Closing Price as of 06/18/2020: $18.96
Dividend Yield: -
Period End Date: 03/31/2020

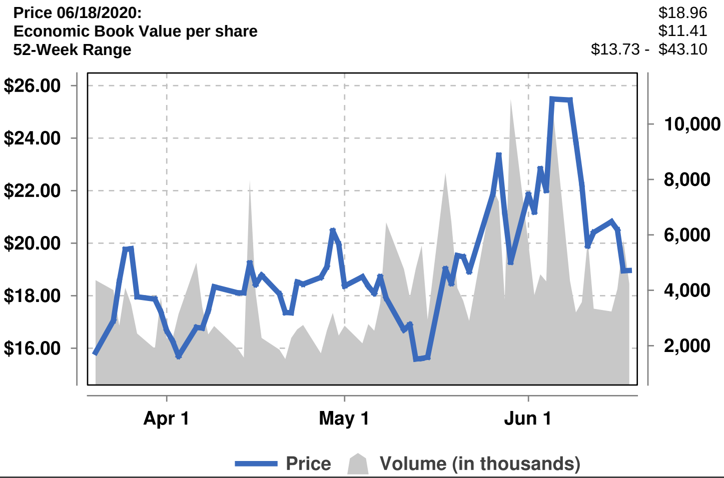
Tripadvisor Inc. (TRIP)

4 - Unattractive

NASDAQ - Consumer Cyclicals

Investment Recommendation

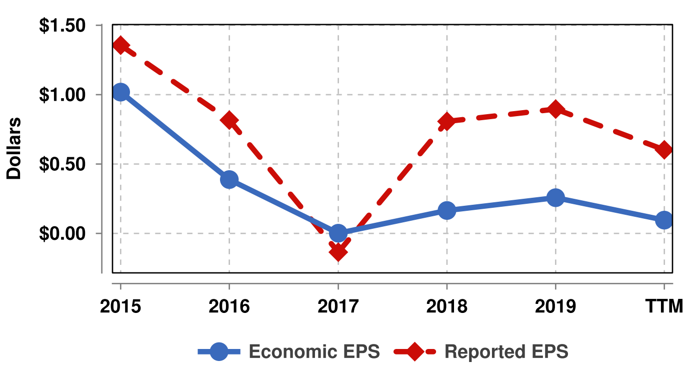
- We recommend investors avoid TRIP.
- TRIP earns our Unattractive rating. See Investment Rating Details below.
- An Unattractive rating means this stock has more downside risk than upside potential.
- TRIP ranks in the 15th percentile of the 2850+ stocks we cover.
- Ranks 401st out of 450 Consumer Cyclicals Sector stocks.



Investment Rating Details

Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)
5 - Very Unattractive	Misleading Trend	Bottom Quintile	<-5%	> 3.5 or -1 < 0	> 50
4 - Unattractive	False Positive	4th Quintile	-5%<-1%	2.4 < 3.5 or < -1	20 < 50
3 - Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6 < 2.4	10 < 20
2 - Attractive	Positive EE	2nd Quintile	3%<10%	1.1 < 1.6	3 < 10
1 - Very Attractive	Rising EE	Top Quintile	>10%	0 < 1.1	0 < 3

Accounting vs Economic Earnings



Accounting Adjustments Summary

- TRIP's accounting earnings overstate its economic earnings, which equal (ROIC - WACC) * Average Invested Capital.
- For TRIP, we made a total of $491 million in income statement and balance sheet adjustments to convert accounting earnings to economic earnings in FY19.
- We made $450 million in adjustments in our DCF valuation of the stock.
- We make, in general, 10 types of income statement adjustments to derive NOPAT, 12 types of balance sheet adjustments to derive Average Invested Capital, & 10 types of valuation adjustments in our reverse DCF valuation models.

