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Press Release

EPS of \$0.16 **beats by \$0.12** | Revenue of \$354.00M (46.89% Y/Y) **beats by \$9.76M**

Tripadvisor, Inc. (NASDAQ:[TRIP](#)) Q4 2022 Earnings Conference Call
February 15, 2023 8:30 AM ET

Company Participants

Angela White - VP, IR

Matt Goldberg - President and CEO

Mike Noonan - CFO

Conference Call Participants

Stephen Ju - Credit Suisse

Richard Clarke - Berstein

Jed Kelly - Oppenheimer

Operator

Good day and thank you for standing by. Welcome to the Tripadvisor Fourth Quarter 2022 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Ms. Angela White, VP of Investor Relations. Ms. White, please go ahead.

Angela White

Thank you, Chris. And good morning, everyone. Welcome to Tripadvisor's fourth quarter and full year 2022 financial results call. Joining me today are Matt Gvoldberg, President and CEO; and Mike Noonan, CFO. Last night, after market close, we distributed and filed our earnings release and made available our shareholder letter on our Investor Relations website.

In the release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also on our Investor Relations website, you'll find supplemental financial information, which also includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics.

Before we begin, I'd like to remind you that this call may contain estimates and other forward-looking statements that represent management's view as of today, February 15, 2023. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from those forward-looking statements.

With that, I'll turn the call over to Matt.

Matt Goldberg

Thank you, Angela, and good morning to everyone joining the call. We're pleased with our q4 and full year performance, a combination of the travel industry recovery as a whole, our position in the travel ecosystem, and solid execution by our teams.

As we said in the Shareholder Letter we published last night, we saw a strong recovery with 65% consolidated revenue growth relative to 2021, reaching nearly 96% of 2019 revenue for the full year and exiting the year at 106% of 2019 levels in the fourth quarter. We also expanded margins year-over-year in 2022, balancing investment in future profitable growth with prudent cost management across the portfolio. This performance is strong overall relative to our expectations, but we still face mixed recovery and margin pressure in parts of our portfolio. In particular in our Tripadvisor Core segment, which we intend to address head on. I will come back to that shortly.

But first let's start with Viator, where the team continued to drive accelerated growth in 2020 to delivering record revenue and scale, with gross bookings value of approximately \$2.7 billion, or 186% of 2019 levels. We compete in a large, highly fragmented and under penetrated experiences market, which is estimated to grow to more than \$275 billion by 2025. We consider this market highly attractive given that approximately 70% is still offline, but has consistently moved more online each year, with tailwinds from the secular shift in consumer spending preferences away from physical goods in favor of experiences.

We're well positioned to take advantage of these secular trends. And our team is doing this through focus, execution and strategic investments which are paying off. We served a record number of both first time and repeat customers in 2022. And we're improving conversion across mobile web and app, which in the year accounted for more than 50% of bookings volume.

Viator's tour operator partners are receiving more value than ever before, thanks to our growing demand footprint and new product features that allow them to drive extra visibility on our platform. We were also pleased with the balance between aggressively growing our market share while making year-over-year improvements in profitability, which highlights the potential to achieve further operating leverage in the business.

Next, at TheFork, revenue reached 126 million in 2022, growing 48% year-over-year, and reaching 99% of 2019 levels. On a constant currency basis. This result exceeded 2019 levels after considering estimated currency headwinds of approximately 6 points. For reference, the overall European restaurants market is still approximately 14% below 2019. The strength of our two-sided marketplace is evidenced on both the diner side and the restaurant side, while the number of bookable restaurants have not yet fully recovered to 2019 levels, total bookings on our platform reached 106% of 2019 levels with sustained performance in diner monetization.

TheFork continues to represent a meaningful source of demand for its restaurant partners, connecting them to millions of diners through our app in driving repeat visits over time. Direct bookings from repeat customers on TheFork's platform drove more than 75% of total bookings in 2022. A result reflects the team's increased focus on key markets, particularly those in Europe, where we've established scale and have confidence we can win.

Finally, in our Tripadvisor Core segment, we saw a positive trajectory, with revenue of \$966 million growing 45% year-over-year, and reaching 79% of 2019 levels. Prudent cost management contributed to year-over-year expansion of adjusted EBITDA down margin to 36% in 2022, from 27% in the prior year. And while we're pleased with the recovery of our experiences, and our hotel meta offerings in the U.S., both of which have fully recovered to 2019 levels as travelers returned. We're not satisfied with the pace of our overall recovery for the segment, including the slower recovery in our media and B2B offerings.

Although some of this mirrors the cyclical impact of marketing and advertising budgets, it also reflects ongoing factors that you all understand clearly, upstream competition, heightened traveler expectations, shifting advertising budgets, and our own focus and execution challenges to keep pace with the evolving market.

