

TripAdvisor, the website dominating online bookings

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TripAdvisor is the world's largest travel website with approximately 455 million average unique monthly visitors, this industry giant has focused on cultivating and controlling demand building a loyal following and community as opposed to its competitors who have covered only the supply side of hotel or flight inventory.

- TripAdvisor is the world's largest travel site with over 600 million reviews covering 7.5 million accommodations, airlines, attractions, and restaurants.
- TripAdvisor drives more traffic through its website than its competitors, with approximately 455 million average unique monthly visitors.
- It has become the dominant influencer on a traveller's decision when deciding where to go, stay, eat, and what to do when they get to their destination. TripAdvisor has only begun to monetize this advantage through their online instant booking platform.
- TripAdvisor has built a dominant position in bookings for non-hotel related travel needs, such as tours, restaurants, and museums, giving them a niche they can exploit for years to come.
- TripAdvisor has corrected the errors they initially made with their instant bookings for hotels. We believe these changes should allow them to take share in the hotel booking space as well.

The travel industry is a gigantic global industry with billions of people participating in travel abroad and domestically each year. Historically, the industry was marred with challenges for the average traveller including hours of research from innumerable resources, dependency on travel agencies, lack of pricing transparency, and unreliable tour operators.

Then along came TripAdvisor. TripAdvisor, now the world's largest travel website, has been able to provide a platform that aggregates lodging, restaurant, and tour reviews from regular travellers, marrying it with the ability to seamlessly book everything in one place. While TripAdvisor's peers have historically focused on covering only the supply side of hotel or flight inventory, this company has instead focused on cultivating and controlling demand. They invested heavily in their own website and mobile app, focusing on regular travellers and their experiences. As a result, TripAdvisor drives more traffic through its website than its competitors with approximately 455 million average unique monthly visitors. This number continues to grow as TripAdvisor has the largest and most updated network of travel reviews and has become the main resource for travellers all over the world.

We have identified TripAdvisor as being a high-quality asset with an attractive valuation, and invested in it for these main reasons:

1. **Valuation** – While TripAdvisor doesn't look cheap on its current P/E ratios, it's important to note they are in the middle of transitioning their instant hotel booking. We believe this business could be trading at 10x EBITDA (earnings before interest, taxes, depreciation and amortisation) on hotel bookings a few years out, while getting the entire non-hotel business for free, a very valuable niche.
2. **Competitive advantage** – TripAdvisor has a large, growing and highly engaged network which creates a substantial barrier to competition. It has more traffic than any other travel site and has built the dominant platform for non-hotel reviews that focuses on restaurants and attractions. It also creates a tremendous amount of value for the hotel channel, which it should be able to capture financially over time.
3. **Margin Leverage** – Not only do we believe the business has the capability to grow revenue significantly over time but we also believe that growth will come at very high incremental margins, which will drive up the overall operating margins and return profile of the business substantially.

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