Stock Price Performance

Last 30 Days	2.7%
Last 60 Days	1.0%
Last 90 Days	19.7%
Last Year	(54.0%)

Key Market Statistics

Enterprise Value (MM)	$2,626
EV/EBITDA	10.23
P/E (TTM)	31.48

About New Constructs

- Our research aims to empower more informed investment decision by providing the most comprehensive and accurate analysis of firms' true profitability and valuation.
- This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.
- Harvard Business School's case study "New Constructs: Disrupting Fundamental Analysis with Robo-Analysts" features our unique research automation technology.

Economic vs Reported Earnings

Economic Earnings are 2 - Attractive

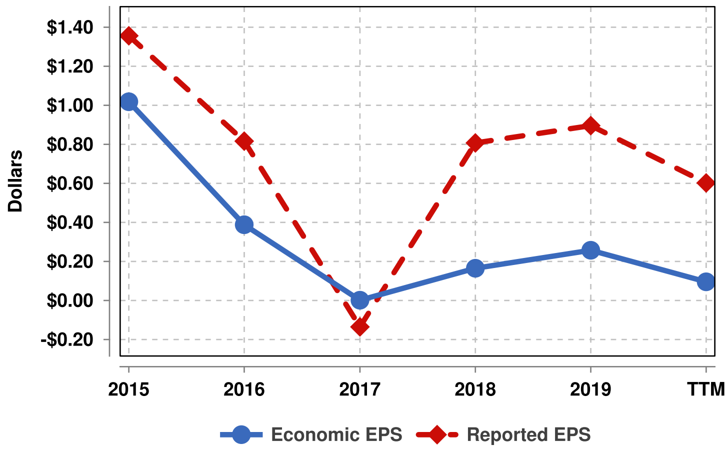
Economic Earnings are almost always meaningfully different than reported earnings. We believe Economic Earnings provide a truer measure of profitability and shareholder value creation than reported earnings because they have been adjusted to remove over twenty accounting distortions.

The majority of data required to reverse accounting distortions is available only in the Footnotes and MD&A, which we analyze rigorously. Our core competency is gathering and analyzing all relevant financial data from filings so that we can deliver earnings analysis that best represents the true profitability of businesses.

Economic Earnings per share (EEPS) for TRIP for the trailing twelve months earn our Attractive rating.

Appendix 1 in the report available to members of our website provides a detailed reconciliation between economic and accounting earnings.

Economic EPS vs Reported EPS



Return on Invested Capital (ROIC)

ROIC is 4 - Unattractive

ROIC measures a company's return on all cash invested in the business. It is the truest measure of profitability. Stock valuations are more highly correlated to ROIC than any other metric. ROIC is calculated as NOPAT divided by Average Invested Capital.

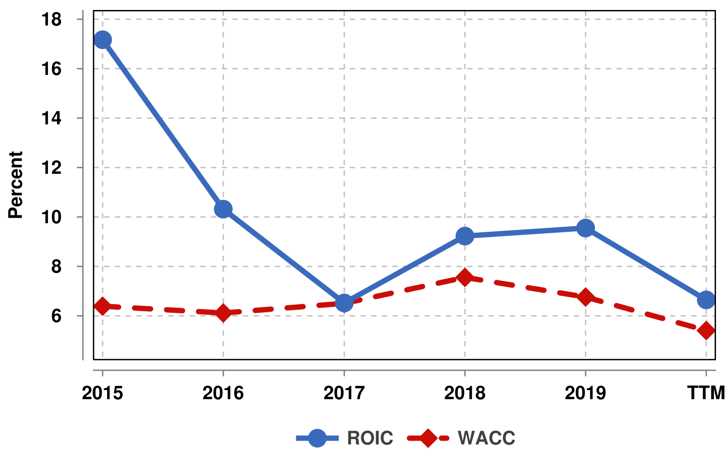
Weighted-Average Cost of Capital (WACC) is the average of debt and equity capital costs that all publicly traded companies with debt and equity stakeholders incur as a cost of operating.

Companies must earn an ROIC greater than WACC to generate positive economic earnings and create value for shareholders.

