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TripAdvisor, Inc. (TRIP) CEO Steve Kaufer on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-06-19 Earnings Summary

Slides

EPS of $0.58 misses by $-0.11 | Revenue of $428M (-6.55% Y/Y) misses by $-31.39M

Earning Call Audio

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00:00 -54:13

Start Time: 08:30 January 1, 0000 9:24 AM ET

TripAdvisor, Inc. (NASDAQ:TRIP)

Q3 2019 Earnings Conference Call

November 07, 2019, 08:30 AM ET

Company Participants

Steve Kaufer - President and CEO

Ernst Teunissen - CFO

Lindsay Nelson - President, Core Experience

Kanika Soni - President, Hotels

Will Lyons - VP, IR

Conference Call Participants

Deepak Mathivanan - Barclays

Lloyd Walmsley - Deutsche Bank

Naved Khan - SunTrust Robinson Humphrey

Tom White - D.A. Davidson

Mike Olson - Piper Jaffray

Shweta Khajuria - RBC Capital Markets

Eric Sheridan - UBS

Dae Lee - JPMorgan

Kevin Kopelman - Cowen & Company

James Lee - Mizuho Securities

Jed Kelly - Oppenheimer

Operator

Good morning, and welcome to TripAdvisor's Third Quarter 2019 Earnings Conference Call. As a reminder, today's conference is being recorded.

At this time, I would like to turn the conference call over to TripAdvisor's Vice President of Investor Relations, Mr. Will Lyons. Please go ahead.

Will Lyons

Thanks, Victor. Good morning, everyone, and welcome to our call. Joining me today are CEO, Steve Kaufer; CFO, Ernst Teunissen; President of Hotels, Kanika Soni; and President of Core Experience, Lindsay Nelson.

Last night after market close, we distributed and filed our third quarter 2019 earnings release and we made available our prepared remarks on our Investor Relations Web site located at ir.tripadvisor.com. In the release, you will find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. You will also find supplemental financial information, which includes certain non-GAAP financial measures discussed on this call, as well as other performance metrics.

Before we begin, I'd like to remind you that this call may contain estimates and other forward-looking statements that represent management's views as of today, November 7, 2019. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from those forward-looking statements.

Now, here's Steve who will share a few thoughts before we open the call up to questions.

Steve Kaufer

Thank you, Will, and good morning, everyone. Q3 was more difficult than we had anticipated and this has somewhat dampened our outlook for the remainder of the year. However, we are taking actions. First, we are focused on driving non-auction revenue growth and continue to make excellent early progress on a number of growth initiatives.

Second, we are evaluating our cost structure and we'll prudently reduce and re-allocate expenses in certain parts of our business to preserve strong profitability while investing in strategic growth areas. And third, we are returning more capital to shareholders including declaring a special dividend of $3.50 per share and increasing our existing share repurchase authorization to 250 million.

In sum, we are allocating our resources and our capital prudently and have the flexibility both now and in the future to simultaneously invest in growth areas, fund opportunistic M&A and return cash to shareholders to drive long-term shareholder value. We are also very excited to have entered into a strategic partnership with Trip.com Group, an important step to further strengthen our position as a global travel leader.

Now, as many of you know, during the past 12 months we focused on building the leadership team we need in order to execute against attractive long-term opportunity and welcome two talented and experienced leaders for this next stage in our company's growth.

I'm very pleased to have Kanika Soni, our President of Hotels; and Lindsay Nelson, our President of Core Experience join us today during Q&A to discuss these initiatives aimed at deepening customer engagement on our platform and monetizing TripAdvisor's influence.

We'll now open up the call for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. Our first question will come from the line of Deepak Mathivanan from Barclays. You may begin.

Deepak Mathivanan

Hi, guys. Thanks for taking the questions. I understand that it's a highly fluid dynamic, but on your 4Q commentary and then also in 2020, is there a scenario that could cause 4Q to be worst than 3Q or is the benefit of lapping the marketing optimization powerful enough to offset any traffic headwinds? How should we think about this in 2020 in the HM&P business?

And then second question, can you give a little bit more color about what steps you are taking to scale the non-auction adverting units? Is the operational efforts that's involved largely related to hiring ad sales teams or what else is required before we see that business reach meaningful scale as a bigger part of revenues? Thank you.

Ernst Teunissen

Hi, Deepak. This is Ernst. We have indeed in our prepared remarks said that we expect Q4 trends to improve versus Q3. There is a lapping of the optimizations that you mentioned. There are also the non-auction revenue items in our HM&P segment that we will talk about a little bit more where we expect a meaningful contribution from these new initiatives that we have started in Q4. So, even with the trends in the core auction as they are, we believe we can improve the revenue performance versus Q3.

