



# Earnings Call Q1 2017

15 May 2017



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## **Special Note Regarding Non-GAAP Financial Measures**

This presentation contains non-GAAP financial measures, including adjusted EBITDA. Information needed to reconcile such non-GAAP financial measures to the most directly comparable measures under US GAAP can be found in this presentation in the Appendix.

# Agenda

Company overview

Special topic: Marketplace algorithm

Financial performance

Guidance 2017

Appendix: Financial statements

# Agenda



## Company overview

Special topic: Marketplace algorithm

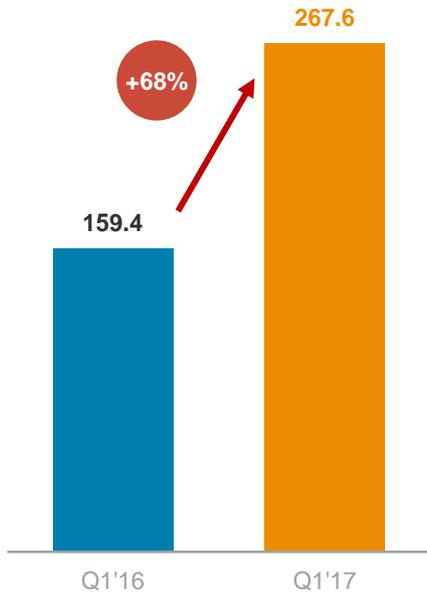
Financial performance

Guidance 2017

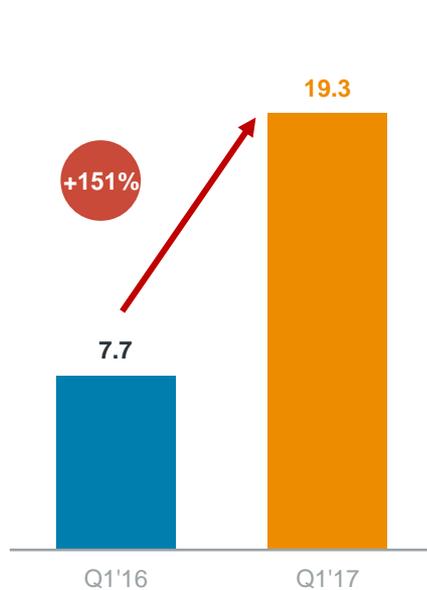
Appendix: Financial statements

# Q1 2017 – Strong financial performance

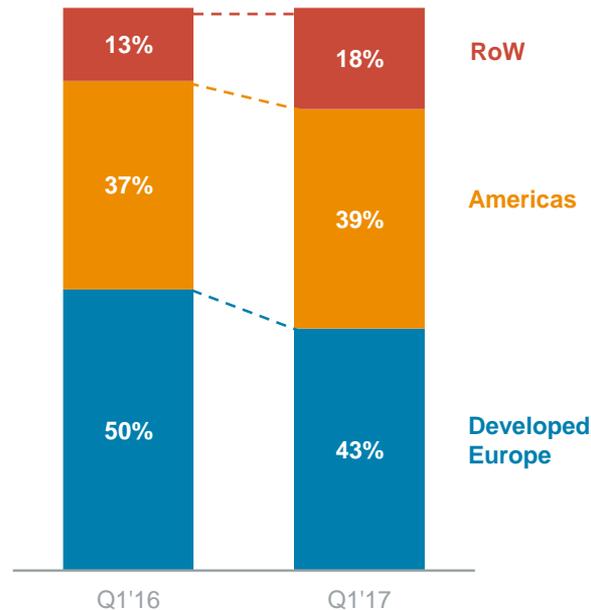
## Total Revenue (€mm)



