31, 2013 and December 31, 2012, we had short-term borrowings outstanding of \$28.5 million and \$32.1 million, respectively.

Certain of our Chinese subsidiaries entered into a RMB 138,600,000 (approximately \$22 million), one-year revolving credit facility with Bank of America (the Chinese Credit Facility BOA ) that is currently subject to review on a periodic basis with no-specific expiration period. During the third quarter of 2012, this credit line was increased to RMB 189,000,000 (approximately \$30 million). During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 68,283,570 (approximately \$10.9 million). We currently have \$12.7 million of outstanding borrowings from the Chinese Credit Facility BOA as of December 31, 2013. Our Chinese Credit Facility BOA currently bears interest at a rate based on 100% of the People's Bank of China's base rate and was 5.6% as of December 31, 2013.

In addition, during April 2012, certain of our Chinese subsidiaries entered into a RMB 125,000,000 (approximately \$20 million) one-year revolving credit facility with J.P. Morgan Chase Bank ( Chinese Credit Facility-JPM ). This credit facility was renewed for an additional year in April 2013. During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 24,281,546 (approximately \$3.9 million). We currently have \$15.8 million of outstanding borrowings from the Chinese Credit Facility JPM as of December 31, 2013. Our Chinese Credit Facility JPM currently bears interest at a rate based on 100% of the People's Bank of China's base rate and was 5.6% as of December 31, 2013.

**NOTE 9: INCOME TAXES**

The following table presents a summary of our domestic and foreign income before income taxes:

<b>Year Ended December 31,</b>		
<b>2013</b>	<b>2012</b>	<b>2011</b>

	<b>(In thousands)</b>		
Domestic	\$ 129,452	\$ 133,361	\$ 121,100
Foreign	155,250	148,614	150,794
Total	\$ 284,702	\$ 281,975	\$ 271,894

**Table of Contents**

The following table presents a summary of the components of our provision for income taxes:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(In thousands)</b>			
<b>Current income tax expense:</b>			
Federal	\$ 47,784	\$ 55,877	\$ 49,736
State	8,936	5,927	7,818
Foreign	17,066	30,543	37,480
<b>Current income tax expense</b>	<b>73,786</b>	<b>92,347</b>	<b>95,034</b>
<b>Deferred income tax (benefit) expense:</b>			
Federal	6,366	(3,113)	216
State	704	(347)	148
Foreign	(1,597)	(1,500)	(1,295)
<b>Deferred income tax (benefit) expense:</b>	<b>5,473</b>	<b>(4,960)</b>	<b>(931)</b>
<b>Provision for income taxes</b>	<b>\$ 79,259</b>	<b>\$ 87,387</b>	<b>\$ 94,103</b>

For all periods presented, current and deferred tax expense has been computed using our stand-alone effective rate. As of December 31, 2013, our current income tax receivable and income tax payable balances represent amounts that we will receive and pay, respectively, to the Internal Revenue Service and other tax authorities.

For all periods prior to and through the Spin-Off date, we were a member of the Expedia consolidated tax group. Accordingly, Expedia filed a consolidated federal income tax return and certain state income tax returns with us for that period. Expedia has paid the entire income tax liability associated with these filings. As such, our income tax liability for this period was transferred to Expedia upon Spin-Off and was not included in income taxes payable as of December 31, 2011. Additionally, due to continuing ownership and business relationships after the Spin-Off, we have filed as part of a unitary combined group with Expedia for certain state tax returns for the 2012 and 2011 tax years. During 2013, we plan to file our state tax returns on a stand-alone basis, separate from Expedia, as our ownership and business relationships likely will not constitute a unitary relationship after 2012.