The last point highlights the need to chart a durable path forward for growth and profitability in Tripadvisor Core, and provides a good transition to our long-term value creation strategies and specific priorities for 2023. Tripadvisor group represents a family of brands with a unique position in our industry that addresses attractive markets across travel and experiences, digital advertising and emerging marketplaces across multiple categories. We attract a large global audience who trust our platforms for information, guidance and recommendations when they're making important decisions throughout their travel journey.

We have access to a wealth of high intent data to drive value for travelers and our partners. Whether looking for inspiration, planning a trip, considering the next experience or making it happen. Across the group, we're united by a common vision to be the world's most trusted source for traveling experiences, with each segment uniquely serving this vision and reinforcing each other.

But we pursue different value creation strategies for each segment, managing priorities and levels of investment appropriately given the stages of growth market opportunities and our competitive positioning. At Viator, we will invest in growth in 2023 to accelerate our leadership position. This means driving awareness and market share and investing and enhancing our app experience and features for our partners, which we believe will result in greater direct repeat behavior. We expect this to strengthen lifetime value economics, which will extend our market leadership and contribute to longer term sustainable profitability.

At TheFork, we plan to leverage our investments of the past few years to deliver strong growth in 2023, while targeting significant improvements in margins. This means continuing to grow both our restaurant and diner base in our priority markets by offering innovative tools and features on our platform, and through continued awareness of our brand.

This brings us to an area where I've spent much of my time since joining Tripadvisor group, aligning the Tripadvisor core segment around a clear, long term strategy and specific priorities for 2023.

The Tripadvisor Core segment plays an important role in our portfolio. Over the past 20 plus years, we built some powerful assets, a trusted brand authentic content, a large community of contributors, and one of the largest global travel audiences available anywhere. And we've created a portfolio of offerings that provide value for both travelers and partners.

However, it is apparent that as traveler needs and our competitive landscape continue to evolve, our business faces known headwinds. Our leadership team has been working intensively to conduct a robust and objective review of our performance and trajectory and develop a plan to respond. We have immersed ourselves in a rich, data driven fact base, to deeply understand today's travelers and how we can best meet their needs. We set out specifically to put the traveler first, address both opportunities and challenges and drive steady, profitable growth.

Delivering this outcome is not contingent on a speculative bet, a silver bullet or a risky agenda. Instead, we have high conviction in a strategy grounded in deeper traveler engagement, enabled by better products, and stronger execution. This builds on our heritage and the reasons travelers come to us in the first place.

Let me articulate the crux of our strategy. First, we will innovate around world-class guidance products to help travelers make decisions in a world where it's hard to find advice you can trust. It all starts with differentiated content that gives travelers a compelling reason to come to us directly. We have an enduring foundation with our reviews, forums and other community contributions. We will focus on new immersive formats with fresh authentic perspectives, like itineraries, guides and collections that we can create and curate with technology and data at a global scale.

We will deliver this content through essential trip planning tools that are more useful to travelers than anything else offered today. This includes both pre-trip planning when travelers are building the perfect itinerary as well as in destination when travelers are making immediate decisions about what to do next.

As we evolve our product experience, we will take a mobile-first approach. Today, the mobile experience is relatively undifferentiated versus the desktop site. We can enhance our mobile web experience and give travelers more reasons to download and return to our app.

Second, we will prioritize deeper engagement with travelers, meeting their decision making needs in a more personalized way. Today, our model is optimized around attracting high volumes of traffic bouncing on and off our platform to verify their travel choices as part of the travel planning process. We will continue to fine tune that but we also have a significant opportunity to do a better job addressing the needs of the majority of our audience, giving them better reasons to engage more deeply and creating even more value for all our partners.

This must begin with data and taking full advantage of everything we know about travelers to serve them in a more relevant, curated and contextual way.

As we develop a more persistent relationship with travelers, we'll be able to offer a clearer path to become a member of our community and earn their loyalty. We see a unique opportunity to recognize and reward travelers for their engagement. And while we will continue to experiment with our paid membership tier, Tripadvisor Plus, we think strengthening the value proposition of a free membership program is the right place to start.

Third, we will drive a step change in the value we can deliver to our partners. This engagement model will enable us to accelerate and diversify the monetization of our valuable audience, whether through hotel meta, media advertising solutions or emerging marketplaces across valuable travel categories starting with experiences.

To be clear, we will continue to reinforce our position in hotel meta, having a more engaged audience with better data and clearer signals of intent helps us deliver more high quality traffic to our OTA and hotel partners.

We will also focus on two other immediate monetization pads where this strategy can fuel meaningful growth. The first is experiences. We're just beginning to scratch the surface of introducing bookable experiences to our vast audience. And we're going to continue to work to accelerate this opportunity. As we continue to scale the experiences category, we can extend our learnings to other categories where matching supply and demand is valuable for both travelers and our partners.

The second is media. We have an opportunity to expand our value proposition with brands, both in travel related and non-endemic categories to engage our audiences in a contextually relevant manner that is additive to the consumer experience. We can increase the value of our audiences by delivering new ad products and leveraging our data more effectively to improve audience targeting for purchase intent, relevance and attribution.