## Adj. EBITDA<sup>1</sup> (€mm)

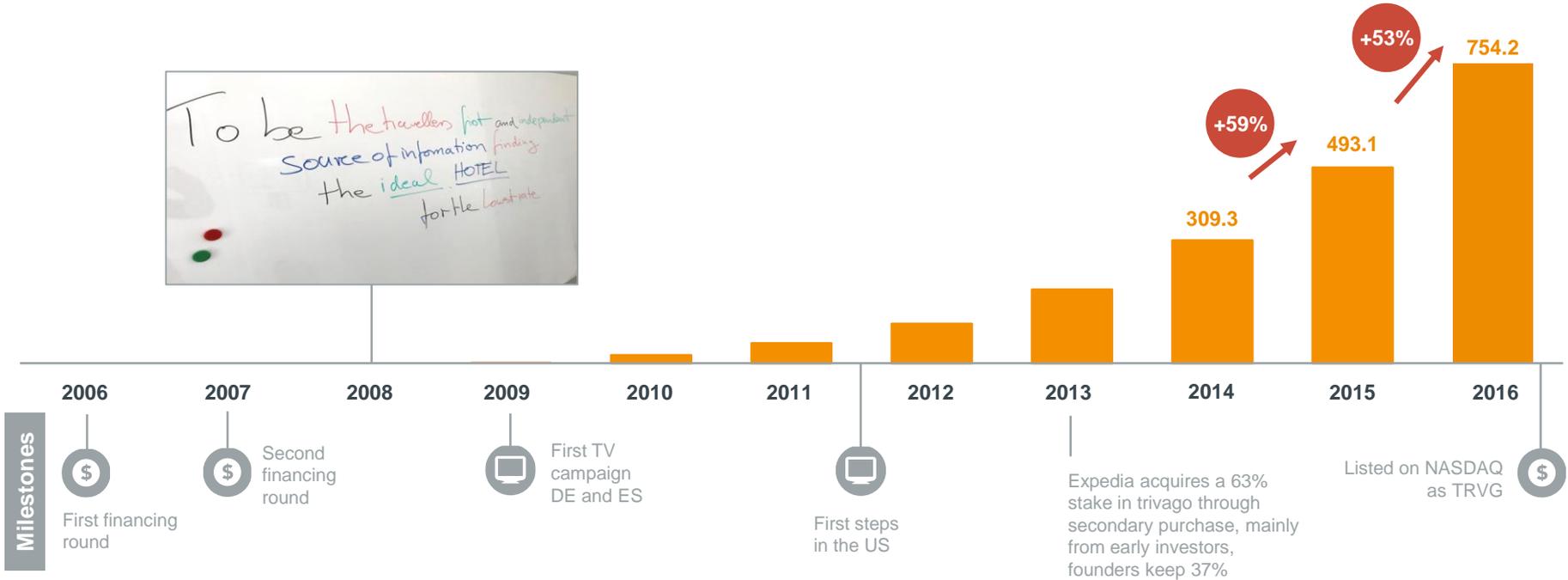
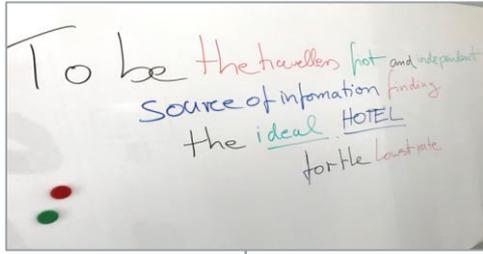