Our deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012 are as follows:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>(In thousands)</b>		
<b>Deferred tax assets:</b>		
Stock-based compensation	\$ 30,081	\$ 21,605
Net operating loss carryforwards	18,005	15,005
Provision for accrued expenses	6,829	7,731
Other	4,365	3,391

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Total deferred tax assets	59,280	47,732
Less valuation allowance	(13,284)	(11,677)
Net deferred tax assets	\$ 45,996	\$ 36,055
<b>Deferred tax liabilities:</b>		
Intangible assets	\$ (31,956)	\$ (28,205)
Property and equipment	(17,500)	(10,313)
Prepaid expenses	(2,010)	(2,087)
Other	(2,201)	
Total deferred tax liabilities	\$ (53,667)	\$ (40,605)
Net deferred tax liability	\$ (7,671)	\$ (4,550)

**Table of Contents**

At December 31, 2013, we had federal, state and foreign net operating loss carryforwards ( NOLs ) of approximately \$ 12.5 million, \$12.4 million and \$51.0 million. If not utilized, the federal and state NOLs will expire at various times between 2020 and 2033 and the foreign NOLs will expire at various times between 2013 and 2031.

At December 31, 2013, we had a valuation allowance of \$13.3 million primarily related to foreign net operating loss carryforwards for which it is more likely than not that the tax benefit will not be realized. This amount represented an overall increase of \$1.6 million over the amount recorded as of December 31, 2012.

We have not provided for deferred U.S. income taxes on undistributed earnings of our foreign subsidiaries that we intend to reinvest permanently outside the United States; the total amount of such earnings as of December 31, 2013 was \$481.0 million. Should we distribute or be treated under certain U.S. tax rules as having distributed earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable at this time to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

A reconciliation of the provision for income taxes to the amounts computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(In thousands)</b>		
Income tax expense at the federal statutory rate of 35%	\$ 99,646	\$ 98,691	\$ 95,163
Foreign rate differential	(41,487)	(25,069)	(15,319)
State income taxes, net of effect of federal tax benefit	8,339	5,581	4,240
Unrecognized tax benefits and related interest	9,307	4,853	2,570
Non-deductible transaction costs	253		2,426
Change in valuation allowance	1,999	2,535	3,451
Other, net	1,202	796	1,572
Provision for income taxes	\$ 79,259	\$ 87,387	\$ 94,103

During the fourth quarter of 2012, we restructured our non-U.S. operations to align our global structure for more efficient treasury management and global cash deployment. As a result, and due to the continued expansion of our non-U.S. operations, we expect our effective tax rate to continue to decrease.

During 2011, the Singapore Economic Development Board accepted our application to receive a tax incentive under the International Headquarters Award. This incentive provides for a reduced tax rate on qualifying income of 5% as compared to Singapore's statutory tax rate of 17% and is conditional upon our meeting certain employment and investment thresholds. This agreement is set to expire on June 30, 2016, with the ability to extend for another five years. This benefit resulted in a decrease to the 2013 tax provision of \$4.3 million.

By virtue of previously filed consolidated income tax returns filed with Expedia, we are routinely under audit by federal, state and foreign tax authorities. We are currently under an IRS audit for the 2009 and 2010 tax years, and have various ongoing state income tax audits. As of December 31, 2013, no material assessments have resulted from these audits. These audits include questioning the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. Annual tax provisions include amounts considered sufficient to pay

assessments that may result from the examination of prior year returns. We are no longer subject to tax examinations by tax authorities for years prior to 2007.



**Table of Contents**

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	<b>December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(In thousands)</b>		
Balance, beginning of year	\$ 24,049	\$ 12,900	\$ 6,342
Increases to tax positions related to the current year	12,158	11,854	5,631
Increases to tax positions related to the prior year	3,936	540	927
Reductions due to lapsed statute of limitations			
Decreases to tax positions related to the prior year	(3,640)		
Settlements during current year	(76)	(1,245)	
<b>Balance, end of year</b>	<b>\$ 36,427</b>	<b>\$ 24,049</b>	<b>\$ 12,900</b>

As of December 31, 2013, we had \$36.4 million of unrecognized tax benefits, which is classified as long-term and included in other long-term liabilities. Included in this balance at December 31, 2013 was \$19.0 million of liabilities for uncertain tax positions that, if recognized, would decrease our provision for income taxes. We recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2013 and 2012, total gross interest and penalties accrued was \$1.7 million and \$1.0 million, respectively. We estimate that none of these amounts will be paid within the next year.