Taken together, these strategic priorities are integrated and reinforcing powered by first party data and signals of intent. With each interaction, we can serve travelers better. An increasingly personalized experience delivers more relevance, greater engagement and more opportunities for monetization.

Now, we won't do it all at once. We're going to focus in 2023 on areas where we have the most conviction and iterate our way towards this North Star. A balanced approach to sequencing reflects our commitment to an attractive financial profile. Our plan will enable us to drive margin expansion over the next several years and grow revenue for the long-term. We believe this approach is the optimal value creation strategy for Tripadvisor Core and it also fuels our ability to continue to invest in experiences and Viator in particular, while preserving the flexibility to pursue inorganic opportunities in our broader portfolio.

We know delivering on this plan requires focused execution. Value will be delivered by making it happen in practice. And we recognize that our past execution has not always delivered on our aspirations. So we're changing how we're organized and the way we operate in order to execute more effectively.

We've introduced an updated operating model that balances the autonomy and empowerment of P&L ownership with strong functional alignment and collaboration. We've added critical new leadership roles and aligned our teams around product, marketing, technology and data, sales and operations. This breaks down silos, and already, we're seeing improved efficiency and productivity and increased capacity in areas like engineering to reallocate resources to our top strategic priorities.

We are also executing on a road map to enhance our core data and technology capabilities to provide the foundation for our engagement led product experience. And we've already gotten started putting in place a new customer data platform, which will provide a single view of our customers and the ability to leverage data across all of Tripadvisor Group.

When I think about this strategy, the distillation of our path forward, I can't underscore enough the opportunity we see ahead. We believe that we are best positioned of anyone in our ecosystem to help travelers make decisions in a world where it's hard to find advice you can trust. We're excited about our strategy for Tripadvisor Core and the future of Tripadvisor Group.

With that, I'll turn the call over to Mike.

Mike Noonan

Thanks, Matt, and good morning, everyone. I will review the results of the fourth quarter, briefly cover our performance for the full year and provide some color on the trends for the first quarter and thoughts on 2023.

In summary, we had a strong fourth quarter and full year. We exceeded expectations in Q4 with consolidated revenue of \$354 million reflecting year-over-year growth of 47% and reaching 106% of 2019 levels. Recovery rates versus 2019 for reportable segments, Tripadvisor Core, Viator and TheFork were 85%, 208% and 94%, respectively.

Let me dive into some top line highlights from Q4 for each of the segments. At Tripadvisor Core, we saw better-than-expected performance in the quarter as revenue reached 85% of 2019 levels, which is a modest step back from third quarter's result of 88%. Our overall branded hotel revenue was 90% of 2019 levels compared to 95% in Q3.

Hotel meta revenue recovered to 93% as we saw consistent performance through the quarter. We continue to see varying degrees of recovery by geography with U.S. remaining well over '19 levels, while EMEA and Rest of the World remain below '19 levels.

Our hotel B2B revenue line had a solid quarter improving sequentially. Similarly, revenue from our media and platform offering also saw acceleration in the quarter, reaching 85% of 2019 levels, which is acceleration from third quarter's recovery rate of 80%. Tripadvisor's Core's experience and dining revenue saw strong growth in the quarter, reaching 113% recovery versus 2019. This represents a modest step down from Q3's results of 125%. Within this revenue line, the experiences recovery rates continue to accelerate sequentially and was well above the overall experiences and dining recovery rate.

As an important reminder, other revenue within Tripadvisor Core includes offerings within the crews, flights, vacation rentals and rental cars categories. When considering these offerings in categories with those we have since divested such as SmarterTravel in China, this revenue stream collectively represented over \$160 million in annual revenue in 2019.

As we sharpen our focus and look to prioritize investments in our highest return opportunities, there are areas that we will continue to invest in as well as other areas where we'd be more prudent in terms of capital allocation. And as such, we do not expect Tripadvisor Core's other revenue line as currently defined to fully recover to 2019 level.

At Viator, we continue to see strong demand in Q4. Revenue recovery versus 2019 reached 208%, which is an increase from third quarter's rate of 179%. We saw strengthening demand towards the back half of the quarter despite major weather disruptions and a subsequent increase in cancellations. Gross bookings grew to over \$600 million, which represented 220% versus '19 levels.

At TheFork, recovery versus 2019 was 94% for the quarter, which was negatively impacted by estimated currency headwinds of about 9 points. The sequential stepdown is primarily impacted by the timing of an acquisition in the fourth quarter of 2019. Without this, the recovery rate would have been closer to fully recover, a modest step down from last quarter's rate of 103%. The sequential decline is due in part to a larger-than-expected impact of the World Cup in TheFork's major European markets in October and November as well as European macro conditions, which have impacted both diner demand as well as restaurant supply.