## Referral Revenue by segment



# trivago has developed rapidly whilst raising only €1.4mm prior to our IPO

## trivago Total Revenue (€mm)



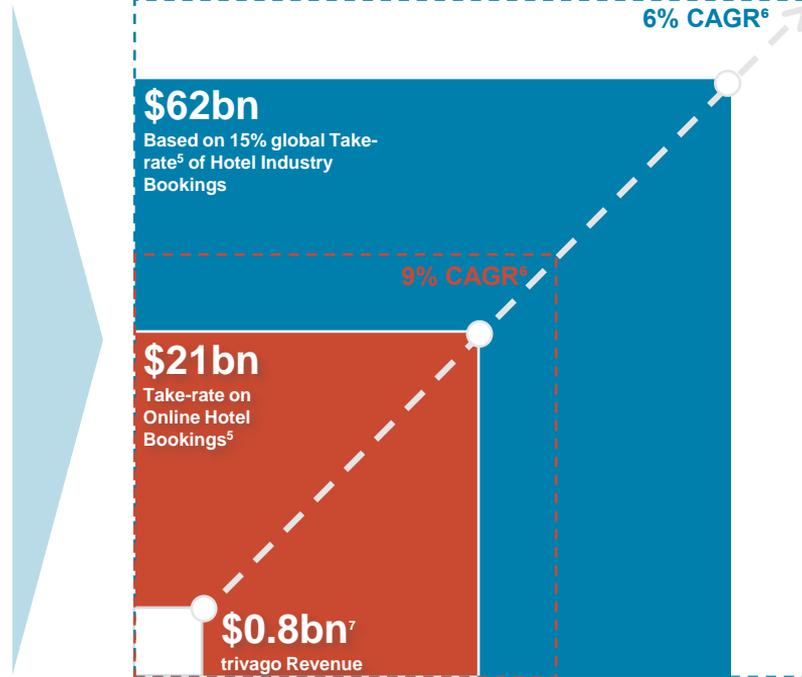
# The online hotel market is vast and growing quickly as consumers continue to transition online

**\$415bn** Large Global Hotel Bookings Market<sup>1</sup>

**33%** Low Online Penetration<sup>2</sup>

**10.8%** High Online Hotel Bookings Growth<sup>3</sup>

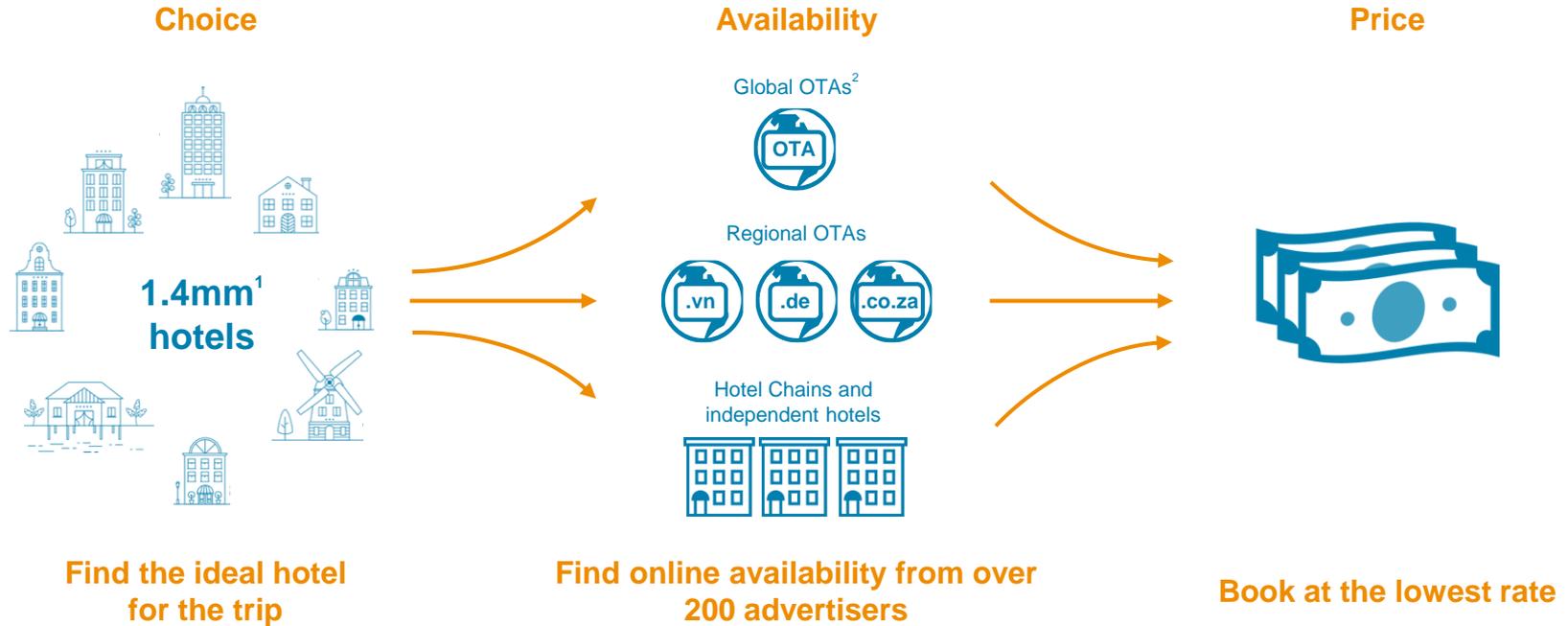
**56%** Highly Fragmented Market<sup>4</sup>



