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My friend and former business partner's bullish case for Tripadvisor

January 8, 2025 | [Whitney Tilson's Daily](#) | [Whitney Tilson](#) [Share](#) [✉](#) [🔗](#)

Continuing where I left off yesterday with online travel company Tripadvisor (TRIP)...

In [yesterday's e-mail](#), I analyzed the company's historical financial statements. As I explained, TRIP shares have crashed in the past four years and currently trade near an all-time low, as you can see in this stock chart since the company went public in December 2011:



But well before the crash, back at my former firm Empire Financial Research, my friend and then-colleague Enrique Abeyta and I had recommended the stock close to the bottom of the COVID crash on March 24, 2020. It subsequently soared 238% to \$62.62 per share within a year.

So with such a severe decline since that high point, this gets me interested again – particularly when another smart person in the room sees big upside potential...

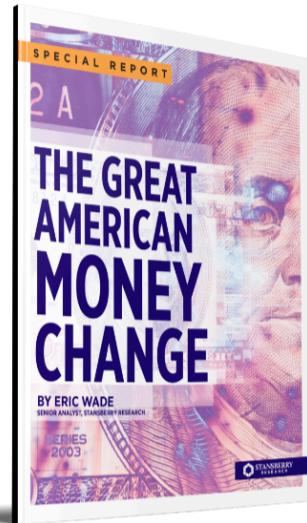
My friend Glenn Tongue – who was my business partner for eight of the years I was running a hedge fund – thinks Tripadvisor's sell-off is overdone and that there's a major catalyst.

So in today's e-mail, I'll "hand him the pen" and let him outline his bullish investment thesis. Here's Glenn...

Sometimes investors experience so much fatigue that a promising investment opportunity gets left for dead. I believe Tripadvisor today is a classic example of this.

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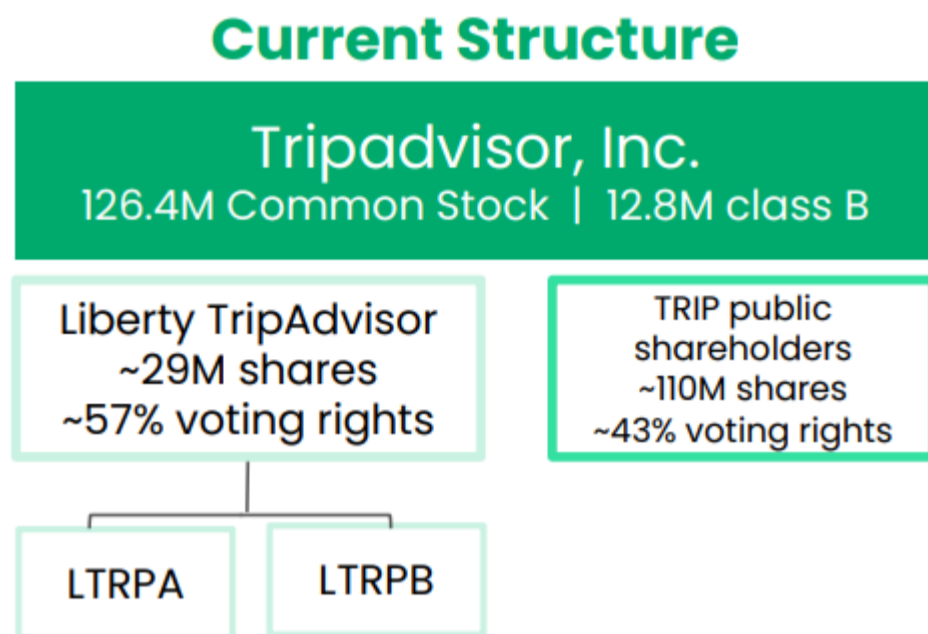
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Different management teams and different strategies have failed to produce strong financial performance, as you outlined in yesterday's e-mail, Whitney.

And until last week, TRIP's future was even more uncertain because of a convoluted ownership structure that gave voting control of the business to an over-levered holding company that was destined for bankruptcy.