Previous quarter we thought we would actually get to growth year-over-year in HM&P. We've said this quarter that given the more recent trends, we don't believe that is likely, but we do still believe that it's going to narrow – the negative growth is going to narrow in the fourth quarter.

What about 2020? We expect continued improvement into 2020. We are going to continue to see benefits from these non-auction revenue items. We are also next year no longer disadvantaged from the year-over-year trends in paid marketing. We're at this point prudently not putting a fine point on when we expect HM&P to go back to growth, but somewhere in 2020 is our expectation.

On non-auction, I'd actually pass that on to both Kanika and Lindsay to talk more about, but as I said non-auction is an area where we expect not only in Q4 to see initial positive impact but as look ahead to the future that is an area where we can drive double-digit growth in those revenue lines. And so we're excited to see that happen. And maybe, Lindsay, you can kickoff what we're doing on the media side.

Lindsay Nelson

Deepak, thanks for the question. So we've been working on growing the media business for the last six months or so, addressing some infrastructure and capabilities over the past few months. We actually as you know already sit on a fairly large sales organization and we're on the other side of a reorg that we executed at the beginning of this quarter. So we expect to get some additional leverage out of that current sales team. Of course, next year as we look to expand our customer base, we'll look to bring on additional sales folks that we're actually pretty pleased with some of the investments that we've already made.

Just this quarter alone, we've rolled out 10 new products to the market and we're already seeing some really great traction and some products in pipeline there. We're also focused on some other leading indicators, like growing inventory. We have a tremendous amount of capacity on the platform that we're looking to unlock, and we've already grown monetizable inventory by double digits.

We're also focused on expanding the customer base, and I think one of the things we're really proud of is we have 189 new advertisers this quarter alone, which I think demonstrates that both our audience platform and our marketing solutions are attractive to not only marketers within the travel category but also marketers in finance, food and beverage, auto.

And then finally we're focused on really making sure that we're doing a good job of expressing our value proposition to partners, and we're starting to see the results of that work by growing our average deal size. So certainly more work to be done, but we have a large team today. We have a lot of capabilities today and our outlook on the future remains unchanged.

Kanika Soni

Great. And I'll take the B2B side. We obviously have a very healthy business today. As Ernst mentioned, our B2B business is growing by double digits already driven mostly by sponsored placement, which is on track to achieve – to double in size this year. That's a very solid foundation for us to be building from and I remain very bullish on this space and the opportunity that the segment presence. As we look into the future, we've outlined three key priorities for this part of the business and we're actually making great strides against each of those priorities.

Number one, we want to execute with a very partner-first lens. And while that sounds very simple, it's actually a pretty big cultural shift within the organization for us. And to that end, Lindsay touched on this earlier as well, we've done a pretty big sales reorganization with the full objective of creating single point of accountability at the partner level across our portfolio of products. We believe this will give us visibility and better visibility into partner needs and priorities and really allow us to bring products to market that fit their needs.

Number two, we want to focus on innovation and speed and that means rapid deployments, more upgrades, more features as far as our existing products go and at the same time also maintaining an ongoing pipeline of new products. And with that as an objective and goal in mind, we aim to bring two new products to market in 2020. We also want to create new sources of value for our partners, which means looking more holistically and taking a wider lens and a broader lens to how we serve our partners and the value that we create in extending that value to beyond direct bookings.

So again, B2B, as Lindsay mentioned on the media side, more work to go but we've got a lot of the foundational pieces in place already, a great business to build from and we remain really excited about continuing to leverage our assets to build and grow in this segment.

Deepak Mathivanan

Okay, that's very helpful. Thank you.

Operator

Our next question will come from the line of Lloyd Walmsley from Deutsche Bank. You may begin.

Lloyd Walmsley

Thanks. Two, if I can. First, maybe for Steve or Ernst, on the E&D segment. Just curious if you can explain a bit more about why you'd be reducing investment in what seems like a pretty strategic growth area for the company, one where you guys have an advantage now? Do you worry about under-investing there if you're looking to cut back?

And then secondly, Lindsay and Kanika, great to have you on the call; a very helpful background already you guys have shared with us. But maybe you can talk about some of the things you're most excited about in terms of the expanded ad units on the site? And then how meaningful do you guys think this can get to in the revenue mix, some of the new stuff you all are working on? Thanks.

Steve Kaufer

Super. Thanks, Lloyd. This is Steve. I'll take the E&D one. We look back at the level of investment that we have applied to both Experience & Dining over the past four or five years and say it's been incredibly beneficial to the company. We moved into these huge categories that TAM is wonderful. We've talked a lot about that. And we've invested quite heavily and we absolutely believe it was the right thing to do. We continue to invest in both of these areas. And so what we're really talking about is shifting some of that investment from the building of supply, and you guys can all see the fantastic results of that, to leveraging the demand that we already have, speaking specifically with Experiences of course.