**NOTE 10: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>	
Accrued salary, bonus, and related benefits	\$ 34,756	\$ 29,438
Accrued marketing costs	21,901	11,941
Accrued charitable foundation payments (1)	7,217	6,757
Other	21,660	15,100
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 85,534</b>	<b>\$ 63,236</b>

(1) See Note 12 *Commitments and Contingencies* below for information regarding our charitable foundation.

**NOTE 11: OTHER LONG-TERM LIABILITIES**

Other long-term liabilities consisted of the following for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>	
Unrecognized tax benefits (1)	\$ 38,072	\$ 23,138
Construction liabilities (2)	7,877	
Other (3)	6,582	2,425
Total other long-term liabilities	\$ 52,531	\$ 25,563

- (1) See Note 9 Income Taxes above for additional information on our unrecognized tax benefits. Amount includes accrued interest and penalties related to this liability.

**Table of Contents**

- (2) We capitalize construction in progress and record a corresponding long-term liability for build-to-suit lease agreements where we are considered the owner during the construction period for accounting purposes only.
- (3) Amounts primarily consist of long term deferred rent balances related to operating leases for office space.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

We have commitments and obligations that include office space leases, vendor purchase obligations and expected interest on long-term debt, which are not accrued on the consolidated balance sheet at December 31, 2013 but we expect to require future cash outflows and in some cases may be accelerated upon demand of a third party upon certain contingent events.

***Office Lease Commitments***

We have contractual obligations in the form of operating leases for office space for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Operating lease obligations expire at various dates with the latest maturity in December 2030. For the years ended December 31, 2013, 2012 and 2011, we recorded rental expense of \$10.9 million, \$7.8 million and \$6.0 million, respectively.

We currently lease approximately 119,000 square feet for our corporate headquarters in Newton, Massachusetts, pursuant to a lease with an expiration date of April 2015. We also lease an aggregate of approximately 382,000 square feet at approximately 30 other locations across North America, Europe and Asia Pacific, primarily for our international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through December 2030.

In June 2013, TripAdvisor LLC ( TA LLC ), our indirect, wholly owned subsidiary, entered into a lease (the Lease ), for a new corporate headquarters. Pursuant to the Lease, the landlord will build an approximately 280,000 square foot rental building in Needham, Massachusetts (the Premises ), and thereafter lease the Premises to TA LLC as TripAdvisor's new corporate headquarters for an initial term of 15 years and 7 months. If the landlord fails to deliver the Premises according to the schedule, subject to certain conditions, TA LLC may be entitled to additional free rent, or in extreme cases, a right to terminate the Lease. Under the Lease, TA LLC is required to pay an initial base rent of \$33.00 per square foot per year, increasing to \$34.50 per square foot by the final year of the initial term, as well as all real estate taxes and other building operating costs. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each.

The aggregate future minimum lease payments are \$143.5 million and are currently scheduled to be paid, beginning in November 2015, as follows: \$1.1 million for 2015, \$9.3 million for 2016, \$9.3 million for 2017, \$9.3 million for 2018 and \$114.6 million for 2019 and thereafter. The Lease has escalating rental payments and initial periods of free rent. TA LLC was also obligated to deliver a letter of credit to the Landlord in the amount of \$0.8 million as security deposit, which amount is subject to increase under certain circumstances. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each. Subject to certain conditions, TA LLC has certain rights under the Lease, including rights of first offer to lease additional space or to purchase the Premises if the Landlord elects to sell. In connection with the Lease, TripAdvisor entered into a Guaranty (the Guaranty ), pursuant to which TripAdvisor provides full payment and performance guaranty for all of TA LLC's obligations under the Lease.