That holding company has a dual-class structure, giving voting control of the whole complex to Liberty Media, the well-known media investor. Liberty TripAdvisor's (LTRPA) sole asset was 29 million shares of TRIP, worth around \$400 million. Its liabilities are in excess of \$600 million, much of which is coming due in 2025.

Here is a chart of the structure from a [recent company presentation](#):



Quite simply, Liberty had all of the voting power... but no economic "juice" in the situation.

Clearly, the structure was unsustainable.

Back in early 2024, it appears that the company tried to sell the whole complex. While there were interested buyers at that time (some rumored to be in the high \$20s per share), the process appears to have come to an abrupt end.

While we don't yet know why, my guess is it was a combination of very poor first-quarter earnings combined with Liberty overplaying its hand. Keep in mind, Liberty needed a blockbuster price to overcome the massive liabilities at the holding company.

In any case, we will learn much more in the coming months – because transformative news just emerged...

Just a few weeks ago on December 19, Liberty TripAdvisor and Tripadvisor agreed to a merger. The transaction was described in the following page from [the company's slide presentation on the deal](#):

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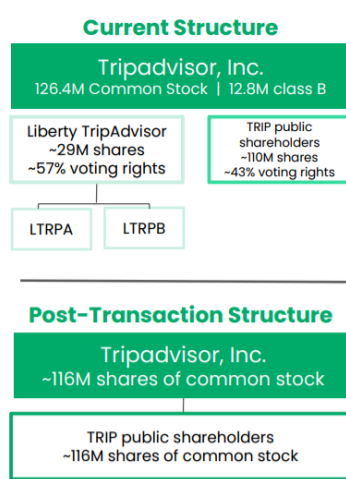
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Transaction Summary

- Tripadvisor, Inc. ("Tripadvisor" or the "Company") to acquire Liberty TripAdvisor Holdings, Inc. for a total merger consideration of approximately \$435 million (the "Transaction"), including the following:
 - Each share of Liberty TripAdvisor Series A and Series B common stock to be paid \$0.2567 per share in cash, or representing approximately \$20 million in aggregate
 - Shares of the Liberty TripAdvisor 8% Series A preferred holder to be converted into the right to receive, in aggregate, approximately \$42.5 million in cash and approximately \$42.5 million (approximately 3.0mm shares) in Tripadvisor common stock⁽¹⁾
 - Liberty TripAdvisor's 0.50% exchangeable debentures of approximately \$330 million will be repaid
- Upon close, Tripadvisor to retire approximately 27 million of the Tripadvisor shares currently owned by Liberty TripAdvisor and will also issue approximately 3.0 million shares of Tripadvisor common stock to Liberty TripAdvisor's Series A preferred stockholders
- Requires Liberty TripAdvisor shareholder approval
- Expected to close in Q2, 2025

(1) Equity value to Series A preferred holder based on 10-day VWAP of \$13.98 at 12/17/2024.

tripadvisor



Based on issued and outstanding shares as of 9/30/24.



To summarize, Liberty TripAdvisor shareholders are getting a "tip": \$20 million. Liberty debtholders are getting fully repaid and preferred shareholders are getting a combination of cash and stock, but are taking a significant haircut. And the whole transaction is being done at a reference price of \$16.21 per share – implying all sides comfortably agree that the shares are currently undervalued.

This is a huge win for Tripadvisor shareholders.

It will consolidate four classes of stock into one and, more importantly, potential suitors – anyone who wishes to buy the company – can simply bid for the business, without having to worry about appeasing Liberty.

As a cherry on top, 17% of shares outstanding will be retired... thereby instantly boosting earnings per share by 20%, which analysts haven't yet factored into their estimates.

This merger will require a shareholder vote – which means the company will have to file a detailed information statement with the U.S. Securities and Exchange Commission – so we will learn quite a bit more about the failed sales process from earlier this year. And since Liberty controls the shareholder vote on the merger, I am confident that the merger will be approved.