TripAdvisor has hundreds of millions of travelers each and every month planning this considered trip and finding that great thing to do is part of that equation. And so with the supply – I'd say with the firm lead, with excellent connectivity, with the rebuild tech stack in many different parts, we can say excellent job team internally and now we can work on the demand side converting the demand that's already on Trip, that's already on Viator, it's already flowing through our third parties into finding the right product for the right individual. It's a personalized recommendation. It's a frictionless consumer path. It's the right reminders in trip and preplanning all to help.

So when we look cost wise, we see the opportunity to help move folks from essentially the backend, the supply piece, towards the conversion end to really help address the customer needs. That's not unusual in terms of when one builds up a marketplace. You have to have enough supply in order to make the match. Now that we feel we do have enough supply in almost all parts of the world, it's our opportunity to make that demand match off of the traffic that I like to remind people we already have on our point of sale. For us it's not really a question of figuring out how to go find the traffic. We have hundreds of millions of visitors monthly already looking for something to do on our considered trip.

Ernst Teunissen

And I would add from the competitive lens, competitors are investing as well but we were early at this game and we've invested way ahead of the competition so far. As Steve is saying, we have the largest supply base. And so we feel we have invested sufficiently and will continue to invest sufficiently. But we can tailor some of that expense and we can actually reduce in some areas where we have maybe overbuilt a little and can direct that towards other growth initiatives. And then to point out, versus our competition we have some assets that some of our competitors may not have. We have the vast TripAdvisor audience not only on our things to do pages and restaurant pages, but also the ability to cross sell from an entire travel experience perspective. And so we think we have some really important demand assets and it's not just the dollar number as well.

Steve Kaufer

Maybe for the expanded ad units and those opportunities, I'll refer over to Lindsay.

Lindsay Nelson

Thanks. So there's a lot of things that I'm excited about around our media business that I'll try and narrow in around three areas. I think one of the things that's super interesting about my job is I oversee our marketing budget and I have folks inside of that organization thinking about customer segmentation, thinking about creativity, thinking about [indiscernible]. And those same people sit in the same organization as our sales organization who's trying to build solutions for marketers.

In my litmus test when joining the company is would I invest TripAdvisor's marketing dollars on TripAdvisor? And I can say the answer is now yes. And the things that I get most excited about are, are we enabling premium programmatic? And that's because marketers want to transact programmatically because it gives them increased visibility into all of their data in customer segmentation and we should be able to enable that kind of transactional buying without having to sacrifice creative excellence, and that's an area that we're putting a lot of attention in.

The second is leveraging our first party data. We have a huge push on the consumer experience side around personalization and loyalty. The more we understand the traveler, the better we can serve them. And we can also take advantage of that data by turning those travelers into customer segments that are incredibly important to our partners but also incredibly proprietary to TripAdvisor.

I think we have one of the most robust and important first party data sets where we have an understanding not only who you are, where do you live, what's your affluence, what are your preferences, how big is your family size, what are your travel patterns, do you tend to fly, do you tend to drive? And those are all signals that our marketers want access to. And so we're doing some of the technical list and infrastructure work to be able to enable that kind of segmentation, which I think is really great.

And the third is, which I think is also pretty unusual for us, is how do we connect – the ultimate challenge for most marketers right now is thinking about the relationship between brand building and performance marketing, and we're also thinking about that. On the marketing side is how do you stitch those strategies together and understand how both of those budgets can actually leverage one another?

And so while we have historically worked with a lot of our travel partners in the performance marketing space, we're really excited to work with them on the brand building side but also connect those two things together so that they can have a clear understanding of both the performance and the outcome but also how those channels are actually quite complementary.

Lloyd Walmsley

That's really helpful. Thank you.

Operator

Thank you. Our next question will come from the line of Naved Khan from SunTrust. You may begin.

Naved Khan

Thanks a lot. I have a few questions. Just maybe on the Hotel business, maybe Steve can you talk a little bit about the incrementality of the headwinds? It just seems like things may have gone a little worse, but was it related to the changes that Google might have made to the offering or was it just a result of something that might have happened in the quarter before that? So just give us some sense of that. And maybe if you can go into some detail about what exactly are the kind of changes that Google is making, that would be helpful?

Steve Kaufer

Sure. Thanks, Naved. So, yes, unfortunately we did see some incremental SEO headwinds over the course of the quarter. It's always hard to know exactly what Google is doing. We think of it as how far down the page are we is our organic result. And I think you're seeing this across the industry as Google has gotten more aggressive. We've been predicting this of course for the past many years.