Turning now to the full year 2022, we reached nearly \$1.5 billion in revenue and consolidated revenue, which is 96% of 2019 levels and represent 65% year-over-year growth rate. Growth in recovery was driven in large part by our Viator segment at 171% of 2019 levels and 168% year-over-year growth, and to a lesser extent, our Tripadvisor Core Hotel meta and experiences revenue and TheFork.

Q4 adjusted EBITDA was \$43 million on a consolidated basis or 12% of revenue. This is flat with adjusted EBITDA margin of 12% in Q4 2021 and down versus 27% in Q4 of 2019. On a consolidated basis, adjusted EBITDA margins were down about 15 points as compared to Q4 '19. This is primarily the result of greater investment in our experience offering, both in Viator and Tripadvisor Core through performance marketing spend and experiences becoming a larger part of the overall mix of our business. It's also due, to a lesser extent, to a higher mix of paid traffic in hotel meta within Tripadvisor Core. This has been partially offset by leverage on our fixed and discretionary costs on a consolidated basis.

In our Tripadvisor Core segment, the primary drivers of the lower adjusted EBITDA margin versus Q4 2019, or increases in performance marketing to drive experiences as well as hotel meta traffic mix shift. We also witnessed some deleverage in fixed and discretionary costs due to lower revenue recovery despite these costs being lower on an absolute basis.

In Viator, the improvement in adjusted EBITDA margin relative to 2019 in Q4 are due to the significant leverage in our headcount and other fixed costs as a percent of revenue, offsetting increases in performance marketing and recent brand spend.

Finally, in TheFork, adjusted EBITDA margin performance relative to Q4 '19 was driven primarily by increases in traffic and other variable costs in headcount and other direct costs. These investments have been in support of driving awareness to consumers and our restaurant partners, which we hope to leverage in 2023.

Taking a moment to look at adjusted EBITDA margin sequentially, we saw a reduction of about 13 percentage points from Q3 to Q4 '22 compared to a sequential step down in 2019 of 3 percentage points. As we discussed on our last earnings call, Q4 '19 benefited from a large step down in television advertising spend at Tripadvisor Core and a reduction in our bonus accrual totaling about 6 percentage points of this difference.

Without these factors, the adjusted EBITDA margin in Q4 2019 would have been approximately 6 points lower than the 27% margin reported that quarter. The remaining difference can be attributed to the Q3 to Q4 2022, smaller sequential step down in variable marketing costs in Viator and Tripadvisor Core experiences as well as a sequentially larger increase in fixed discretionary costs as a percent of revenue.

Adjusted EBITDA in 2022 was \$295 million or 20% of revenue, reflecting a significant improvement from 11% of revenue in 2021, but down from 28% of revenue in 2019. Our deleverage versus 2019 is largely due to a higher mix of performance marketing expenses and our faster growing experiences business, as we incur the spend in advance of revenue recognition.

At Viator, we believe that this investment is supported by growth in new customer bookings and the improvements we've seen in our return customer behavior. Repeat customers who in recent cohorts return more frequently also spend more with us improving our unit economics.

Additionally, in Tripadvisor Core, we've invested more in experiences, given the attractiveness of this category. In hotel meta, as you've seen, longer-term shift in search marketing that have impacted our channel mix, we increased performance marketing slightly to drive revenue while maintaining our ROA targets. To partly offset the increase in variable marketing as a percent of revenue, we've maintained our lower fixed and discretionary costs as a percent of revenue.

Now on to our cash and liquidity position. Free cash flow for this year was \$344 million, which was up meaningfully versus \$54 million in free cash flow in 2021. This year-over-year improvement was due to higher operating cash flow, which includes the benefit of positive working capital movements at Viator related to deferred merchant payables as well as some onetime tax credits we received related to the pandemic.

We ended the year with a strong balance sheet with just over \$1 billion in cash and \$1.5 billion in total liquidity, including our undrawn credit facility. We believe that our strong liquidity and cash flow profile provides us a solid cushion against any potential macro headwinds as well as allows us to pursue capital allocation decisions that will drive long-term value creation.

Additionally, as noted in our shareholder letter, in the first quarter of 2023 as part of the disclosed IRS audit of Expedia for the years 2019 through 2011, we expect to incur an additional income tax charge in an estimated range of \$25 million to \$35 million during the first quarter of 2023.

From a cash flow perspective, a net cash outflow of approximately \$70 million to \$80 million is expected during 2023. This will have no impact on our adjusted EBITDA.

Now on to the recent trends and thoughts for the first quarter. We want to provide a little more color and remind folks of the dynamics of January relative to the first quarter and the first quarter relative to the full year outlook for which we provided last night.

While we will not continue to the comparison to 2019 when we move into fiscal '23, I will provide some color on January's performance relative to 2019 as a reference point. In Tripadvisor Core, January 2023 recovery versus '19 was in the mid-70s percent, a step down from 85% in Q4 2022. We expect the recovery rate versus 2019 will be lower for the quarter due to the tougher compare in the first half of 2019. Revenue versus 2019 for Viator in the fourth in January saw a strong improvement from Q4's recovery levels, and we expect that to continue in Q1.

