



Rating  
**Hold**

North America  
United States

TMT  
Internet

Company  
**TripAdvisor**

Reuters TRIP.OQ    Bloomberg TRIP US    Exchange NMS    Ticker TRIP

Date  
10 July 2018

Company Update

Price at 10 Jul 2018 (USD)	57.59
Price target	50.00
52-week range	59.32 - 30.06

## Update on TripAdvisor Sponsored Placement Ads

### TripAdvisor Sponsored Placement ads starting to get some buzz

We originally wrote about TripAdvisor's new ad product in May 2018 ( [link](#) ), and speaking with a metasearch marketing expert on the sidelines of the RSS conference we learned that TripAdvisor continues to quickly test and iterate the product, addressing key concerns, refining the model and the pricing. We detail the changes with screenshots in Figures 1, 2, and 3 in our RSS Hotel Conference takeaway note ( [link](#) ). While it remains early for this product – from a financial perspective and from a customer efficacy / scaling perspective – the marketing exec we spoke to **expressed considerable optimism on the longer-term potential for the TRIP new ad unit to attract ad dollars and drive ROI**. The initial industry reactions to the product from hotel marketers were fairly mixed, so we were somewhat surprised to hear the positive feedback and upbeat outlook and encouraged to hear that TripAdvisor is quickly evolving the product to address early feedback. Despite our optimism here, and near-term results, we remain Hold rated on TripAdvisor largely on valuation. For more detail on the changes to the Sponsored Placement ads, please see our RSS takeaway note.

### Valuation & Risks

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### Forecasts and ratios

Year End Dec 31	2017A	2018E	2019E
1Q EPS	0.24	0.30A	0.33
2Q EPS	0.38	0.42	0.47
3Q EPS	0.36	0.47	0.53
4Q EPS	-7.25	0.22	0.24
FY EPS (USD)	-6.19	1.42	1.57
P/E (x)	-	40.6	36.6
DPS (USD)	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0
Revenue (USDm)	1,556.0	1,634.2	1,811.4

Source: Deutsche Bank estimates, company data

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	3.3	45.0	57.5
S&P 500 INDEX	0.2	6.5	14.8

Source: Deutsche Bank



Model updated: 10 May 2018

[Running the numbers](#)

North America

United States

Internet

[TripAdvisor](#)

Reuters: TRIP.OQ

Bloomberg: TRIP US

[Hold](#)

Price (10 Jul 18) USD 57.59

Target Price USD 50.00

52 Week range USD 30.06 - 59.32

Market cap (m) USDm 7,920.3

EURm 6,741.8

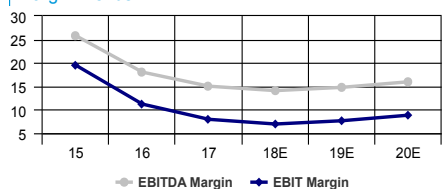
[Company Profile](#)

TripAdvisor is an online travel research company providing user generated reviews on accommodations and other traveling related activities. The company generates revenue through targeted advertising sales to OTAs and travel providers.

[Price Performance](#)



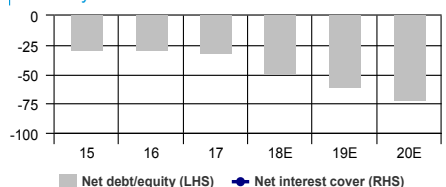
[Margin Trends](#)



[Growth & Profitability](#)



[Solvency](#)



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Fiscal year end 31-Dec

[Financial Summary](#)

	2015	2016	2017	2018E	2019E	2020E
DB EPS (USD)	2.00	1.38	-6.19	1.42	1.57	1.88
Reported EPS (USD)	1.76	0.80	-0.14	0.52	0.75	0.96
DPS (USD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	9.82	10.32	9.70	11.25	13.03	14.97

[Valuation Metrics](#)