We talked about it on our last call. We know that this SEO piece is an ongoing trend and we're not predicting that it's going to turn around. Having said that, we're doing a better and better job of making or helping our travelers find the right hotel when they're in hotel shopping mode, and then our focus around the whole TripAdvisor brand is enabling folks and offering many more reasons why they want to come back to TripAdvisor to plan the considered trip.

And then that hotel shopping part of that entire trip flows out the bottom as added benefit to TripAdvisor. As we with the brand positioning, as we with our CRM efforts, as we with our loyalty programs get better and better at that, we have the opportunity to return the auction itself to growth. Over the shorter term, we've talked more and more about these non-auction revenue sources, including media, including hotel B2B, restaurants, experiences, the sets of things that are already growing for us and that we feel all have a clear double digit growth ahead to make up for anything that comes our way in Google headwinds.

Naved Khan

So that's helpful. So last night we also heard from Expedia talking about similar issues and they talked about spending more on paid advertising. Is there sort of a secondary effect where the OTA, which are one of the larger advertisers on your platform, might also be spending more with you over time, or do you see any sort of secondary benefits from the Google changes?

Steve Kaufer

I'd say those are pretty – it's a great question. Those are pretty hard for us to measure. We had seen a pretty stable environment from our key partners in the hotel auction over this year and of course they have many places, many choices in which to spend their performance dollars. As Lindsay and Kanika would add, by making our offering that much more valuable by qualifying the traffic on our site before we send it downstream to an OTA, by helping OTAs get their brand message across on our platform, there's still we feel a wonderful opportunity to help our clients in lots of ways not just with the individual clicks on our platform today.

Naved Khan

One last question, if I may, and this is on – so congrats on the Ctrip partnership and on getting them potentially over time as an investor in TripAdvisor. I just wanted to sort of get more context around the deal, how quickly did it come around? And then just in regards to the dividend payout, how you defined or why did you chose the dividend versus just doing a share buyback?

Steve Kaufer

Sure. I'll take the first part on the deal with Trip.com Group. They've certainly been a partner for us for many, many years. We've operated TripAdvisor China for quite some time and they've been a fantastic partner for us there. We feel like we've done a good job in China, but when we look at the size of especially the outbound travel audience where outbound is where our content excels, we brought partnering up with Trip.com Group in this manner offered a much better, much more global and much more exciting opportunity for all parties.

And certainly the combination of our strength in outbound content, global content, there's strength in so many things including the eyeballs of the domestic Chinese traveler made for just a fantastic strategic partnership. So we do have lots of excitement around the JV. We welcome them pending regulatory approval onto our board and feel like there's many opportunities ahead.

Ernst Teunissen

Naved, on the dividend and the buyback, we are obviously very cash generative and we have a significant cash balance. We had last quarter over $900 million of cash and cash equivalents on our balance sheet, have no long-term debt and have been generating very attractive profit levels and good flow-throughs through free cash flow.

We have from time to time used our proceeds for M&A and we continue to see an opportunity for M&A in sort of targeted, selected areas. But even taking that into account in a recent review, we think we have significant cash on our balance sheet that we could return to our shareholders and we thought this quarter was a good opportunity to start returning some cash to shareholders.

We thought dividend was an attractive way of doing that at scale in a relatively short period of time. You've also seen that our Board approved a further capacity for buyback. We're now back up to $250 million of buyback capacity. And so we have that in place as well. And as we look forward, yes, we will continue to have room for M&A but we think dividends and buybacks are attractive opportunities for us to return cash to shareholders as well.

Naved Khan

That's helpful. Thank you, Steve. Thank you, Ernst.

Operator

Thank you. Our next question will come from the line of Tom White from D.A. Davidson. You may begin.

Tom White

Good morning. Thanks for taking my question. I think in the letter you talked about membership growth and how it's accelerated. I was hoping you could just elaborate a bit on your initiatives there, how you're driving that growth? And maybe if possible, give us a sense of how that impacts the revenue model, be it better pricing because of more data, that sort of thing? And then just secondarily, one of your peers in this space last night talked about sort of ADR softness sort of broadly. Was curious if you'd seen any evidence of that impacting your business? Thanks.

Steve Kaufer

Sure. So, thanks Tom. This is Steve. I'll take the membership growth piece. When you dial it up and look at our overall strategy and we've spoken about this before, it does center around inviting more people to join TripAdvisor, become loyal, plan that considered trip not just the hotel, not just the attraction, not just the restaurant, but really the entire package. Having someone as a member and then a loyal member is a fantastic way to be able to reach out, communicate with them and help them throughout the different planning phases of the journey. Frankly, it's a little less interesting if it's a single one night stay somewhere.