We have concluded we are the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. As building construction began in the fourth quarter of 2013, we recorded estimated project construction costs incurred by the landlord as an asset and a corresponding long term liability in Property and equipment, net and Other long-term liabilities, respectively, on our consolidated balance sheets. We will

increase the asset and corresponding long term liability as additional building costs are incurred by the landlord during the construction period.



months.

- (5) In connection with the Spin-Off, we assumed Expedia's obligation to fund a charitable foundation. The Board of Directors of the charitable foundation is currently comprised of Stephen Kaufer- President and Chief Executive Officer, Julie M.B. Bradley-Chief Financial Officer and Seth J. Kalvert- Senior Vice President, General Counsel and Secretary. Our obligation was calculated at 2.0% of OIBA in 2013. For a discussion regarding OIBA see Note 16 *Segment Information* in the notes to the consolidated and combined financial statements. This future commitment has been excluded from the table above.

---

**Table of Contents**

- (6) Excludes spending on anticipated leasehold improvements on our Needham, Massachusetts lease, including design, development, construction costs, and the purchase and installation of equipment, net of related Landlord incentives, which we estimate will begin in the fourth quarter of 2014 thru the second quarter of 2015 and currently estimate will cost in the range of \$35-\$40 million.

***Letters of Credit***

As of December 31, 2013, we have issued unused letters of credit totaling \$1 million, related to our property leases.

***Off-Balance Sheet Arrangements***

We did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the SEC, that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources at December 31, 2013.

***Legal Proceedings***

In the ordinary course of business, we and our subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that the Company and its subsidiaries are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

**NOTE 13: EMPLOYEE BENEFIT PLANS**

***Expedia 401(k) Plan***

Our U.S. employees were generally eligible to participate in Expedia's retirement and savings plan (the Expedia 401(k) Plan) that qualified under Section 401(k) of the Internal Revenue Code until October 31, 2011. Our employees ceased to participate in the Expedia 401(k) Plan after our retirement savings plan was established on November 1, 2011 as described below. Within the Expedia 401(k) Plan, participating employees could contribute up to 50% of their pretax salary, but not more than statutory limits. We matched 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. Our employer matching contributions vested after two years of continuous service. Participating employees had the option to invest in Expedia's common stock, but there was no requirement for participating employees to invest their contribution or our matching contribution in Expedia's common stock. Expedia also had various defined contribution plans for our international employees. Contributions to these benefit plans for our employees were \$2 million for the year ended December 31, 2011, respectively.

***TripAdvisor Retirement Savings Plan***

Effective November 1, 2011, most of our U.S. employees were eligible to participate in a new retirement and savings plan, the TripAdvisor Retirement Savings Plan (the 401(k) Plan), that qualifies under Section 401(k) of the Internal Revenue Code. The 401(k) Plan is similar to and replaced the Expedia 401(k) Plan, allowing participating employees to make contributions of a specified percentage of their eligible compensation. Participating employees may

contribute up to 50% of their eligible salary on a pre-tax basis, but not more than statutory limits. Employee-participants age 50 and over may also contribute an additional amount of their salary on a pre-tax tax basis up to the IRS Catch-Up Provision Limit. Employees may also contribute into the 401(k)



**Table of Contents**

Plan on an after-tax basis up to an annual maximum of 10%. The 401(k) Plan has an automatic enrollment feature at 3% pre-tax. We match 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. The catch up contributions, are not eligible for employer matching contributions. The matching contributions portion of an employee's account, vests after two years of service. Effective June 8, 2012 the 401(k) Plan permits certain after-tax Roth 401(k) contributions. Additionally, at the end of the 401 (k) Plan year, we make a discretionary matching contribution to eligible participants. This additional discretionary matching employer contribution referred to as true up is limited to match only contributions up to 3% of eligible compensation.