Switching now to year-over-year growth in January, we saw an acceleration in year-over-year growth rates across all segments versus where we exited Q4 2022. As a reminder, January of 2022 was a weaker period for us given the Omicron variant while February and March of '22, recovery accelerated at a very fast pace. Given this dynamic, we expect that February and March growth rates will normalize. The result will be a small sequential step-down of our consolidated growth rate in Q1 2023.

With regard to consolidated EBITDA margin, in Q1, we expect margins to be largely consistent with the same period a year ago. This assumes a flat margin year-over-year in Tripadvisor Core. As a reminder, the Q1 margin trend reflects the seasonality of marketing spend at Viator.

In the shareholder letter last night, we noted that for the full year, we expect full year consolidated revenue growth that reflects the diverse growth profiles across our portfolio and is consistent with the broader travel growth trends. And consolidated adjusted EBITDA margin to remain flat year-over-year, which assumes approximately flat year-over-year margins in Tripadvisor Core as well.

I will reiterate how excited we are about our direction. We believe our plan sets us up to drive sustainable, profitable growth and deliver on our near and longer-term strategic priorities. At Tripadvisor Core, we'll be focusing on operational execution to produce stable margins this year while we establish a foundation to deliver long-term sustainable revenue and adjusted EBITDA growth.

Viator will continue to invest in growth and market share gains, while driving improving economics that reflect the profit potential in this business.

Finally, at TheFork, we'll be aiming for significant margin improvement, in particular in the second half of the year while continuing to drive healthy growth.

To this end, we're managing our business to longer-term priorities. Our goal is to build a business that can deliver attractive durable revenue growth rates that will drive adjusted EBITDA growth as well as expanding margins over time. In the near term, we look forward to keeping you updated.

With that, I'll pass the call back over to the operator for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question will come from Lloyd Walmsley of UBS. Your line is open.

Unidentified Analyst

Hi. This is Chris on for Lloyd. Maybe two questions, if we can. Maybe just first on the '23 revenue guidance. You said it would be consistent with broader travel trends. I think focus right is around 18% growth year-over-year for OTA hotel bookings. I guess versus that really kind of the right number we should be benchmarking to?

And second, I guess, how should we be thinking about the segment accelerating, decelerating and building to that consolidated consistent with broader travel trends type of growth? I'll pause there and ask the second one as a follow-up.

Mike Noonan

Yeah. Hey, it's Mike here. Thanks for the question. So when we look across the travel market and we look at not just market surveys, we look at our peer group, we see that kind of market growth rate more mid-teens level and that is a reflection of the diversity of the portfolio of travel segments, but it's really more of the mid-teens level.

Your second question was around how do we see kind of growth rates of the segments? So within that, you would expect as we invest in growth in Viator to be a higher growth rate than our consolidated. As we look at that, we are looking the fourth to be a higher growth rate as well. And then on our Tripadvisor Core business, that would be a lower growth rate than kind of our -- than that -- the consolidated growth rate. So that should just give you a shape of kind of we're thinking about the growth as we move for the full year.

Unidentified Analyst

Okay. Got it. And maybe just a high level question here. As we think through the new strategy, lot of conversation around Generative AI. Just curious how do you guys think about using Generative AI trained on -- potentially being trained on your reviews to answer questions for travelers to really just help them make decisions without having to come through reviews or really just kind of what are your high-level thoughts at this point more broadly?

And how you could use this technology and how it could be impacting travel search and booking experiences.

Matt Goldberg

Thanks, Chris. It's Matt. Appreciate the question. Obviously, just about everyone is talking about Generative AI. I think every kitchen table that I've been at is mentioning it. And it's one of those technologies that we really want to pay attention to. You can imagine that over history, when you look at new technologies, people often get really excited in the short term and maybe overestimate what's going to happen and try to be predictive about that short term, only to underestimate in the long-term. So this is one to watch in the long-term. And we think this is a technology that puts us in a place of advantage. We expect that it will be ubiquitous.

The key differentiator is the underlying data and content, if you will, that Generative AI draws from. People in travel want real recommendations based on what other travelers or experts have done and recommend not just generic thought recommendations. And we think that puts us in a really strong position to experiment with the technology, to take advantage of our vast content asset we have, as you know, over 1 billion reviews. And of course, we've got hundreds of millions of members of our audience with unique interest here. So we can create unique tips, guidance and drive a more personalized experience.

It will remain to be seen how it impacts search. Obviously, the big search players are experimenting with it, and we know it can't be rushed. We also know that there are some unit economic questions in that space. And we'll leave it for the search organizations to play with that, and we will look to take advantage of it. We think it reinforces the imperative of our strategy to build a persistent and direct relationship with the traveler that experiments with content.

Unidentified Analyst

Got it. Thanks for the color. Thank you both.

Operator

Thank you. [Operator Instructions] And our next question will come from Stephen Ju of Credit Suisse. Your line is open.