But if you're planning that weeklong trip somewhere, there really are quite a few different aspects of the trip that we can help with. Becoming a member, telling us something about yourself, the type of trip, when you're going, obviously where you're going, the sorts of things that we might learn about you, we believe helps cement that loyalty to TripAdvisor, that reason to come back specifically to TripAdvisor because we know you and hopefully we know you better than anyone else. The amount of traffic that we have coming to our site every single day affords us the opportunity unlike many other sites out there to offer reasons to join today and build upon the membership and the benefits of membership over time. I'll turn it to Lindsay if she wants to comment on the revenue opportunities on that membership piece.

Lindsay Nelson

Yes. I think you have to think about membership holistically and it starts becoming a virtuous cycle. We sit on a tremendous amount of members today, mailable members, but we've had a CRM strategy in tech stack that isn't meeting our needs and doesn't enable us to drive personalized communication. And what we know is that the more personalized we get, the better the results, the more revenue we drive. And that includes not only in email communication but also the onsite experience.

And so I don't think you can think about membership by just looking at one piece, right. There's the registration component, how do we onboard more members? When we onboard you as a member, what do we know about you and how do we get more sophisticated of getting members to share information with us that we can then turn around and deliver a better onsite experience and more relevant communication.

And then finally over time, how do we create enough of a value exchange that's going to drive the directed habitual relationship that we aspire to. And that's a platform strategy which includes some of the work that we're doing around the native app. So how do we close the gap between TripAdvisor and our users? And that's first and foremost starts with having a unique enough and valuable enough experience that you can't get anywhere else.

Ernst Teunissen

And on your question about ADR softness, Tom, that some have commented on, yes, we run – on the hotel side we run an auction and obviously what impacts our partners will impact us and especially will impact our two biggest partners. We've called out at various points some of the macro trends that we have seen either regionally, what's going on in different regions and softness in certain regions and ADR's another area that's being talked about. So that makes an impact on us obviously. We're calling out the Google impact on this call because it's the most impactful one. But the general macro environment, travel environment and currency are also factors that play into our results.

Tom White

Okay. Thanks very much.

Operator

Thank you. Our next question will come from the line of Mike Olson from Piper Jaffray. You may begin.

Mike Olson

Hi. Good morning. I have two questions. When looking at the potential for cost structure changes that you mentioned, maybe could you just provide any early thoughts on what kinds of cost cutting might be considered and maybe how any changes on that front could be done without potentially impacting top line growth?

And then second related to Experiences you mentioned having a strong set of supply and now focusing more on conversion. Does that kind of imply that competitively you're just not really seeing anyone else out there that has anywhere close to your supply in that category or I guess maybe you can just tell us what are you seeing competitively there? Thanks.

Ernst Teunissen

Mike, this is Ernst. On the cost saving and some detail there. As we outlined in our prepared remarks, we see three areas where we can reduce cost from our run rate. And one is on the E&D side. And Steve alluded that to maybe reorienting from supply more to demand growth. The second area is generally targeted reductions of costs and overheads that we can see across the business and we see opportunity across the business. And third is to look at our brand budget. We're revamping our brand strategy for next year and we think there are opportunities for us to do that more cost efficiently going into next year.

So if you look at that sort of together, this is sort of early days but what we are currently sort of anticipating is to take a meaningful cost, $60 million, $80 million out of our run rate and use that to fund some of the growth areas and we don't think we need all of that to fund some of the growth areas, which are in the area of our media business, in the area of building membership, in the area of our restaurant solution business and in the area of our hotel B2B. And we think that is a prudent measure to take at this point.

We're looking at the headwind, which is not just a revenue headwind but obviously a profit headwind that we see in our auction right now and we don't know if that extrapolates into next year if that is – how much of a headwind that is next year. But we prudently just assume it is and therefore we're taking measures to protect our EBITDA, because that's very important to us.

We want to continue to drive strong EBITDA and these cost measures are a way to achieve that for us. And obviously what we're doing is we're looking across our cost base and say, how can we do this with minimum impact to revenue? How can we take out areas of cost that do not directly drive revenue and where we think the line to even long-term revenue is a little bit tenuous? And so that's our focus point there and we anticipate therefore this largely will allow us to fund other areas.

therefore this largely will allow us to fund other areas.

Steve Kaufer

This is Steve. I'll take the Experiences question. I do want to be clear. I think we've done a fantastic job exceeding many of our own expectations in terms of how quickly we've been able to grow supply over the past couple of years, and we are not by any stretch of the imagination stopping the on-boarding of additional supply in all of our markets. The opportunity, however, is to slow down a bit on the supply because we feel we already have a ton of great stuff to offer to our consumers and shift more towards the conversion, shift more towards discovery, shift more towards making sure we're presenting the right inventory at the right time.