Our employee's interests were rolled into the 401(k) Plan from the Expedia 401(k) Plan in connection with the creation of our new plan on November 1, 2011. We also have various defined contribution plans for our international employees. Our contribution to the 401(k) Plan and our international defined contribution plans was not material for the period from November 1, 2011 through December 31, 2011 and \$4.8 million and \$3.1 million for the years ended December 31, 2013 and 2012, respectively.

***TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors***

On December 20, 2011, the TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors (the Plan) became effective. Under the Plan, eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units, representing the number of shares of our common stock that could have been purchased on the date such fees would otherwise be payable, or (ii) credited to a cash fund. The cash fund will be credited with interest at an annual rate equal to the weighted average prime or base lending rate of a financial institution selected in accordance with the terms of the Plan and applicable law. Upon termination of service as a director of TripAdvisor, a director will receive (i) with respect to share units, such number of shares of our common stock as the share units represent, and (ii) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five annual installments, as elected by the eligible director at the time of the deferral election.

Under the 2011 Incentive Plan, 100,000 shares of TripAdvisor common stock are available for issuance to non-employee directors. There have been no shares of common stock issued from the inception of the Plan through December 31, 2013.

**NOTE 14: STOCKHOLDERS' EQUITY*****Preferred Stock***

In addition to common stock, we are authorized to issue up to 100 million preferred shares, with \$ 0.001 par value per share, with terms determined by our Board of Directors, without further action by our stockholders. At December 31, 2013, no preferred shares had been issued.

***Common Stock and Class B Common Stock***

Our authorized common stock consists of 1.6 billion shares of common stock with par value of \$0.001 per share, and 400 million shares of Class B common stock with par value of \$0.001 per share. Both classes of common stock qualify for and share equally in dividends, if declared by our Board of Directors. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share on most matters. Holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number, which was three directors as of December 31, 2013.

Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of TripAdvisor the holders of both classes of common stock have equal rights to receive all the assets of TripAdvisor after the rights of the holders of the preferred stock have been satisfied. There were 131,537,798 and 129,417,089 shares of common

**Table of Contents**

stock issued and outstanding, respectively, at December 31, 2013 and 12,799,999 shares of Class B common stock issued and outstanding at December 31, 2013.

***Spin-Off Adjustments to Invested Equity and Additional Paid-in Capital***

The table below reflects the accounting treatment related to the formation of TripAdvisor and the transfer to us by Expedia of the post-Spin-Off net assets of TripAdvisor in 2011 after giving effect to the terms provided for in the Separation Agreement between Expedia and us.

<b>(in thousands)</b>	<b>Total Amount</b>
Invested equity prior to Spin-Off	\$ 693,447
Distribution to Expedia (1)	(405,516)
Adjustment to distribution from Expedia (2)	7,028
Receivable from Expedia extinguished, net (3)	(1,525)
Common shares issued (4)	(121)
Class B shares issued (4)	(13)
Beginning Additional-Paid-In-Capital	\$ 293,300

- (1) The transfer of \$405.5 million in cash to Expedia in form of dividend, prior to our separation from Expedia.
- (2) Per the Separation Agreement, we were to retain \$165 million in cash on hand immediately following the Spin-Off. The agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained and all amounts in excess of \$165 million were remitted to Expedia. The completion of this reconciliation resulted in TripAdvisor recording an additional receivable from Expedia of \$7 million at December 31, 2011 which was subsequently received by us during 2012.
- (3) The extinguishment of domestic intercompany receivables from Expedia, including transfers of assets and liabilities at Spin-Off.
- (4) The reclassification of 120,661,020 shares of Expedia common stock and 12,799,999 shares of Expedia Class B common stock into, in part, shares of Expedia mandatory exchangeable preferred stock that automatically, immediately following the reclassification, exchanged into 120,661,020 shares of TripAdvisor Common Stock and 12,799,999 shares of TripAdvisor Class B common stock to effect the transfer of ownership of TripAdvisor from Expedia to Expedia's shareholders based upon a ratio of one share of the respective class of TripAdvisor common stock for each share of the respective class of Expedia common stock and the number of Expedia common and Class B common shares outstanding as of December 20, 2011 after giving effect to the one-for-two reverse stock split of Expedia shares in connection with, and immediately prior to, the Spin-Off.