Price/Sales (x)	7.6	6.2	3.7	4.8	4.4	3.9
P/E (DB) (x)	39.4	45.4	nm	40.6	36.6	30.7
P/E (Reported) (x)	45.0	78.5	nm	110.2	77.3	59.8
P/BV (x)	8.7	4.5	3.6	5.1	4.4	3.8
FCF yield (%)	2.4	2.7	3.0	3.7	4.2	4.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales	7.3	5.8	3.4	4.4	3.8	3.2
EV/EBITDA	28.2	31.9	22.7	31.0	25.4	20.0
EV/EBIT	37.4	51.4	42.8	62.7	49.0	36.0

[Income Statement \(USDm\)](#)

Sales	1,492	1,480	1,556	1,634	1,811	2,014
EBITDA	385	267	234	230	268	322
EBIT	291	166	124	114	139	178
Pre-tax profit	301	150	110	111	137	178
Net income	259	117	-19	72	103	134

[Cash Flow \(USDm\)](#)

Cash flow from operations	383	316	238	361	398	459
Net Capex	-109	-73	-65	-65	-68	-76
Free cash flow	274	243	173	296	330	383
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	-140	-30	64	-230	0	0
Other investing/financing cash flows	27	-110	74	37	0	0
Net cash flow	161	103	311	103	330	383
Change in working capital	35	29	11	53	35	35

[Balance Sheet \(USDm\)](#)

Cash and cash equivalents	614	612	673	772	1,103	1,486
Property, plant and equipment	247	260	263	248	224	197
Goodwill	732	736	758	763	763	763
Other assets	535	630	578	505	501	496
Total assets	2,128	2,238	2,272	2,288	2,591	2,943
Debt	201	171	237	7	7	7
Other liabilities	515	565	672	733	801	873
Total liabilities	716	736	909	740	808	880
Total shareholders' equity	1,412	1,502	1,363	1,548	1,782	2,063
Net debt	-413	-441	-436	-765	-1,096	-1,479

[Key Company Metrics](#)

Sales growth (%)	19.7	-0.8	5.1	5.0	10.8	11.2
DB EPS growth (%)	3.3	-31.3	na	na	11.2	19.3
Payout ratio (%)	0.0	0.0	nm	0.0	0.0	0.0
EBITDA Margin (%)	25.8	18.0	15.0	14.1	14.8	16.0
EBIT Margin (%)	19.5	11.2	8.0	7.0	7.7	8.9
ROE (%)	20.4	8.0	-1.3	5.0	6.2	7.0
Net debt/equity (%)	-29.2	-29.4	-32.0	-49.4	-61.5	-71.7
Net interest cover (x)	nm	nm	nm	nm	nm	nm

[DuPont Analysis](#)

EBIT margin (%)	19.5	11.2	8.0	7.0	7.7	8.9
x Asset turnover (x)	0.7	0.7	0.7	0.7	0.7	0.7
x Financial cost ratio (x)	1.0	1.0	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.9	0.7	-0.2	0.6	0.7	0.7
= ROA (post tax) (%)	12.7	5.4	-0.8	3.2	4.2	4.8
x Financial leverage (x)	1.6	1.5	1.6	1.6	1.5	1.4
= ROE (%)	20.4	8.0	-1.3	5.0	6.2	7.0
annual growth (%)	-10.1	-60.7	na	na	23.9	12.8
x NTA/share (avg) (x)	8.6	9.9	10.2	10.5	12.1	13.8
= Reported EPS	1.76	0.80	-0.14	0.52	0.75	0.96
annual growth (%)	13.9	-54.7	na	na	42.6	29.2

Source: Company data, Deutsche Bank estimates



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
TripAdvisor	TRIP.OQ	57.59 (USD) 10 Jul 2018	2, 8, 14, 15