In terms of competition, there's certainly that there is competition on the demand side and there's competition in the sort of OTA for attractions that's out there and they each have different angles of where they might be particularly strong in supply and we respect those competitors immensely. But we are the ones that have such an incredible amount of demand already.

People, travelers already planning a leisure trip looking for something to do and we have we believe plenty or big enough supply footprint to satisfy most of that demand. We need to become better at matching that demand. You hear us talk about membership and loyalty, the site experience, how do you discover this and to reiterate of course we will continue to be adding supply to the equation, we're not stopping but it is just no longer one of our primary focal points for the coming year.

Mike Olson

Thank you.

Operator

Thank you. Our next question will come from the line of Mark Mahaney from RBC Capital Markets. You may begin.

Shweta Khajuria

Great. Thank you. This is Shweta for Mark. A few quick ones please. For restaurants, is this similar to experiences? Bookable restaurants and diners both grew at a pretty healthy clip. What are you most focused on in terms of – are you focused on growing more restaurants, improving the product for diners, improving conversion? Where do you see most opportunity there? And then the second one is on M&A. You called it out. You're looking at it. What categories are you targeting and you are sort of looking at? And then finally on display, is display revenue expected to double in the next three to five years? Are you reiterating that just following up on what you said last quarter? Thank you.

Steve Kaufer

Thanks, Shweta. This is Steve. I'll take the restaurant question. We certainly expect to continue to grow supply, glow seated diners in all of our markets. It is an area where – again, we continue to grow across all dimensions. Key focus for us is building the habit. Most of the transaction, most of the seated diner growth comes from our local offerings. That's to be expected. And the more habit we can build amongst more people, the better off. To build a habit you have to have a terrific supply of footprint. That's what we have. So we'll continue to expand that. But if you ask me, which is kind of the most important habit, repeat visits, loyal users and you get that by driving supply focus points.

Ernst Teunissen

And in terms of M&A categories, we think across our non-auction revenue growth areas, we have the ability to grow without M&A and we have a lot of capabilities that we have or can build. But complementary M&A in these areas may make sense from time to time. And so those are the areas that we look at. In terms of your question on display, yes, we said we expect the business to double in the next three to five years and we continue to do so. I think what Lindsay was describing before is the team is fully focused on that as rolling out new products and sees a lot of opportunity, and we continue to think that is well within our reach.

Shweta Khajuria

Okay. Thank you, Steve. Thanks, Ernst.

Operator

Thank you. Our next question will come from the line of Eric Sheridan from UBS. You may begin.

Eric Sheridan

Maybe following up on the last one just sort of asking it from a little bit different question, and maybe Steve I don't know if you could take this. But how do you think sort of broadly about the competition that you're seeing from Google at the top of the funnel and the competition for direct traffic at the bottom of the funnel from the OTAs and weather, the broader sort of better travel advertising layer of the industry needs pretty extensive consolidation to sort of have much more scale, more interesting dynamics in the auction and the ability to sort of reclaim some of the dynamic that existed in the industry sort of three, five, seven years ago.

Just kind of curious broadly like your big picture view on that sort of consolidation between Google at the top and sort of the OTAs at the bottom as a potential way to create shareholder value. And then you made a lot of changes to the property making it a little more social, a little more interactive over the last 12 months. I don't think it was talked about earlier in the call, but any sense you can give us on what that's doing for engagement or session lane [ph] or sort of broad engagement trends you're seeing with your users as they come to the site that might lead to better conversion over time? Thanks so much.

Steve Kaufer

Sure, Eric. Thanks. A great question, certainly something we think about all the time. We are blessed by having such an incredible footprint of traffic, a global brand and a trusted brand. So when folks all over the world are looking for that considered trip, for that special vacation, they're turning to TripAdvisor. They may find this through a variety of different channels but it really is TripAdvisor that they're looking for. When we think of the specifics of hey, how do you complete with a hotel meta option against all of the sets of the competitors, including Google, that's a challenge.

There's a lot – Google is up funnel from us. The OTAs are – some of our biggest clients also have engines of their own. Our answer is to be not the world's – not for people that think of us as a meta search engine for hotels but to think of us as a site to plan an amazing vacation. And that's not the space that others occupy. You can't go to Google or an OTA or any of our incredibly strong competitors and look for recommendations from people like you about where to go and how to maximize your precious vacation time.