***Accumulated Other Comprehensive Loss***

Accumulated other comprehensive loss is primarily comprised of accumulated foreign currency translation adjustments, as follows for the periods presented:

**December 31,**  
**2013      2012**

	<b>(In thousands)</b>	
Net unrealized gain (loss) on securities, net of tax (1)	\$ (108)	\$ (104)
Cumulative foreign currency translation adjustments (2)	(217)	(765)
<b>Total accumulated other comprehensive income (losses)</b>	<b>\$ (325)</b>	<b>\$ (869)</b>

- (1) Net of unrealized tax benefits of \$0.1 million at both December 31, 2013 and 2012, respectively.
- (2) Our foreign subsidiary earnings are considered indefinitely reinvested; therefore; deferred taxes are not provided on foreign currency translation adjustments.

## **Table of Contents**

### ***Treasury Stock***

On February 15, 2013, our Board of Directors authorized the repurchase of \$250 million of our shares of common stock under a share repurchase program. We intend to use available cash and future cash from operations to fund repurchases under the share repurchase program. The repurchase program has no expiration date but may be suspended or terminated by the Board of Directors at any time. Our Board of Directors will determine the price, timing, amount and method of such repurchases based on its evaluation of market conditions and other factors, and any shares repurchased will be in compliance with applicable legal requirements, at prices determined to be attractive and in the best interests of both the Company and its stockholders.

During the year ended December 31, 2013, we repurchased 2,120,709 shares of outstanding common stock under the share repurchase program at an aggregate cost of \$145.2 million. As of December 31, 2013, from the authorized share repurchase program granted by the Board of Directors we have \$104.8 million remaining to repurchase shares of our common stock.

### ***Dividends***

During the period January 1, 2013 through December 31, 2013, our Board of Directors did not declare any dividends on our outstanding common stock and do not expect to pay any dividends for the foreseeable future.

## **NOTE 15: RELATED PARTY TRANSACTIONS**

### ***Relationship between Expedia and TripAdvisor***

Upon consummation of the Spin-Off, Expedia was considered a related party under GAAP based on a number of factors, including, among others, common ownership of our shares and those of Expedia. A number of those factors no longer exist; as a result, we no longer consider Expedia a related party; however, due to the importance of our relationship with Expedia, for purposes of these financial statements for the year ended December 31, 2013, we have continued to list separately in our consolidated and combined financial statements revenue and receivables from Expedia.

Revenue from Expedia was \$217.4 million, 203.8 million and \$211.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, which primarily consists of click-based advertising and other advertising services provided to Expedia and its subsidiaries and is recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Revenue represented 23%, 27% and 33% of our total revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Other operating expenses which were included primarily within selling and marketing expense were \$6.0 million, \$6.4 million, and \$4.3 million for the years ended December 31, 2013, 2012 and 2011, respectively, primarily consisted of marketing expense for exit windows. The receivable balances with Expedia reflected in our consolidated balance sheets as of December 31, 2013 and December 31, 2012 were \$15.8 million and \$24.0 million, respectively.

Prior to the Spin-Off, our operating expenses included a shared services fee, which was \$9.2 million for the year ended December 31, 2011, which was comprised of allocations from Expedia for accounting, legal, tax, corporate development, financial reporting, treasury and real estate functions and included an allocation of employee compensation within these functions. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. It was not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity. In

the opinion of our management, the allocation method was reasonable.