1. 2016 estimated number
2. According to Phocuswright, online hotel bookings as a percentage of gross hotel bookings
3. According to Phocuswright, 2015-17E online hotel bookings CAGR
4. According to Olakala, as of 01/01/2016 including hotels and extended stay
5. 15% estimated avg. take-rate of Global Hotel Industry Booking
6. 6% CAGR 2017-2020 expected for Global Hotel Industry Bookings, 9% CAGR 2017-2020 expected in online bookings
7. 2016 FY revenue

# trivago value proposition

## Challenges addressed



# The trivago system

## Marketing<sup>1</sup>

>740mm SEM<sup>3</sup> bids



>500 new TV spots tested



40.5mm app downloads to date



## Hotel Search

trivago

e.g. New York Search

CPC Marketplace



1 Global Product



## Advertiser Relations<sup>2</sup>

120 OTAs



160 Hotel Chains



1.4mm Hotels



7,000 Individual Hotels



## Enablers

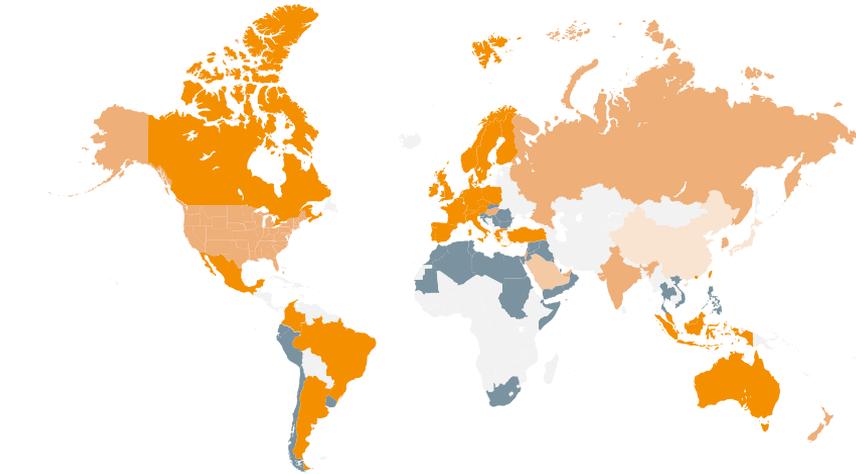
Technology

Talent

Marketplace

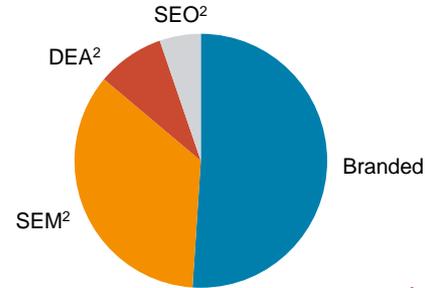
# We dominate the top of the funnel for the hotel vertical with our strong consumer brand