TripAdvisor with the size of our footprint, the content that we have, with the recommendations that we make today with our different sort orders and going forward with what we'll be able to do going down the road, we think remains a category of one in the ecosystem. So in summary, we already have the scale so it's not a scale issue. Competing in individual category case, that's challenging because you do have these players and you have Google top of funnel from us. But as a considered trip as planning the whole vacation, we believe we are the ones best suited to address that need.

When it comes to how we do that, we've done a number of things. Our review count continues to grow. We have a number of social features on the site for the folks that are looking for that type of inspiration. And then I pull us back to our growth in membership, because when we query our audience and we do our user feedback survey, everyone continues to tell us we love the recommendations especially when they are people like me helping take me where I want to go and have an amazing time.

And the social connection combines extremely nicely with the trust that people already have in the TripAdvisor brand and the fact that it's not just a magic algorithm, it's real people behind the content helping you do that trip. That's where you'll see us continue to focus in the coming year and multiple years, because we believe it is truly a differentiator between what TripAdvisor has and the set of competitors that you name and whatever new competitors arise over the next decade.

Eric Sheridan

Thanks so much.

Steve Kaufer

Thank you.

Operator

Our next question will come from the line of Doug Anmuth from JPMorgan. You may begin.

Dae Lee

Good morning. This is Dae on for Doug. Thank you for taking our questions. First, on last quarter, you wrote about reimagining your TripAdvisor app and this quarter you gave a timing around the release. I appreciate the clarity on when we can see the change. I was curious to hear what change we should be expecting to see? What you're trying to looking to improve from your current app?

And then secondly on buyback, it's good to see additional authorization but just curious to hear why you didn't buy back shares year-to-date? And how we should think about the cadence of buyback going forward?

Steve Kaufer

Right. Lindsay, you want to take the first.

Lindsay Nelson

Yes. So I can take the app. As we shared, we expect to release a new native app sometime in the middle of next year. There's a number of things that we hope the new native strategy will deliver on some really classical ones like speed and performance, how do we make the app just faster and more light weight so that it can address the on-the-go use case.

We plan to focus a lot on just enhancing and modernizing the user experience. How do we make is so easy and intuitive to plan your entire trip, whether you're moving from the app and back to desktop or moving back into email. So we have a focus on user experience and also planning tools. How do we help you save the things that you're excited to go do and deliver back to you when you reopen the app those ideas?

We also are really optimistic about the commercial opportunity. Historically we haven't had much display advertising or we actually had no display advertising in the native app until recently. So we're excited to build those, the consumer strategy and the commercial strategy together and we think there's a lot of opportunity to leverage the unique data that you can only get on a mobile device.

Ernst Teunissen

And in terms of buyback year-to-date, we have a continuous dialogue here internally and with our Board about capital allocation and we look at what M&A pipeline do we see ahead of us or maybe even what transactions are ongoing versus returning cash to shareholders. And that year-to-date didn't conclude in a buyback. But as we outlined clearly, this quarter we're leaning in more on shareholder returns with the dividend and also with the expansion of the buyback capacity.

Dae Lee

Okay. Thank you both.

Operator

Thank you. Our next question will come from the line of Kevin Kopelman from Cowen & Co. You may begin.

Kevin Kopelman

Hi. Thanks a lot. Just had a couple of follow ups on some of the SEO dynamics that you mentioned that are being going on here in the industry this quarter. So, first, within the context of SEO having been pressured for a number of years, can you just give us a sense of have you seen any stabilization in recent weeks following the kind of mid-quarter deterioration in SEO, or are you seeing the kind of current wave of SEO deterioration continuing to develop or get worse to date? Thanks.

Steve Kaufer

This is Steve. It's always kind of hard to tell. These things don't tend to drop off a cliff on one particular day. So I couldn't comment on anything over the past couple of weeks. We've forecasted in general where we think SEO is going to go going forward and we don't see any reason to think that the trends will be different in terms of Google continuing to take more and more space in the search results.

We believe our strategy around diversifying the HM&P revenue stream will offer the auction onto other pieces combined with our other segments, combined with the holistic bringing the TripAdvisor story around the considered trip for which the hotel auction and everything else will benefit is our way forward in light of these ongoing SEO headwinds.

Kevin Kopelman

Thanks, Steve. That's helpful. And then just one more follow up. Can you give us an update on your SEO exposure as a percentage of overall trip revenue today? Thanks.

Ernst Teunissen

We're not going to be getting precise on the percentage of SEO, but it's a significant minority of our auction in revenue.

Kevin Kopelman

Thank you.

Operator

Thank you. Our next question will come from the line of James Lee from Mizuho Securities. You may begin.