Stephen Ju

Okay. Thank you so much. So Matt, I don't really want to put words in your mouth, but in terms of your cost plans for Tripadvisor Core. It sounds like you're looking to develop an intermodal search and planning products. I'm just wondering if you can offer us some additional color, more details on what this will look like.

And secondarily, you already pulled inventory from your lodging partners and you have some of your own products for things to do at destinations. But do you feel like you have good access to all of the different pieces of the total trip to properly funnel the purchase intent that you already have? Thanks.

Matt Goldberg

Yeah. So we're really excited about the development of our product. We reorganized ourselves to be much more consumer first and product led. And we've got a new Chief Product Officer that has deep experience in that area.

And so we have a lot of conviction that we're leaning into an area that's both something that travelers are looking for and something that we're uniquely positioned to deliver. And so the opportunities will really deepen the relationship and focus on making sure that our guidance is well curated, is matched to the individual needs and personalized to users that arrive who we can understand better because of the data asset that we're leveraging.

We think that we can start with content to give a really compelling reason to come back to our site and benefit from context and curation. And then it can move into robust planning tools that give users a sense of as they're thinking about where they want to go next, what they want to do that they're able to actually start to think about an itinerary, and we have lots of ideas about how to serve up that from our content and the products that we want to deliver.

If we do that, there's going to be a higher level of engagement, and that engagement will, of course, drive monetization. We think that this adds up to a kind of modern media marketplace for travel, and it's not a single product bet. It's really all about the experience that we're delivering. And we already have access to the elements that we need because we're already serving around accommodation, experiences, restaurants and we think we have a lot to build on.

Stephen Ju

Thank you.

Operator

Thank you. [Operator Instructions] Our next question will come from Douglas Anmuth of JPMorgan. Your line is open.

Unidentified Analyst

Good morning. This is Dale on for Doug. Thanks for taking the question, about two. First one, you guys talked about macro environment and range is uncertain [ph]. Are you seeing any changes in demand or behaviors of the travelers today?

And then secondly, on margins, could you talk about your margin expectations for Viator for in 2023? And then in the fourth, you talked about improving margins in the half of the year. Could you talk about the drivers of that improvement? Thank you.

Matt Goldberg

Thank you for the question, Dale. This is Matt. I'll take the first question, and Mike will take the second. The trends we're seeing from the consumer are strong. There's an ongoing excitement to be able to travel again. And 2023 certainly kicked off with really strong signals of intent and growth from travelers across all regions.

And so they're coming back, international is becoming more interesting. We're seeing a level of interest in international being roughly at pre-pandemic levels and travelers are getting more comfortable with advanced planning again. So we're seeing booking windows start to extend. So not only is the traveler returning on our site, it's also translating into both engagement and clear action.

The other thing I would say is that as we really try to get a sense of how travelers are thinking about travel in the future, we are seeing a really good signal around 86% of travelers plan to take one to two trips between March and May 2023. Now of course, inflation is still choppy, and there are still signs about thinking about how they want to adjust.

And we may see fewer shorter trips likely the weekend get away is going to be really interesting. But ultimately, travelers are protecting the discretionary spend in travel at the expense of other destiny categories. And so we're really pleased with what we're seeing in terms of the robust nature of demand.

Mike Noonan

Dale, I'll take the second piece on margins. So just to remind you what we just said. So from a consolidated basis, we're going to be consistent flat year-over-year. We said that same thing for Tripadvisor Core.

In respect to Viator and TheFork. So Viator, as you've heard us say, we're really excited about this market, right? And we want to continue to invest behind this. That's in things we've talked about already, acquisition, product, channel expansion, et cetera. So we're going to continue to invest there. So we expect those margins to remain fairly consistent year-over-year.

On Fork, we've made a lot of investments in our -- as we said in the prepared remarks, around things like systems, things like payments, sales force people to build back supply base. These are assets and investments we're looking to leverage this year. So Fork, we are expecting margins to improve year-over-year. And that would be the basis of that overall consolidated flat year-over-year consolidated guidance.

Unidentified Analyst

Okay. Thank you.

Operator

Thank you. [Operator Instructions] Our next question will come from Richard Clarke of Bernstein. Your line is open.

Richard Clarke

Hi, good morning. Thanks for taking my questions. Just would like to ask with the new strategy on on Tripadvisor Core, what do you ultimately think that division is capable of? You sort of said you don't expect the revenues to come all the way back to 2019 in the shorter term, but what kind of revenue growth can that business achieve? What kind of margins do you think you can achieve in the Tripadvisor Core business over the midterm? And then maybe any sense of the time scale to get to that performance?

Mike Noonan

Yeah. Hey, Richard, it's Mike. I'll take a stab and Matt can provide a covenant you want. So as you said, 2023 is an important year for us at Tripadvisor Core. There's a lot of things we're doing foundationally to set us up for which we said sustainable growth and margin expansion in that business.