TRIP's ROIC for the trailing twelve months earns our Unattractive rating.

Appendix 1 in the report available to members of our website provides details on all the accounting adjustments we make to provide the best ROIC in the business. This paper compares our ROIC for a mega cap company to other major providers.

ROIC vs WACC



Free Cash Flow Yield (FCF Yield)

Free Cash Flow Yield is 5 - Very Unattractive

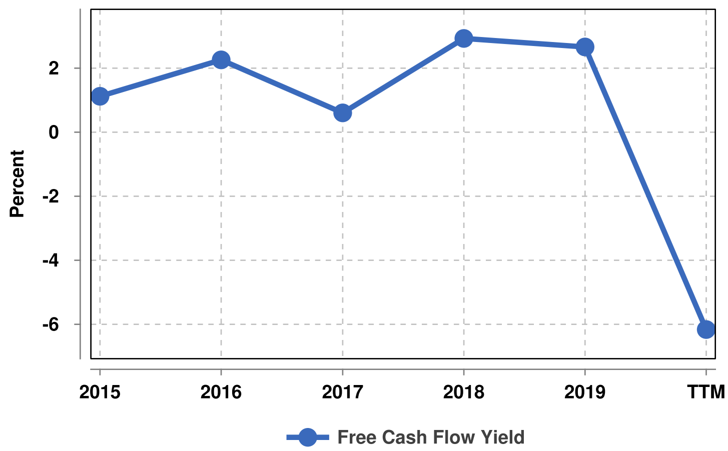
Free Cash Flow reflects the amount of cash free for distribution to all stakeholders (including debt & equity). FCF Yield divides free cash flow by enterprise value.

Using Free Cash Flow Yield to pick stocks is not a new strategy. However, our strategy yields superior results because we use a better measure of Free Cash Flow. In the same way our Economic EPS are better measures of profitability than reported EPS, our measure of Free Cash Flow is better than traditional accounting-based Free Cash Flow.

TRIP's FCF Yield for the trailing twelve months earns our Very Unattractive rating.

Appendix 1 in the reports available members of our website provides the income statement and balance sheet adjustments required for an accurate measure of FCF.

Free Cash Flow Yield



Price-to-EBV Ratio

Price-to-EBV Ratio is 3 - Neutral

Price-to-Economic Book Value (EBV) measures the difference between the market's expectations for future profits and the no-growth value of the stock.

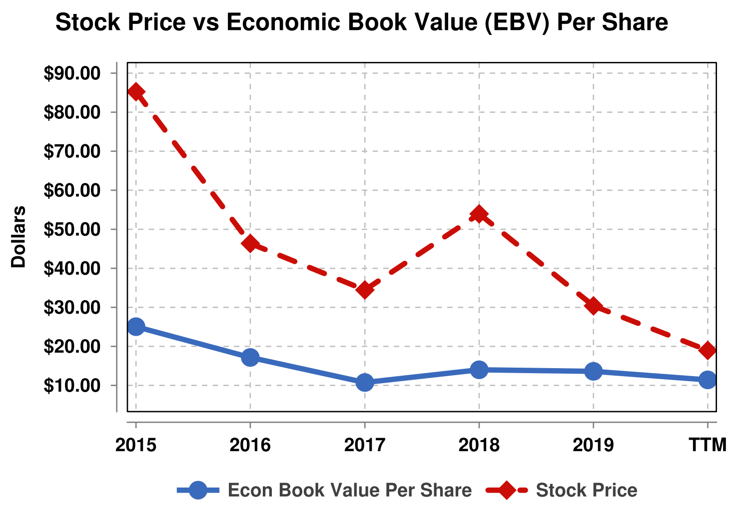
EBV measures the no-growth value of the company based on the company's current Net Operating Profit After Tax (NOPAT).