Aided brand awareness<sup>1</sup>



■ >75%  
 ■ 50 – 75%  
 ■ 25 – 50%  
 ■ Below 25%  
 ■ Present  
 ■ Not Present

Referral Revenue FY 2016  
by Traffic Type



Search interest<sup>3</sup>

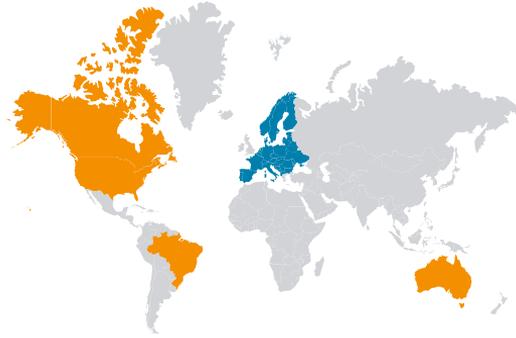
# We continuously increased the number of advertisers and are now also building business with individual hotels

2005 – 2009



4 Global OTAs  
>15 Regional OTAs  
>10 Chains

2010 – 2013



4 Global OTAs  
>35 Regional OTAs  
>30 Chains

2014 – Present

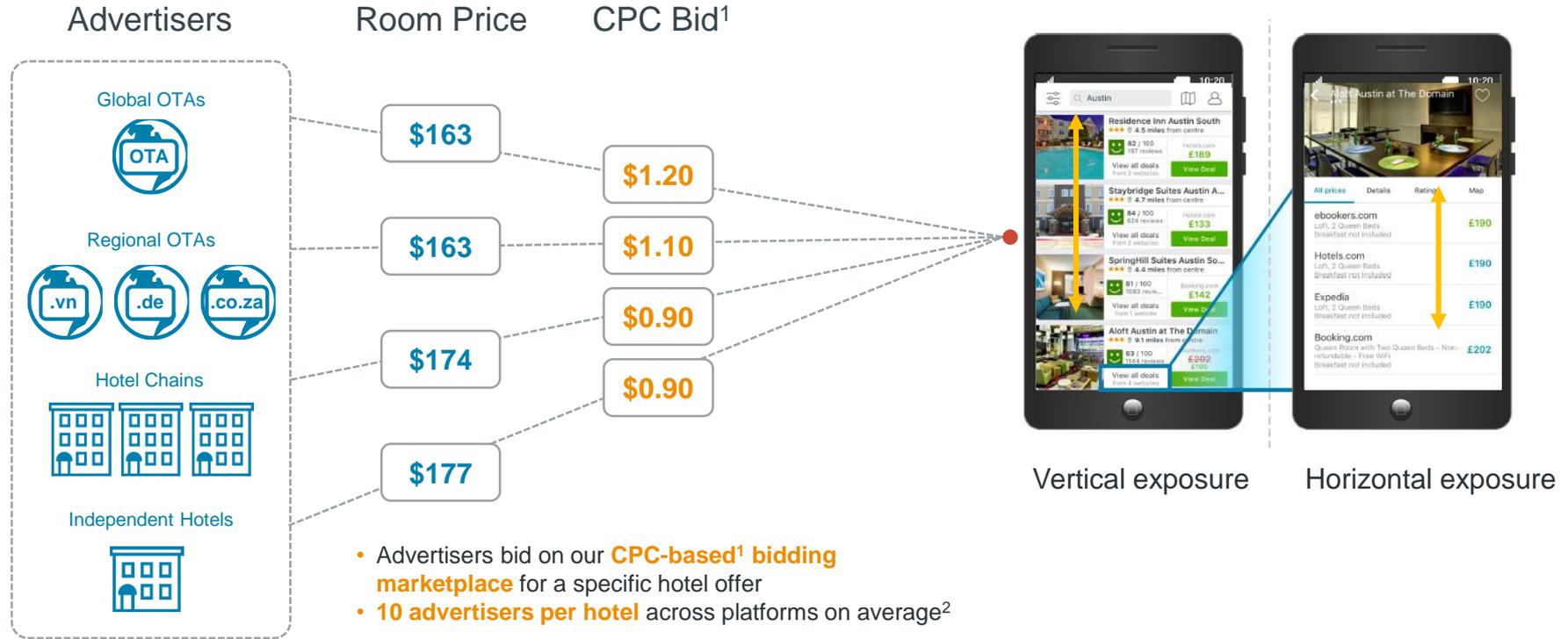


5 Global OTAs  
>115 Regional OTAs  
>160 Chains  
>7,000 Indies

Select new adds

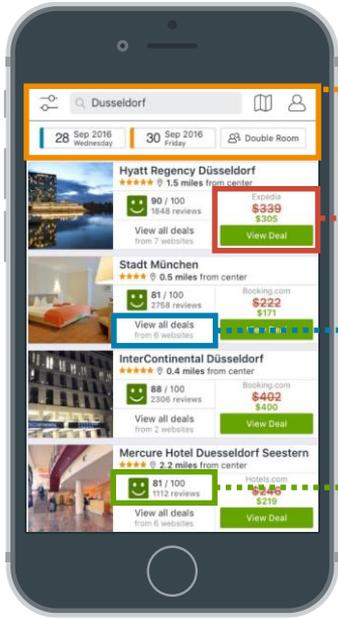


# Advertisers bid and pay for each click a user makes on an offer price



# We address the critical user needs with a global unified product

Mobile



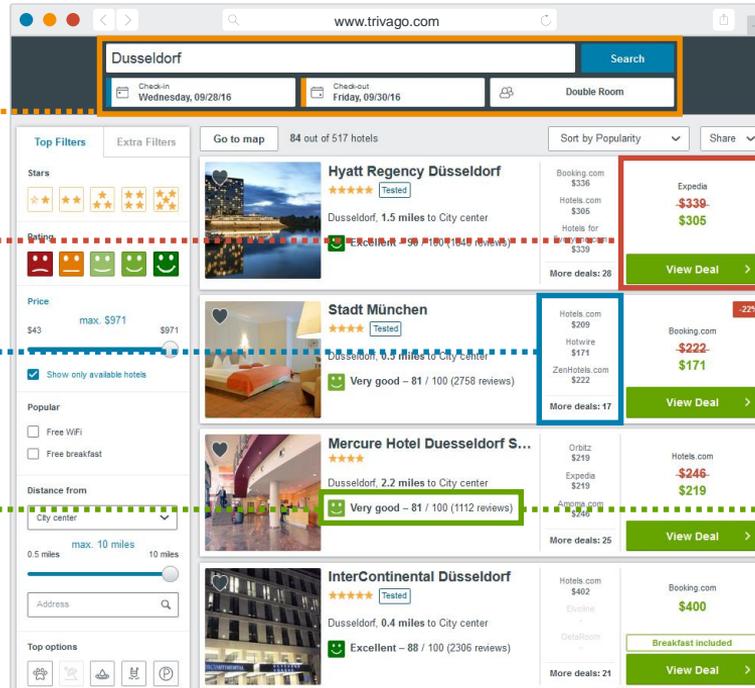
Search details

Best deal

Price comparison

Ratings and reviews

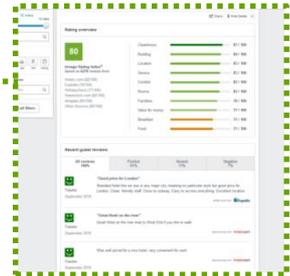
Desktop



Transparent Pricing



Rich content