So this year is aligned around how we align ourselves, how we really find a lot and I've already identified operating efficiencies in the business, which we're very excited about. And then it's also making those foundational investments in those -- in the long-term strategy pieces.

While those investments won't really show financial return in this year, they very much are expected to continue to prove this out beyond 2023. Those are things we're doing this year like data, as Matt talked about. Things like content, beginnings of experimentation around the tooling and guidance platforms, as we said.

So while we're operating and doing these things, we're also making sure we're operating efficiently as possible. Running the business to be efficient on cost, we remove costs where we can, which is largely reflected, Richard, in that margin -- that flat margin guide.

Over time, as this business again, moved beyond 2023, which is a very different business than it was in 2019, where, as I mentioned, we had that very large other piece of core revenue as that mix becomes bigger in even TA Core with experiences as we have continued recovery in our media business, which we do think is lagging kind of overall travel -- the travel industry as our B2B business comes back online. All of this is being reinforced and driven by our overall strategy of engagement, which should be really a flywheel impact of all of our businesses.

We do expect this then to be able to drive that growth in margin. And again, experiences in TA Core would be a big piece of that as well.

But Matt, I don't know if anything --

Matt Goldberg

Yeah, I think that's good color. Richard, I would say we're focused on TA Core as delivering steady growth, sustaining and building off of what we do this year. I think margins, we'd like to see at 2019 levels over the coming midterm, which is over the next three years. This steady growth and the relative shift in our revenue mix towards experiences in media allows us to, I think, over time, expand margin in the medium term to 2019 levels.

Richard Clarke

So can I ask one quick follow-up? Just your January commentary about stepping back to the mid-70s. That feels a little bit different to some of your peers have talked about a decent acceleration in January compared to Q4. Just anything color you can provide on maybe why your -- you've not seen that acceleration in January that others have?

Mike Noonan

Yeah. Thanks, Richard. When we talk about recovery, which we hope to get past that -- talk about that in the New Year, it is -- you're anchoring back to a period a long time ago in '19 was a very just unusual year for us. In the first half of very high volume, very high pricing. So when you anchor back to recovery levels, that's why you see that kind of that step down.

I would say the growth rates -- when you think about the growth rates, the sequential growth rates, modest step down, but in line. And I think when you really think about the year-over-year change -- the sequential change in revenue, when you go way back pre-pandemic, that Q4 to Q1 -- that Q4 to Q1 movement, we're kind of in line with what we've seen way back when. I know we're throwing a lot of history at folks but these are things we think about when we look at it and say, yes, we see the step back. We understand it's a comp, but we also feel it represents a continuing healthy business.

And there's no systematic change in Q1 versus Q4 that is caused enough to have pause for the quarter.

Richard Clarke

Okay. Fair. Thank you.

Mike Noonan

Yep.

Operator

Thank you. [Operator Instructions] Our next question will come from Ronald Josey of Citi.

Unidentified Analyst

Hi. This is Mike on for Ron. Thanks for taking our question. You mentioned that Viator conversion rates improved due to product improvements. Can you talk a little bit more about what changes in the product drove the improvement there? And maybe what product improvement this any are in the pipeline for Viator in 2023? Thank you.

Mike Noonan

Yeah, I'll take a quick -- give you some thoughts. I know Matt will probably add on to it as well. So -- so we're -- the conversion improvements, we're always experimenting with everything in the funnel, right? And that starts with how we acquire traffic, what we acquire traffic, we're making a lot of investments in diversifying that -- those channels this year as we talked about. We've been launching and lagging our way into some brand spend, which is an example of how we're trying to diversify channel expansion. These are all different ways of improving conversion, finding different pieces of traffic.

But then also a lot of the work we're doing in our app, on our mobile product all about how we orient the users who come in with high intent to the surface and get that traffic to convert.

So it really starts up and down the funnel. The type of traffic which we acquire and then product improvements to get people to move into the bookable product.

Matt Goldberg

Yeah, I think that's right. And so you see the team focusing deeply on matching the post booking experience, making sure our tech platform is as fast and personalized as it can be that we really are paying attention to repeats, which are improving, and we're seeing cohorts improve. And it's looking at the kinds of things that create loyalty and create the incentive to repeat.

We want to make sure we're focused on creating more value for operators and so there's a lot of work going into how we do that through a trusted operator program that really helps them capture opportunities. In the end, it's about being the default choice and that delivers the scale. It creates more reasons for partners to work with us. It creates more reasons for operators to come. And of course, it creates more reason for consumers to come, get a good experience and return to repeat.

Unidentified Analyst

That's helpful. Thank you, both.

Operator

Thank you [Operator Instructions]. Our next question will come from Mario Lu of Barclays. Your line is open.

Unidentified Analyst

Hey, this is Jack on for Mario. Thanks for taking my questions. In the shareholder letter, you mentioned that the U.S. recovery in the hotel space was outpacing Europe and the rest of the world. Maybe if you could just talk to us about what drove that and if there was anything notable outside of macro to call out there?

