

TripAdvisor, Inc.
Form 10-Q
November 08, 2016

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 September 30, 2016

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

(Address of principal executive office) (Zip Code)

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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, 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.

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

Class	Outstanding Shares at November 2, 2016
Common Stock, \$0.001 par value per share	132,901,210 shares
Class B common stock, \$0.001 par value per share	12,799,999 shares

TripAdvisor, Inc.

Form 10-Q

For the Quarter Ended September 30, 2016

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TRIPADVISOR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue	\$421	\$415	\$1,164	\$1,183
Costs and expenses:				
Cost of revenue (1)	19	16	55	46
Selling and marketing (2)	210	197	584	546
Technology and content (2)	62	54	185	152
General and administrative (2)	38	37	110	114
Depreciation	18	13	51	42
Amortization of intangible assets	8	10	23	26
Total costs and expenses:	355	327	1,008	926
Operating income	66	88	156	257
Other income (expense):				
Interest expense	(3)	(3)	(10)	(7)
Interest income and other, net (Note 14)	-	13	-	15
Total other income (expense), net	(3)	10	(10)	8
Income before income taxes	63	98	146	265
Provision for income taxes	(8)	(24)	(27)	(70)
Net income	\$55	\$74	\$119	\$195
Earnings per share attributable to common stockholders (Note 5):				
Basic	\$0.38	\$0.51	\$0.82	\$1.35
Diluted	\$0.37	\$0.51	\$0.81	\$1.34
Weighted average common shares outstanding (Note 5):				
Basic	146	144	146	144
Diluted	147	146	147	146
(1) Excludes amortization as follows:				
Amortization of acquired technology included in amortization of intangible assets	\$2	\$2	\$5	\$7
Amortization of website development costs included in depreciation	12	8	33	27
	\$14	\$10	\$38	\$34
(2) Includes stock-based compensation expense as follows:				
Selling and marketing	\$5	\$4	\$15	\$12

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Technology and content	\$ 11	\$ 8	\$ 30	\$ 20
General and administrative	\$ 6	\$ 7	\$ 19	\$ 20

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		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income	\$ 55	\$ 74	\$ 119	\$ 195
Other comprehensive income (loss):				
Foreign currency translation adjustments (1)	3	(10)	4	(29)
Reclassification adjustment on sale of business included in total other income (expense), net (Note 14)	-	1	-	1
Total other comprehensive income (loss)	3	(9)	4	(28)
Comprehensive income	\$ 58	\$ 65	\$ 123	\$ 167

(1) Foreign currency translation adjustments exclude income taxes due to our practice and 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)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents (Note 6)	\$ 611	\$ 614
Short-term marketable securities (Note 6)	116	47
Accounts receivable, net of allowance for doubtful accounts of \$9 and \$6, respectively	221	180
Prepaid expenses and other current assets	18	24
Total current assets	966	865
Long-term marketable securities (Note 6)	29	37
Property and equipment, net of accumulated depreciation of \$137 and \$88, respectively	262	247
Intangible assets, net of accumulated amortization of \$77 and \$52, respectively	178	176
Goodwill	744	732
Deferred income taxes, net	44	25
Other long-term assets	54	46
TOTAL ASSETS	\$ 2,277	\$ 2,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11	\$ 10
Deferred merchant payables	152	105
Deferred revenue	69	64
Current portion of debt (Note 7)	76	1
Taxes payable	16	9
Accrued expenses and other current liabilities (Note 9)	126	123
Total current liabilities	450	312
Deferred income taxes, net	20	15
Other long-term liabilities	207	189
Long-term debt (Note 7)	20	200
Total Liabilities	697	716
Commitments and contingencies (Note 11)		
Stockholders' equity:		
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: 134,565,714 and 133,836,242, respectively		
Shares outstanding: 132,822,184 and 132,443,111, respectively		

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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	808	741
Retained earnings	944	826
Accumulated other comprehensive income (loss)	(59)	(63)
Treasury stock-common stock, at cost, 1,743,530 and 1,393,131 shares, respectively	(113)	(92)
Total Stockholders' Equity	1,580	1,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,277	\$ 2,128

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 NINE MONTHS ENDED SEPTEMBER 30, 2016

(in millions, except number of shares)

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings (loss)	Accumulated other comprehensive income	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance as of December 31, 2015	133,836,242	\$ -	12,799,999	\$ -	\$ 741	\$ 826	\$ (63)	(1,393,131)	\$(92)	\$1,412
Net income						119				119
Cumulative effect adjustment from adoption of ASU 2016-09 (Note 2)						(1)				(1)
Other comprehensive income							4			4
Issuance of common stock related to exercises of options and vesting of RSUs	729,472	-			6					6
Repurchase of common stock								(350,399)	(21)	(21)
Withholding taxes on net share settlements of equity awards					(13)					(13)
Stock-based compensation					74					74
Balance as of September 30, 2016	134,565,714	\$ -	12,799,999	\$ -	\$ 808	\$ 944	\$ (59)	(1,743,530)	\$(113)	\$1,580

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)

	Nine months ended September 30,	
	2016	2015
Operating activities:		
Net income	\$ 119	\$ 195
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	51	42
Amortization of intangible assets	23	26
Stock-based compensation expense	64	52
Gain on sale of business	-	(17)
Deferred tax (benefit) expense	(14)	