# Agenda

Company overview

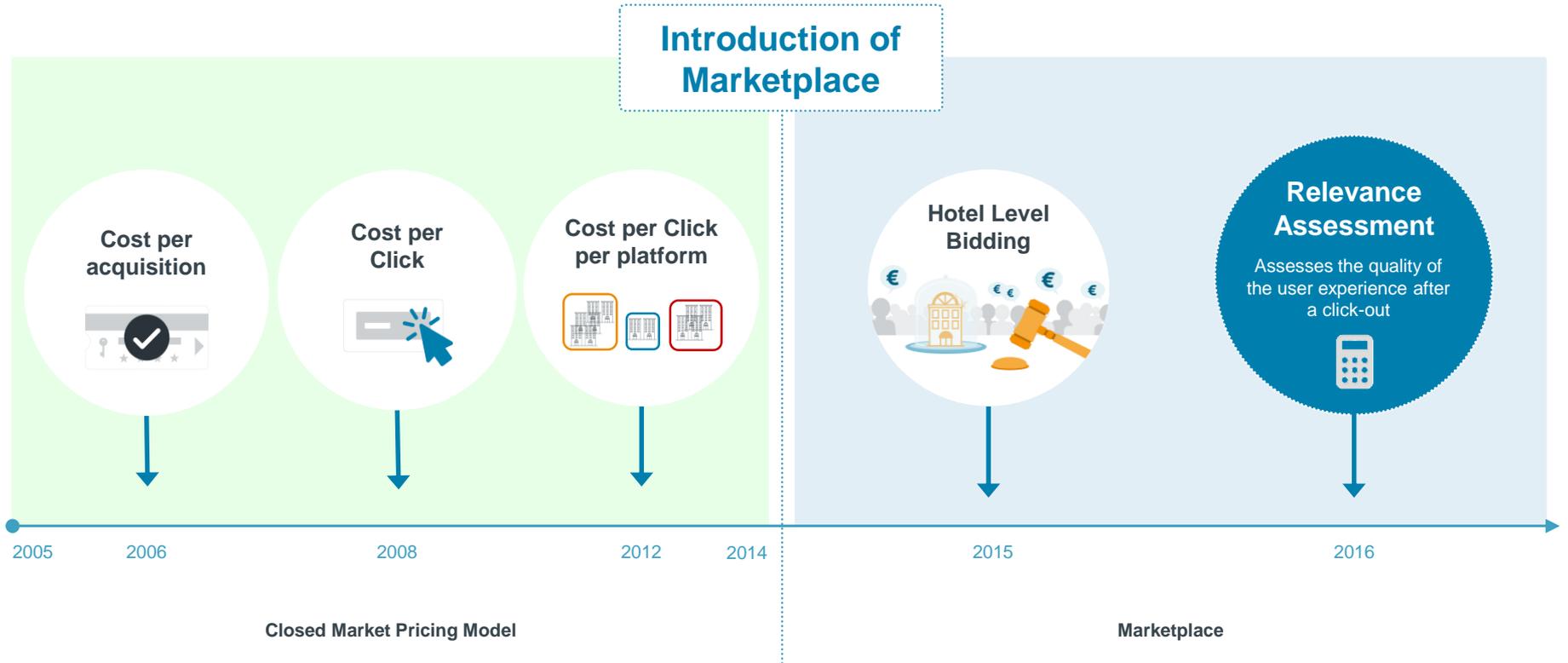
 **Special topic: Marketplace algorithm**

Financial performance

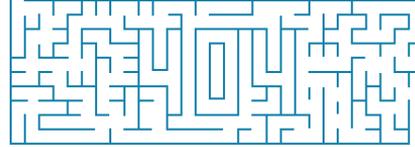
Guidance 2017

Appendix: Financial statements

# Development of trivago Marketplace



# We always focused on end-to-end user value creation

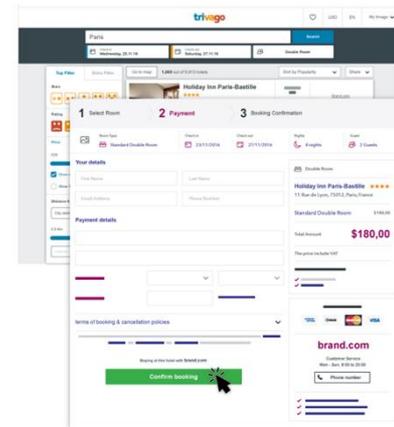
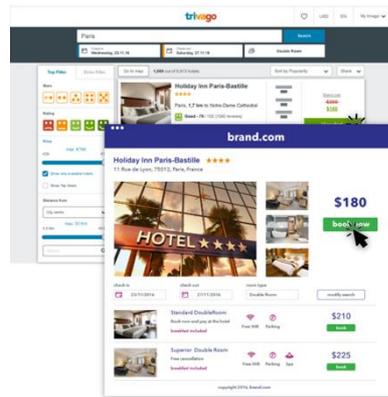


The user journey does not stop at trivago

By providing more user friendly landing pages ...