And then similarly, you mentioned within trip branded hotels, European recovery rates slowed from last quarter. I'm just curious as to the main drivers of the slowdown as well? Thank you very much.

Mike Noonan

Yeah, Jack, it's Mike. I'll take that. So they're really the same drivers because the meta and the branded hotels are part of that same subsegment. So this is a trend that I think we've seen for some time now where U.S. has been recovered in EMEA and rest of the world are just lagging.

And I think there's a lot of what's in that is really geographic in nature in terms of different recovery rates by geo. Obviously, the U.S. travel general market has recovered at a faster pace than Europe or the rest of the world. Rest of the world being largely APAC. And obviously, that -- those areas have been slower to open up travelers than other areas. Europe just simply has had maybe more macro headwind, considering the events there, whether it's Ukraine War or other impacts of inflation hitting there.

And listen, in the U.S., we're a well known brand here. We have strong auction dynamics within our core meta and continue to drive good performance here. But I think there's nothing really else to call out than those main drivers between the regions.

Matt Goldberg

I will also say, as we think about how we reinforce the relevance and performance of meta as we think about how we're going to leverage data and how we're going to improve the experience, particularly on mobile to attack the monetization opportunity there.

We think there's an opportunity in international. We know we haven't served those international audiences in the meta product as well as we may have wanted. And so we think there's room for improvement, and we think monetization will improve and of course, as those markets come back online, particularly in Asia, we see real opportunities. So excited about that for 2023.

Operator

Thank you. [Operator Instructions] Our next question will come from Jed Kelly of Oppenheimer. Your line is open.

Jed Kelly

Hey, great. Thanks for taking my questions. Just a couple on Viator. As you think around the longer-term strategy of Viator, how do you think about potentially serving some of those longer tail providers that might not need to pay like a higher commission rate?

And then can you touch on the performance marketing you're investing in Tripadvisor Core to drive experiences? And if you were to potentially do a strategic transaction of Viator, would that impact the margins of Viator just because you're spending some of that performance marketing in Tripadvisor Core experiences? Thank you.

Matt Goldberg

Thanks, Jed. It's Matt. I'll take the first, and then I think Mike will take the second part of that question. Look, Viator for the long term, our goal is to win as the leading global experiences marketplace. And the job there is to create a great experience on the demand side and then to bring the supply side on where we do matching that is easy and delivers a great result where the consumer walks away in wonder.

And so the opportunity, as we continue to scale is to help everyone on the operating side that is high quality to they get exposure to that audience. And the team is very focused on working with operators to ensure that anyone who has a high-quality experience that they want to deliver in any location can come on to our platform and meet the appropriate demand. So that concept of leveraging data to do better matching is something that we are very focused on, and that will happen over time.

The key is as we continue to scale, we get all kinds of advantages as the leader, and we're very focused on continuing to accelerate and reinforce that position.

Mike Noonan

Yeah. I'd say on the second question, so experiences on Tripadvisor Core is a great opportunity for us. It's a very different platform, obviously, than Viator, where people are coming to Viator for very specific booking transaction.

Tripadvisor Core has a lot of different traffic that comes to us for very, very different reasons. And part of the opportunity for us, I think, as part of our strategy overlay of how to bring those into monetizable channels.

So we do spend performance marketing to attract experiences on Tripadvisor core. And again, I think there's a huge opportunity for us to continue to find ways to increase that. And as you know, the Viator is the back end that fills the experience itself.

So I think the relationship between the two, it's built on a normal third-party arrangement that -- I think your question was if it were separated, that would seem to be in the same realm of that -- those economics. So I wouldn't think there'd be any really major change because that's the way we've set up the -- the way that the intercompany kind of works today.

Matt Goldberg

Yeah, the segment reporting helps you understand what Viator could look like on a stand-alone basis, the commercial arrangement would continue. We think that the combination of Tripadvisor and Viator together gives us unique positioning to win in this space. And our job is to make sure that we're doing a great job with both.

The demand generation platform that Tripadvisor represents and creating the best possible experience when you're thinking about what you want to do next on your travel journey, whether you're planning and thinking about what's that unique experience I want to have and making sure that we have the right supply.

Now Viator gives us an advantage immediately to provide that supply, but we know we have upside in providing other supply opportunities. And that's something that we can look at and really match that demand with supply. And in the meantime, Viator can focus on doing the best job of making that conversion and making that a great experience that somebody comes back to want to do again.

So the combination of the two and running each of these most effectively is going to put us in a position to win in the category.

Jed Kelly

Thank you.

Operator

Thank you. This will complete the Q&A portion of the call. I would now like to turn the conference back to Matt Goldberg for closing remarks.

Matt Goldberg

With that, I'd like to thank you all for your time today. We're excited about our strategic direction, and we can't be more energized to get out and execute with our teams. We look forward to continuing to share updates with you quarter by quarter. Thanks.

Operator

This concludes today's conference call. Thank you all for participating. You may now disconnect. And have a pleasant day.

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