By itself, the disclosure of the prices various bidders were willing to pay to acquire the business could be a significant near-term catalyst for the stock.

Background

Before proceeding, I'd like to analyze Tripadvisor, which is really three different businesses – each with dramatically different growth and value profiles.

1. The core business: Tripadvisor

Tripadvisor offers a website and an app where users can read and post reviews about hotels, restaurants, and attractions around the world. Revenues are generated from click-based advertising for hotels and online travel agencies, and also by selling advertising and commissions.

2. Viator

Viator is a leading online global experiences-booking platform through which travelers can book activities such as tours, museum visits, and classes – with Viator taking a cut, of course.

3. TheFork

TheFork is a rapidly growing restaurant-booking site similar to OpenTable – owned by Booking Holdings (BKNG) – but is focused on Europe.

The growth profiles and margin characteristics of each segment are very different. Here are the exact tables from [Tripadvisor's most recent third-quarter earnings release](#):

Tripadvisor, Inc
Supplemental Financial Information
(in millions, except percentages)
(Unaudited)

	2023					2024			
	Q1	Q2	Q3	Q4	FY*	Q1	Q2	Q3	YTD*
Segments - Revenue:									
Total Revenue	\$ 371	\$ 494	\$ 533	\$ 390	\$ 1,788	\$ 395	\$ 497	\$ 532	\$ 1,424
Growth % (y/y)	42%	18%	16%	10%	20%	6%	1%	(10)%	2%
Brand Tripadvisor	244	279	290	218	1,031	240	250	255	745
Growth % (y/y)	28%	2%	2%	0%	7%	(2)%	(10)%	(12)%	(8)%
Tripadvisor-branded hotels	168	174	181	135	659	159	150	151	460
Growth % (y/y)	24%	(7)%	(4)%	(4)%	1%	(5)%	(14)%	(17)%	(12)%
Media and advertising	30	42	38	35	145	33	41	40	114
Growth % (y/y)	15%	14%	15%	6%	12%	10%	(2)%	5%	4%
Tripadvisor experiences and dining ⁽¹⁾	33	50	55	38	176	36	48	51	135
Growth % (y/y)	65%	43%	22%	12%	31%	9%	(4)%	(7)%	(2)%
Other	13	13	16	10	51	12	11	13	36
Growth % (y/y)	30%	(7)%	(11)%	0%	(2)%	(8)%	(13)%	(19)%	(12)%
Viator	115	216	245	161	737	141	244	270	655
Growth % (y/y)	103%	59%	41%	27%	49%	23%	13%	10%	14%
TheFork	35	38	42	39	154	41	42	49	133
Growth % (y/y)	35%	19%	20%	18%	22%	17%	11%	17%	16%
Intersegment revenue ⁽¹⁾	(23)	(39)	(44)	(28)	(134)	(27)	(39)	(42)	(109)
Percent of Total Revenue:									
Tripadvisor-branded hotels	45%	35%	34%	35%	37%	40%	30%	28%	32%
Media and advertising	8%	9%	7%	9%	8%	8%	8%	8%	8%
Tripadvisor experiences and dining ⁽¹⁾	9%	10%	10%	10%	10%	9%	10%	10%	9%
Other	4%	3%	3%	3%	3%	3%	2%	2%	3%
Viator	31%	44%	46%	41%	41%	36%	49%	51%	46%
TheFork	9%	8%	8%	10%	9%	10%	8%	9%	9%
Intersegment revenue ⁽¹⁾	(6)%	(8)%	(8)%	(7)%	(7)%	(7)%	(8)%	(8)%	(8)%

