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My 'first look' analysis of Tripadvisor

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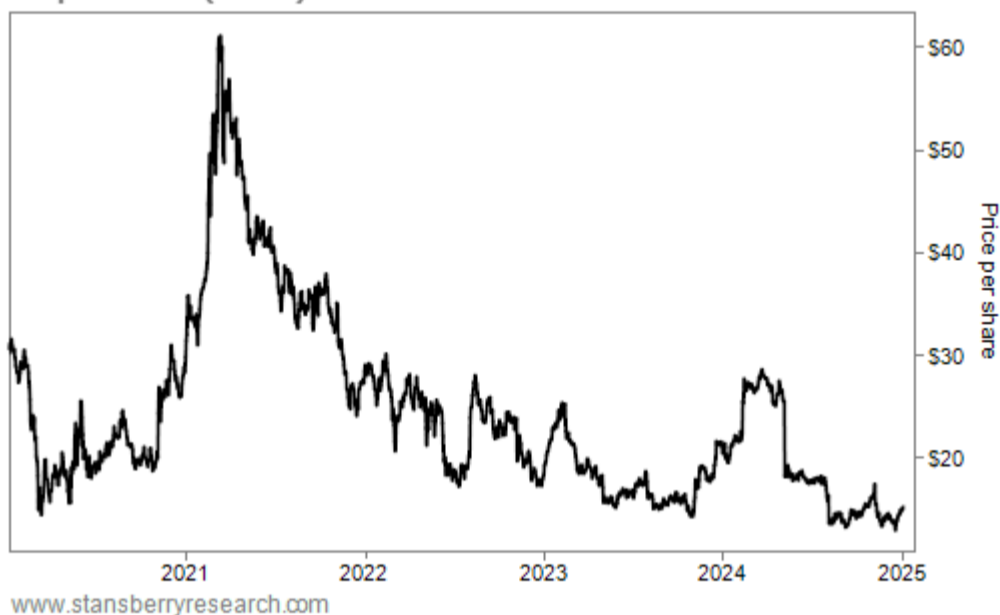
Following up on [yesterday's e-mail](#), a massively beaten-down stock has caught my eye again...

Yesterday, I wrote about 10 stocks my then-colleague Enrique Abeyta and I had recommended back at my former firm Empire Financial Research close to the bottom of the COVID crash on March 24, 2020.

Most did well, but there were two real stinkers among them: airliner Spirit Airlines (which recently filed for bankruptcy) and online travel agency Tripadvisor (TRIP).

On March 24, 2020, Tripadvisor closed at \$18.55 per share. It subsequently soared 238% to \$62.62 per share within a year but has since crashed – it closed yesterday at \$15.23 per share. You can see the moves in this five-year stock chart:

Tripadvisor (TRIP)



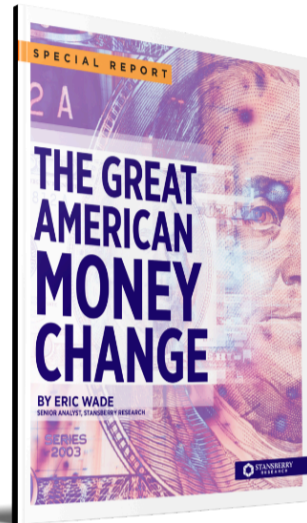
Another former colleague, Glenn Tongue – who was my partner for eight of the years I was running a hedge fund – thinks Tripadvisor's sell-off is overdone and there's a major catalyst as well... so in tomorrow's e-mail, I'll share his thinking.

But first, let's set the stage with a look at the historical financials...