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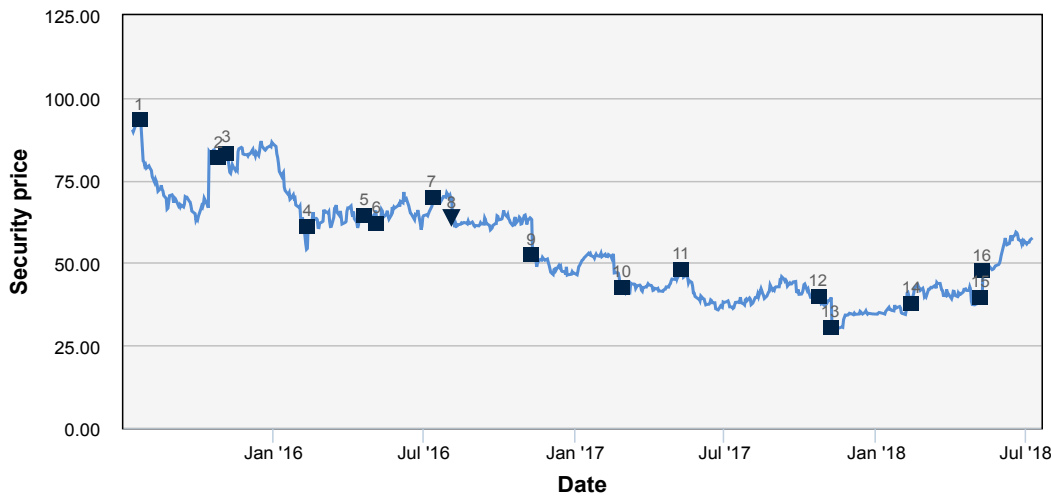
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Historical recommendations and target price. TripAdvisor (TRIP.OQ)

(as of 07/09/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	07/24/2015	Buy, Target Price Change USD 93.00 Lloyd Walmsley	9.	11/10/2016	Hold, Target Price Change USD 49.00 Lloyd Walmsley
2.	10/28/2015	Buy, Target Price Change USD 91.00 Lloyd Walmsley	10.	02/27/2017	Hold, Target Price Change USD 37.00 Lloyd Walmsley
3.	11/06/2015	Buy, Target Price Change USD 88.00 Lloyd Walmsley	11.	05/11/2017	Hold, Target Price Change USD 40.00 Lloyd Walmsley
4.	02/12/2016	Buy, Target Price Change USD 72.00 Lloyd Walmsley	12.	10/24/2017	Hold, Target Price Change USD 37.00 Lloyd Walmsley
5.	04/21/2016	Buy, Target Price Change USD 73.00 Lloyd Walmsley	13.	11/08/2017	Hold, Target Price Change USD 32.00 Lloyd Walmsley
6.	05/06/2016	Buy, Target Price Change USD 72.00 Lloyd Walmsley	14.	02/13/2018	Hold, Target Price Change USD 38.00 Lloyd Walmsley
7.	07/13/2016	Buy, Target Price Change USD 71.00 Lloyd Walmsley	15.	05/08/2018	Hold, Target Price Change USD 41.00 Lloyd Walmsley
8.	08/05/2016	Downgraded to Hold, Target Price Change USD 63.00 Lloyd Walmsley	16.	05/10/2018	Hold, Target Price Change USD 50.00 Lloyd Walmsley

Equity Rating Key

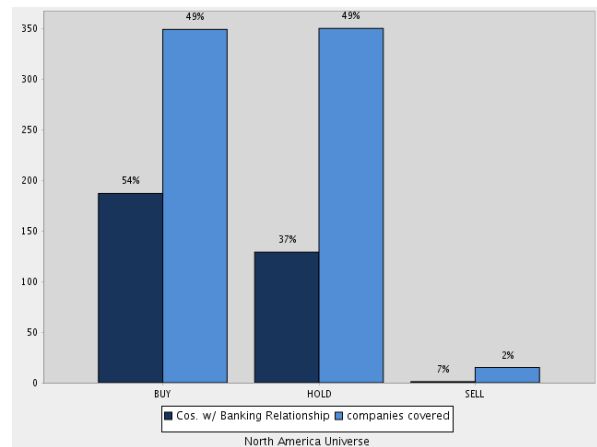
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