James Lee

Thanks for taking my questions. Steve, a follow-up question on JV with Trip.com here and maybe help us understand a little bit beside TripAdvisor China, any other assets you're putting to JV? And also what does Ctrip bring to the table into the JV? And what do you foresee as the key synergy between the two companies and what are you hoping to achieve on the longer term? And on the same topic, a question for Ernst, how should we think about the assumption on valuation for the JV specifically? Is it fair to say you're effectively selling 60% of TripAdvisor China which enable you to highlight your asset value and also letting Ctrip run the business more effectively? Thanks.

Steve Kaufer

Thanks, James, for the questions. So Ctrip is certainly contributing not only cash but really their expertise in identifying what's going on in the China market, especially towards outbound. They have a ton of experience on the user profiling side, on understanding what that customer segment wants, as well as sort of best-in-class booking capabilities across the board.

I think TripAdvisor to the flipside brings an intense and insane amount of relevant content for the traveler no matter where they're going. And so when you combine those two strengths into this TripAdvisor China opportunity, we feel that the possibility for that JV entity to really become a much more meaningful player in the travel ecosystem emerges and that's something that TripAdvisor I don't think would have been able to do on our own.

Ctrip doesn't have historically the type of content play, especially for outbound that TripAdvisor brings to the table. So the long-term goal it's not confusing, it's being able to take the assets that both parties bring to the table and create something really magical, doing a fantastic job serving that outbound traveler.

Ernst Teunissen

In terms of valuation, it's going to be a valuable company going forward. As Steve was describing, there's cash going on, there's assets going on, our brand is going in, content and the vast expertise that we have and Trip.com Group has specifically around China. So we think that is a company, a joint venture set up for success in China. We've been in China ourselves for a while and we bring a lot to bear in China. But we have on our own not been able to be a significant player and this JV has more of a chance to become that. So we're very excited about our opportunity to do that together with Ctrip.

James Lee

Okay, great. And let me ask a follow-up question on Experiences here. I think, Ernst, you talked about shifting investment to more of the demand side as opposed to supply and maybe Steve you said the same thing too. And maybe give us more color on what investment you're making here? Are you increasing your bookable supply, so remove the friction for consumer to book the experience they are looking for or are you changing the user interface on your various properties to make that more seamless from a consumer perspective or are you investing promotion and marketing for customer acquisitions onto your Web sites, and help us understand that a little bit? Thanks.

Steve Kaufer

Sure. I think we have the opportunity to do many of those things and say our focus would be helping the travelers that are currently looking for things to do that are on TripAdvisor and Viator today, helping the travelers that are already planning a considered trip be matched with the right set of bookable inventory that we probably already have. But as I said, if we feel we are missing something key, that's an ongoing process to go add that to the platform whereas we are very happy with our triple digit bookable supply inventory growth. That's not the core metric – that's not one of the core metrics that we will be chasing in years to come as we feel like we have a lot. Now it's a question of matching it with the demand that we already have in a better, more inspirational, clear, more helpful way matched with the additional info we're learning about our membership growth on TripAdvisor.

James Lee

Great. Thanks so much.

Operator

Thank you. Our last question will come from the line of Jed Kelly from Oppenheimer. You may begin.

Jed Kelly

Great. Two, if I may. One on the Ctrip agreement, congratulations. Does that allow you to work more closely with MakeMyTrip now? And then second just on the last point on sort of managing demand. In terms of putting the best bookable supply for activities, is that kind of an initiative where your internal supply force works with the best providers. Is that how you sort of think about managing it?

Steve Kaufer

This is Steve. MakeMyTrip has been a client for many years. I could really opine as to whether this particular JV helps that. I know they run pretty independently. But again, we already have an excellent relationship with them, MakeMyTrip. With regard to experiences, we already generate a number – a quite a large transaction volume for quite a few suppliers. We're important to their ecosystem. We love having them as part of our platform. I think what I was alluding to before was more capturing the needs on the part of travelers that are currently on TripAdvisor and Viator and making sure our suggestions for which of our bookable supply is best suited for their needs is a very nice opportunity.

We already have the traffic. We already have the supply. So it's product, it's UI, maybe it's promotion, other ways to help make that match during the considered trip. And then when we know someone's actually on the trip, help them find the amazing something to do when they're already there that they may not even known about, but we know who they are, we know where they are and so we're able to send a push message or a highly contextual email that's extremely helpful to that traveler.

Jed Kelly

Thank you.

Operator

Thank you. Now I'll like to turn the call back over to our CEO, Steve Kaufer, for any closing remarks.

Steve Kaufer

Great. Thanks everyone for joining the call. In closing, Q3 didn't meet our expectations but we are moving forward with urgency towards our future growth opportunities. I look forward to updating everyone on our progress next quarter. Thanks.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.