Segments - Adjusted EBITDA:										
Total Adjusted EBITDA	\$ 33	\$ 90	\$ 127	\$ 84	\$ 334	\$ 47	\$ 97	\$ 122	\$ 266	
Growth % (y/y)	22%	(17)%	10%	95%	13%	42%	8%	(4)%	6%	
Brand Tripadvisor	72	96	111	69	348	78	84	87	248	
Growth % (y/y)	31%	(17)%	(1)%	13%	1%	8%	(13)%	(22)%	(11)%	
Viator	(30)	(2)	17	15	0	(27)	10	30	13	
Growth % (y/y)	50%	n.m.	42%	n.m.	n.m.	(10)%	n.m.	76%	n.m.	
TheFork	(9)	(4)	(1)	0	(14)	(4)	3	5	5	
Growth % (y/y)	13%	(43)%	(89)%	n.m.	(64)%	(56)%	n.m.	n.m.	n.m.	
Adjusted EBITDA Margin by Segment:										
Total	9%	18%	24%	22%	19%	12%	20%	23%	19%	
Brand Tripadvisor	30%	34%	38%	32%	34%	33%	34%	34%	33%	
Viator	(26)%	(1)%	7%	9%	0%	(19)%	4%	11%	2%	
TheFork	(26)%	(11)%	(2)%	0%	(9)%	(10)%	7%	10%	4%	

Core Tripadvisor is a cash-cow business with stable margins. Despite slowly shrinking, the business has massive value. It is the No. 1 visited travel-research site in the U.S. and has recovered to near pre-pandemic levels.

Viator is growing rapidly but reports little in profits because it's reinvesting heavily in marketing to maintain high growth. When the company decides to slow down and scale back marketing, margins should ultimately approach a mouth-watering 30%.

Lastly, TheFork is an excellent business. With a \$200 million revenue run rate, it's roughly the same size OpenTable was when it was acquired by Priceline (now Booking Holdings) a decade ago for \$2.6 billion.

Tripadvisor's balance sheet is very strong. After the Liberty merger, the company will have around \$700 million in cash and \$800 million in debt and 116 million shares outstanding.

Valuation

Determining TRIP's valuation is a classic and simple sum-of-the-parts analysis...

The core business generates \$300 million of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), to which I apply a conservative multiple of 5 times, based on my analysis of peer companies' current valuations and numerous acquisitions. This results in a value of \$1.5 billion.

Because Viator and TheFork are rapidly growing and aren't generating meaningful profits, I use revenue multiples.

In the case of Viator, which has \$800 million in revenue, I think a multiple of 2 times is reasonable – resulting in an estimate of \$1.6 billion in value.

And to TheFork's \$200 million of revenue, I apply a multiple of 5 times – resulting in \$1 billion of value.

Add it all up, and it's worth \$4.1 billion... from which we must subtract \$100 million of net debt to arrive at an enterprise value of \$4 billion.

Now divide by 116 million shares, and I estimate that the per-share intrinsic value is \$34.48.

The stock closed yesterday at \$15.35 per share – less than half of my conservative estimate of what I think it's worth.

Said another way, I think TRIP shares have 125% upside.

Conclusion

Investor fatigue with both the chronically unperforming stock and the convoluted ownership structure has crushed Tripadvisor's stock.

But I believe the worst is now behind the company. I am optimistic about the future of each of the company's business segments, yet the stock currently trades at only 4.5 times EBITDA on a consolidated basis.

As I showed above, a sum-of-the-parts valuation exceeds a price of \$30 per share.

The disclosures in – and the implementation of – the upcoming transaction should provide a number of meaningful catalysts for the stock... including a possible acquisition from one of the many suitors who were actively looking at the company within the last year.

I think there are many ways to win here – and likely quickly.

This is an outstanding analysis. Thank you, Glenn, for sharing it with my readers.

I think this is a compelling idea – Glenn makes an excellent bullish case for Tripadvisor. My team and I here at Stansberry Research are going to do our own work on Tripadvisor as well... If we decide to recommend it as part of our full portfolio for our *Stansberry's Investment Advisory* newsletter, our subscribers will, as always, be the first to know.

If you aren't an *Investment Advisory* subscriber already, find out how to become one – and gain instant access to the entire portfolio of current open recommendations – by clicking [right here](#).

Best regards,

Whitney

P.S. I welcome your feedback – send me an e-mail by [clicking here](#).



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