As usual, I like to start with revenues and net income. Here's how they look for Tripadvisor going back to 2008:

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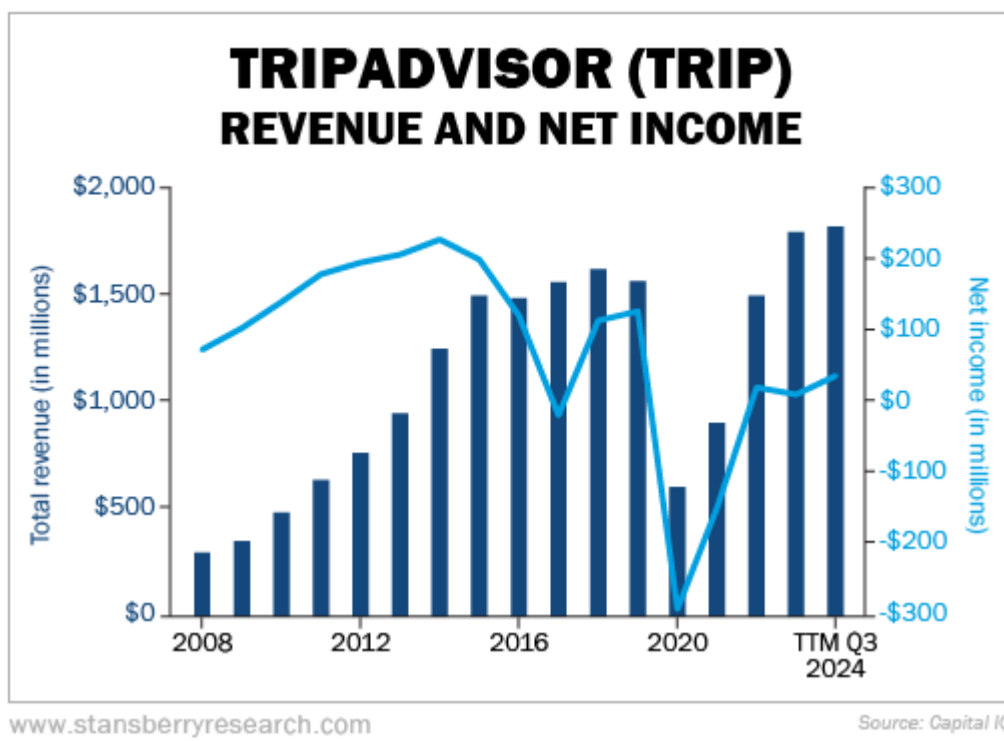
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As you can see, the company had a massive growth trajectory from 2008 into 2015, when revenues stalled out and profits started to decline.

Then profits rallied in 2018 and 2019 before both revenues and profits collapsed when COVID hit. However, they recovered as the pandemic passed... though net income has been low in the \$10 million to \$36 million range for the past three years, while revenue has hit all-time highs.

I always say "stocks follow earnings," and that has certainly been the case with Tripadvisor – as you can see in this stock chart from since the company went public in December 2011:



Now, let's take a look at the cash-flow statement:

