

TripAdvisor, Inc.
Form 10-Q
May 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2018

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 (I.R.S. Employer
incorporation or organization) Identification No.)

400 1st Avenue

Needham, MA 02494

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(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:

(781) 800-5000

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 Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a small reporting company) Small reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class	Outstanding Shares at May 4, 2018
Common Stock, \$0.001 par value per share	124,603,606 shares
Class B common stock, \$0.001 par value per share	12,799,999 shares

TripAdvisor, Inc.

Form 10-Q

For the Quarter Ended March 31, 2018

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PART I – FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)

	Three months ended March 31,	
	2018	2017
Revenue (Note 3)	\$378	\$372
Costs and expenses:		
Cost of revenue (1)	20	17
Selling and marketing (2)	198	207
Technology and content (2)	67	59
General and administrative (2)	42	35
Depreciation	20	19
Amortization of intangible assets	8	8
Total costs and expenses:	355	345
Operating income	23	27
Other income (expense):		
Interest expense	(3)	(3)
Interest income and other, net	1	1
Total other expense, net	(2)	(2)
Income before income taxes	21	25
Provision for income taxes	(16)	(12)
Net income	\$5	\$13
Earnings per share attributable to common stockholders (Note 4):		
Basic	\$0.04	\$0.09
Diluted	\$0.04	\$0.09
Weighted average common shares outstanding (Note 4):		
Basic	139	144
Diluted	140	145
(1) Excludes amortization as follows:		
Amortization of acquired technology included in amortization of intangible assets	\$2	\$2
Amortization of website development costs included in depreciation	15	12
	\$17	\$14

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(2) Includes stock-based compensation expense as follows (Note 5):

Selling and marketing	\$6	\$5
Technology and content	\$12	\$7
General and administrative	\$11	\$7

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

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three months ended March 31, 2018 2017	
Net income	\$5	\$13
Other comprehensive income:		
Foreign currency translation adjustments (1)	8	7
Total other comprehensive income	8	7
Comprehensive income	\$13	\$20

(1) Foreign currency translation adjustments exclude income taxes due to our intention to indefinitely reinvest the earnings of our foreign subsidiaries in those operations.
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except number of shares and per share amounts)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents (Note 6)	\$ 635	\$ 673
Short-term marketable securities (Note 6)	15	35
Accounts receivable and contract assets, net of allowance for doubtful accounts of \$17 and \$16, respectively	281	230
Prepaid expenses and other current assets	52	55
Total current assets	983	993
Long-term marketable securities (Note 6)	5	27
Property and equipment, net of accumulated depreciation of \$198 and \$177, respectively	261	263
Intangible assets, net of accumulated amortization of \$120 and \$112, respectively	136	142
Goodwill	763	758
Deferred income taxes, net	18	16
Other long-term assets	74	73
TOTAL ASSETS	\$ 2,240	\$ 2,272
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7	\$ 8
Deferred merchant payables	269	156
Deferred revenue	101	60
Current portion of debt (Note 7)	7	7
Accrued expenses and other current liabilities	150	141
Total current liabilities	534	372
Long-term debt (Note 7)		230
Deferred income taxes, net	16	14
Other long-term liabilities	300	293
Total Liabilities	850	909
Commitments and contingencies (Note 9)		
Stockholders' equity: (Note 10)		
Preferred stock, \$0.001 par value		
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock, \$0.001 par value		
Authorized shares: 1,600,000,000		
Shares issued: 136,396,872 and 135,617,263, respectively		

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Shares outstanding: 126,669,732 and 126,142,773, respectively		
Class B common stock, \$0.001 par value		
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	946	926
Retained earnings	935	926
Accumulated other comprehensive loss	(34)	(42)
Treasury stock-common stock, at cost, 9,727,140 and 9,474,490 shares, respectively	(457)	(447)
Total Stockholders' Equity	1,390	1,363
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,240	\$ 2,272

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

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(in millions, except number of shares)

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock	Total	
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance as of December 31, 2017	135,617,263	\$ -	12,799,999	\$ -	\$ 926	\$ 926	\$ (42)	(9,474,490)	\$ (447)	\$ 1,363
Net income						5				5
Cumulative effect adjustment from adoption of new accounting guidance (Note 2)						4				4
Other comprehensive income							8			8
Issuance of common stock related to exercises of options and vesting of RSUs	779,609	-			-					-
Repurchase of common stock								(252,650)	(10)	(10)
Withholding taxes on net share settlements of equity awards					(12)					(12)
Stock-based compensation					32					32
Balance as of March 31, 2018	136,396,872	\$ -	12,799,999	\$ -	\$ 946	\$ 935	\$ (34)	(9,727,140)	\$ (457)	\$ 1,390

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

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Three months ended March 31,	
	2018	2017
Operating activities:		
Net income	\$ 5	\$ 13
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	20	19
Amortization of intangible assets	8	8
Stock-based compensation expense	29	19
Other, net	-	6
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, prepaid expenses and other assets	(55)	(35)
Accounts payable, accrued expenses and other liabilities	-	(8)
Deferred merchant payables	110	88
Income tax receivables/payables, net	15	-
Deferred revenue	42	24
Net cash provided by operating activities	174	134
Investing activities:		