We transferred \$405.5 million in cash to Expedia in the form of a dividend, prior to completion of the Spin-Off. Per the Separation Agreement we were to retain \$165 million in cash on hand immediately following the Spin-off and the agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained. The completion of this reconciliation resulted in us recording an additional receivable from Expedia of \$7 million at December 31, 2011, which was subsequently received by us during 2012.

---

**Table of Contents**

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia entered into various agreements, including, among others, the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and Transition Services Agreement, and commercial agreements. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and the Transition Services Agreement are incorporated by reference in this Annual Report on Form 10-K as Exhibits 2.1, 10.2, 10.3 and 10.4. TripAdvisor has satisfied its obligations under the Separation Agreement, the Employee Matters Agreement and the Transition Services Agreement. TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement.

***Relationship between Liberty and TripAdvisor***

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates (the "Stock Purchase"). As of December 31, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.8% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.8% of our voting power.

We had no other material related party transactions with Liberty during the years ended December 31, 2013, 2012 or 2011.

**NOTE 16: SEGMENT AND GEOGRAPHIC INFORMATION**

***Segment Information***

We have one operating and reportable segment: TripAdvisor. We determined our segment based on how our chief operating decision maker manages our business, makes operating decisions, evaluates operating performance and allocates resources. The chief operating decision maker for the Company is our Chief Executive Officer.

Our primary operating metric for evaluating segment performance is Adjusted EBITDA. We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) depreciation of property and equipment, including internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation; and (6) non-recurring expenses. Such amounts are detailed in our segment reconciliation below. In addition, please see our discussion of Adjusted EBITDA in the section of this Annual Report on Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Table of Contents**

The following table is a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
<b>Adjusted EBITDA</b>	<b>\$ 378,753</b>	<b>\$ 352,474</b>	<b>\$ 322,918</b>
Depreciation (1)	(29,495)	(19,966)	(18,362)
OIBA (2)	349,258	332,508	304,556
Amortization of intangible assets	(5,731)	(6,110)	(7,523)
Stock-based compensation	(48,953)	(30,102)	(17,344)
Spin-Off costs			(6,932)
Other expense, net	(9,872)	(14,321)	(863)
Provision for income taxes	(79,259)	(87,387)	(94,103)
<b>Net income</b>	<b>205,443</b>	<b>194,588</b>	<b>177,791</b>

- (1) Includes amortization of internal use software and website development costs.
- (2) We define OIBA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) amortization of intangible assets; (4) stock-based compensation; and (5) non-recurring expenses. This operating metric is only used by our management to calculate our annual obligation for our charitable foundation. Refer to Note 12 *Commitments and Contingencies* above for a discussion of our charitable foundation.

**Revenue and Geographic Information**

We derive substantially all of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. The remainder of our revenue is generated through a combination of subscription-based offerings, transaction revenue from selling room nights on our transactional sites, vacation rentals, and other revenue including content licensing.

The following table presents revenue by product for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Click-based advertising	\$ 696,046	\$ 587,781	\$ 499,993
Display-based advertising	118,964	94,147	85,736
Subscription, transaction and other	129,651	81,038	51,334
Total revenue	\$ 944,661	\$ 762,966	\$ 637,063



Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

The following table presents revenue by geographic area, the United States, the United Kingdom and all other countries, based on the geographic location of our websites for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(in thousands)</b>		
<b>Revenue</b>			
United States	\$ 462,920	\$ 386,211	\$ 348,066
United Kingdom	119,041	110,213	99,646
All other countries	362,700	266,542	189,351
	<b>\$ 944,661</b>	<b>\$ 762,966</b>	<b>\$ 637,063</b>

**Table of Contents**

The following table presents property and equipment, net for the United States and all other countries based on the geographic location of the assets for the periods presented:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
<b>Property and equipment, net</b>		
United States	\$ 67,275	\$ 36,255
All other countries	14,253	7,547
	\$ 81,528	\$ 43,802