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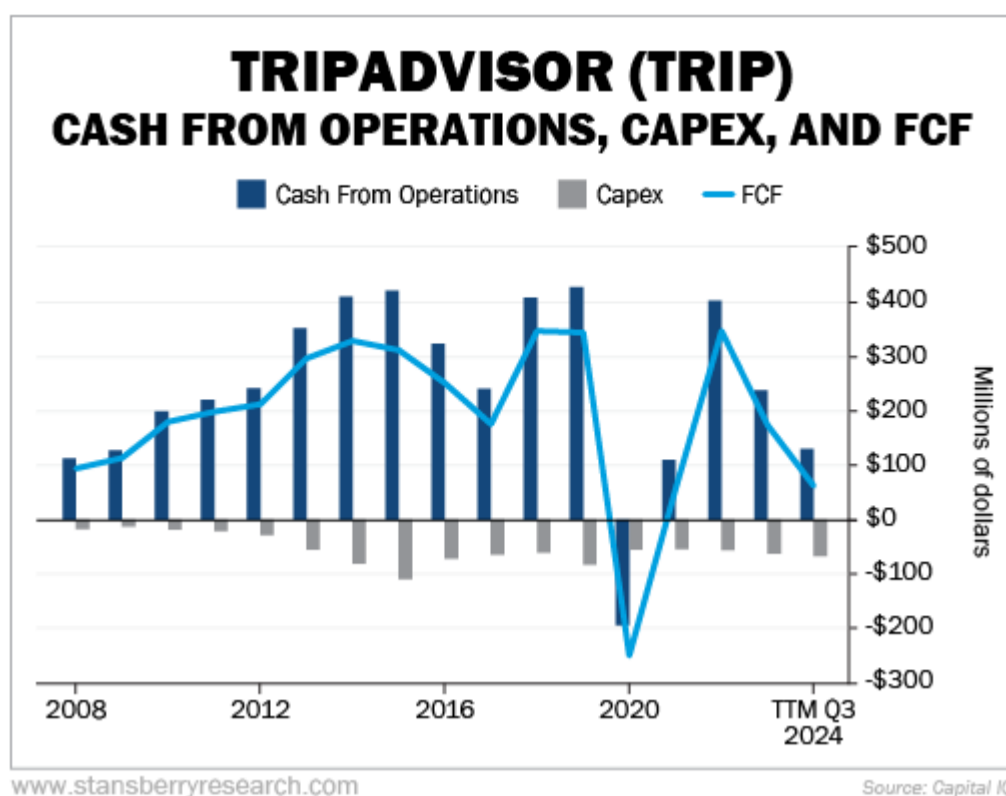
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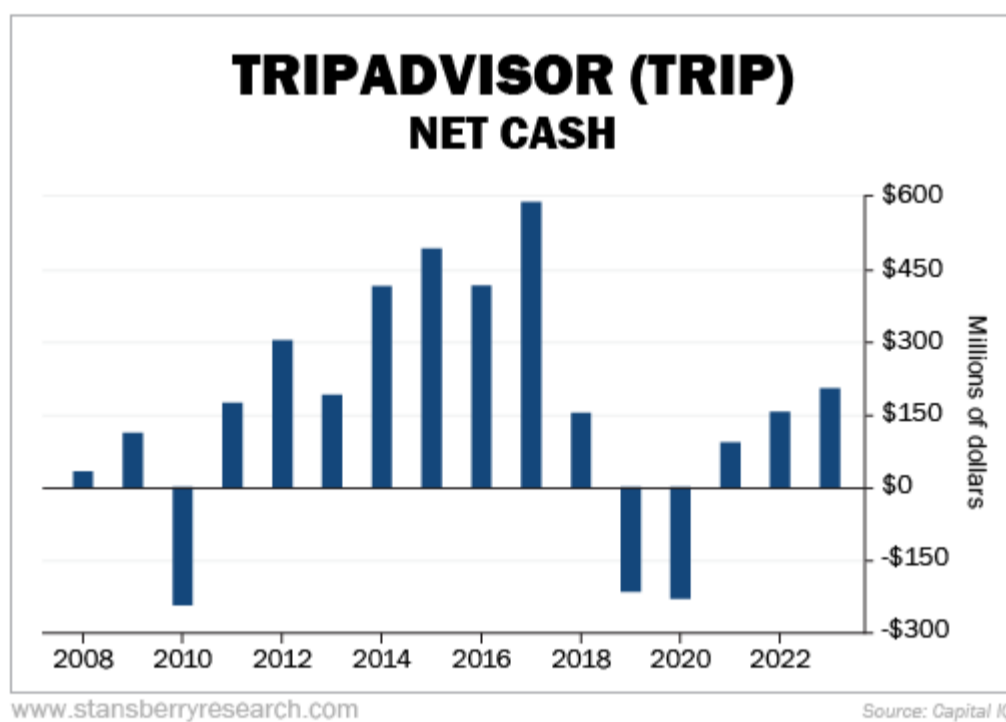
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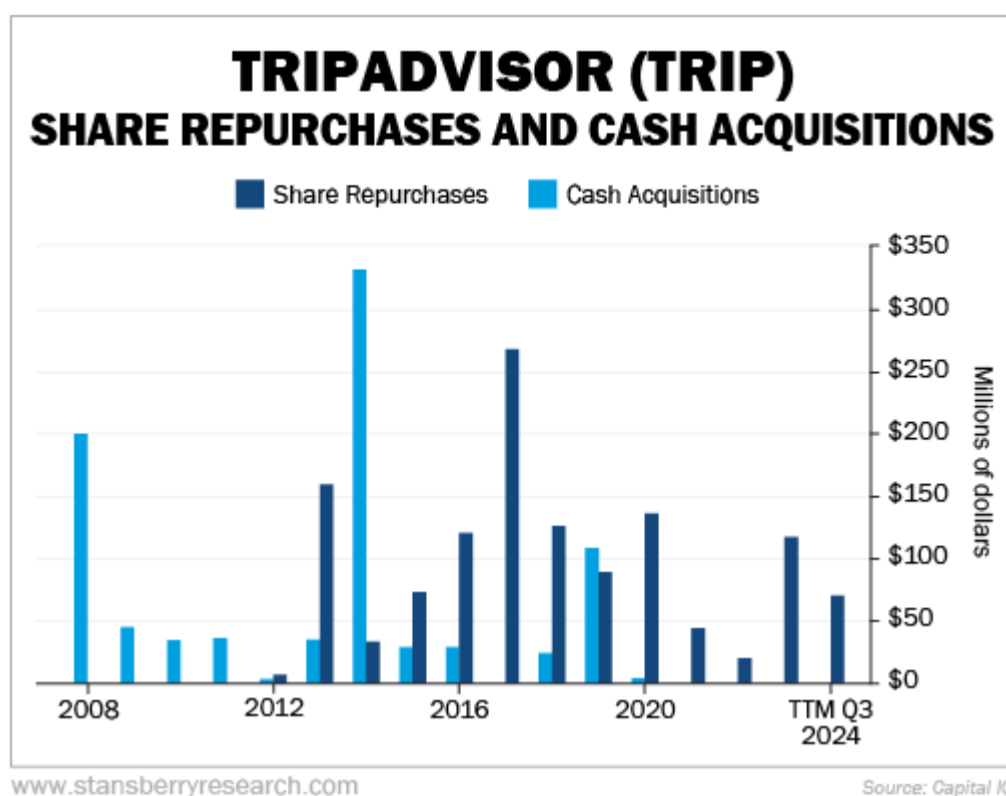
There's good news and bad news here...

On the plus side, Tripadvisor has low capital expenditures ("capex") and has consistently generated positive free cash flow ("FCF"), except in 2020. But cash flow stopped growing after 2014 – and has fallen off a cliff the past two years.

Turning to the balance sheet, we can see that Tripadvisor's is strong – as you can see in the chart below, the company has \$203 million in net cash:



Turning to capital allocation, we can see that Tripadvisor in its early years mostly spent its FCF on lots of small acquisitions – peaking with four in 2014 totaling \$331 million. In the past 10 years, the company has mostly pivoted – spending \$1.1 billion on share repurchases. Take a look:



Lastly, let's consider valuation...

As of yesterday's close, Tripadvisor is down to a \$2.1 billion market cap. And with \$203 million in net cash, its enterprise value is only \$1.9 billion.

It's currently trading at 1.0 times and 10.1 times enterprise value to trailing revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA"), respectively... and 11.2 times Capital IQ's normalized earnings estimate for 2025.

In summary, Tripadvisor's financial performance has been erratic... but it has attractive economic characteristics and its enterprise value and multiples strike me as low.

As such, I have a very open mind to hear Glenn's argument for why the stock is compelling at current levels... which I'll share in tomorrow's e-mail. Stay tuned!

Best regards,

Whitney

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