When prices are higher than EBV, the market predicts the NOPAT of the company will increase and expectations for profit growth are reflected in the stock. If the stock price equals EBV, the market predicts NOPAT will remain the same and there are no expectations for profit growth reflected in the stock. When stock prices are lower than EBV, the market predicts NOPAT will decrease and expectations for permanent profit decline are reflected in the stock.

In general, we like to buy stocks with low expectations for profit growth and sell/short stocks with high expectations for profit growth.

TRIP's current Price-to-EBV per share earns our Neutral rating.

Appendix 2 in the reports available to member of our website details all the valuation adjustments required for an accurate measure of economiv book value.



Growth Appreciation Period

The Growth Appreciation Period is 3 - Neutral

The market-implied duration of profit growth or GAP measures the number of years the company must maintain an edge over its competitors by earning ROIC greater than the weighted-average cost of capital on new investments.

We believe TRIP embeds a Neutral level of market expectations because there is a healthy difference between the expected financial performance implied by its market price and the company's historical performance.

At TRIP's current stock price of $18.96, the market is expecting revenue to grow at 4.3% for the next 18 years. Over this period, TRIP is also expected to generate an average Economic Earnings Margin of 1.6%.

These results are derived using our dynamic discounted cash flow model.

Performance Hurdles	Historical Performance			Market Expectations
	5 Yr	3Yr	Last FY	Default based on current price
Stock Price	$85.25	$34.46	$30.38	**$18.96**
Revenue CAGR	1.1%	0.1%	(9.4%)	**4.3%**
ROIC - WACC	2.6%	1.0%	1.0%	**1.6%**
Growth Appreciation Period	-	-	-	**18 years**

Learn More

Members of our website get exclusive access to more data and detailed analytics on the 10,000 securities we cover. Stock reports from our website include detailed information on the number and dollar value of every income statement, balance sheet and DCF valuation adjustments we make.

Members also get exclusive access to multiple model portfolios, weekly Long Ideas, and Danger Zone calls, IPO Research, Market Outlooks, Webinars and thought leadership on Machine Learning & AI for Investing and Fiduciary Rule fulfillment.

Members get advanced screening capabilities on our best-in-class metrics like ROIC and Free Cash Flow Yield and alerts whenever there are changes to any of the securities in your custom portfolio.

Take a free tour and get a risk-free trial today!

Appendix: Explanation of New Constructs' Stock Ratings

Ratings

In-depth risk/reward analysis underpins our stock rating. Our stock rating methodology grades every stock according to what we believe are the 5 most important criteria for assessing the quality of a stock. Each grade reflects the balance of potential risk and reward of buying that stock. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Unattractive and Unattractive correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period
5 -Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50
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1 - Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3

Ratings

Economic earnings and return on capital metrics are significantly more accurate when as-reported financial statements have been adjusted to reverse accounting distortions and Red Flags. The majority of the data required to reverse accounting distortions is available only in the Notes to the Financial Statements, which we analyze rigorously. Our core competency is gathering and analyzing all relevant financial data (from the Financial Statements and Notes) so that we can deliver earnings analysis that best represents the true profitability of businesses. See the figure below for a list of the Red Flag adjustments we make to a company's reported GAAP profits in order to reverse accounting distortions and arrive at a better measure of a firm's profits.

Accounting Issues and Red Flags that Distort GAAP

- Employee Stock Options
- Pension Over/Under Funding
- Excess Cash
- Restructuring Charges
- Pooling Goodwill
- Minority Interests
- Discontinued Operations
- Preferred Stock
- Mid-Year Acquisitions
- Off-Balance-Sheet Financing
- LIFO Reserve
- Unrealized Gains/Losses
- Goodwill Amortization
- Unconsolidated Subsidiaries
- Capitalized Expenses
- Deferred Compensation
- Net Deferred tax Assets and Liabilities

Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies (featured by Harvard Business School), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." - page 20

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." - abstract

Avoid losses from using other firms' data:

"...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat..." - page 14

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts." - page 4

Exploit market inefficiencies:

"These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." - page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." - page 33-34

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