**NOTE 17: OTHER INCOME (EXPENSE), NET**

The following table presents the detail of other income (expense), net, for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(in thousands)</b>		
Net loss, realized and unrealized, on foreign exchange and foreign currency derivative contracts	\$ (210)	\$ (3,220)	\$ (1,006)
Other non-operating expense, net	(1,326)	(230)	(248)
<b>Total other income (expense), net</b>	<b>\$ (1,536)</b>	<b>\$ (3,450)</b>	<b>\$ (1,254)</b>

**Table of Contents****TripAdvisor, Inc****Quarterly Financial Information (Unaudited)****(in thousands, except per share data)**

The following table presents selected unaudited financial information for the eight quarters in the period ended December 31, 2013. The results for any quarter are not necessarily indicative of future quarterly results and, accordingly, period to period comparisons should not be relied upon as an indication of future performance.

	March 31	Three Months Ended		
		June 30	September 30	December 31
(in thousands)				
<b>Year ended December 31, 2013</b>				
Revenue	\$ 229,919	\$ 246,937	\$ 255,136	\$ 212,669
Operating income	88,303	94,118	83,694	28,459
Net income	62,299	66,988	55,882	20,274
Net income attributable to TripAdvisor, Inc.	62,299	66,988	55,882	20,274
Basic earnings per share	\$ 0.44	\$ 0.47	\$ 0.39	\$ 0.14
Diluted earnings per share	\$ 0.43	\$ 0.46	\$ 0.38	\$ 0.14
<b>Year ended December 31, 2012</b>				
Revenue	\$ 183,715	\$ 197,148	\$ 212,710	\$ 169,393
Operating income	73,377	83,678	92,249	46,992
Net income	48,171	53,165	59,535	33,717
Net income attributable to TripAdvisor, Inc.	48,111	53,019	59,360	33,579
Basic earnings per share	\$ 0.36	\$ 0.38	\$ 0.42	\$ 0.24
Diluted earnings per share	\$ 0.35	\$ 0.37	\$ 0.41	\$ 0.23

**Table of Contents**

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) The following is filed as part of this Amendment No. 1 on Form 10-K/A:

1. *Consolidated and Combined Financial Statements*: The consolidated and combined financial statements and report of independent registered public accounting firm required by this item are included in Part II, Item 8.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated and combined financial statements or in the notes thereto.

(b) Exhibits: The Exhibits listed in the Exhibit Index at the end of this report are filed as Exhibits to this Amendment No. 1 on Form 10-K/A and are meant to supplement the Exhibits listed and/or filed in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, as amended.

**Table of Contents**

**Signatures**

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRIPADVISOR, INC.

By: /s/ STEPHEN KAUFER  
Stephen Kaufer

July 31, 2014

Chief Executive Officer and  
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on July 31, 2014.

<b>Signature</b>	<b>Title</b>
/s/ STEPHEN KAUFER  Stephen Kaufer	Chief Executive Officer, President and Director  (Principal Executive Officer)
/s/ JULIE M.B. BRADLEY  Julie M.B. Bradley	Chief Financial Officer  (Principal Financial and Accounting Officer)
/s/ *  Gregory B. Maffei	Chairman of the Board
/s/ *  Jonathan F. Miller	Director
/s/ *  Dipchand V. Nishar	Director
/s/ *  Jeremy Philips	Director
/s/ *  Spencer M. Rascoff	Director
Christopher W. Shean	

/s/ \* Director

Sukinder Singh Cassidy

/s/ \* Director

Robert S. Wiesenthal

\*By: /s/ JULIE M.B. BRADLEY  
JULIE M.B. BRADLEY  
**Attorney-in-Fact**

**Table of Contents****EXHIBIT INDEX**

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Filed Herewith	Form	SEC File No.	Exhibit No.	Filing Date
23.2	Consent of Independent Registered Public Accounting Firm	X				
31.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.4	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.3	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.4	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				