... and focusing on a simple booking funnel...

... we take responsibility for the end-to-end user experience



# We give flexibility to create more end-to-end value

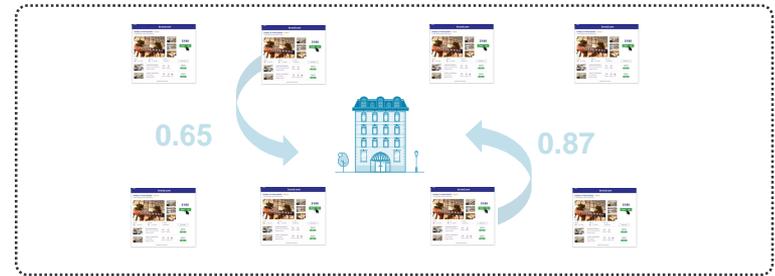
## Old Static Landing Page Rule



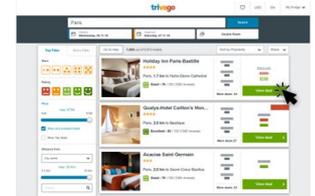
- Clear specification what a landing page should look like.
- Advertisers who did not fit landing page requirements were excluded.
- trivago secures user experience through static rule



## New Dynamic Booking Funnel Relevance Assessment



- Relevance factor becomes a variable in site optimization
- Advertisers have flexibility to adapt landing page on their side.
- trivago stays agnostic as long as end-to-end value creation is secured.



# Our goal is to create long-term value through a learning system

## Improve user experience...



- ✓ Optimized user experience throughout the booking process and across advertisers
- ✓ Reduced distraction through other products and advertisement
- ✓ Optimized booking funnel

## ...with the aim of higher returns for advertisers



- ✓ Easier initial access to the trivago platform with own standard landing page
- ✓ More flexibility to test for better user experience and achieve higher booking conversions
- ✓ Opportunity to increase traffic share

- ✓ We expected initially more volatility in RPQR through the adaption process
- ✓ Initial improvement might have been influenced by that effect
- ✓ The creation of a learning system might have a sustainable long-term effect

# Agenda

Company overview

Special topic: Marketplace algorithm



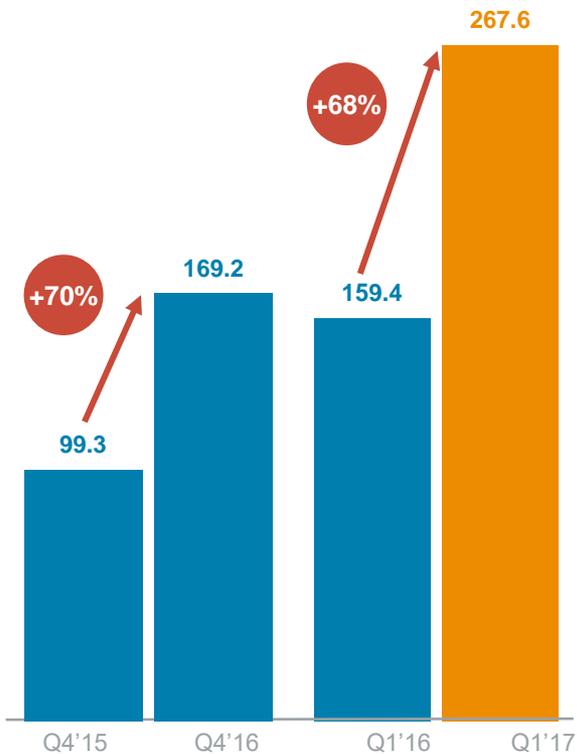
**Financial performance**

Guidance 2017

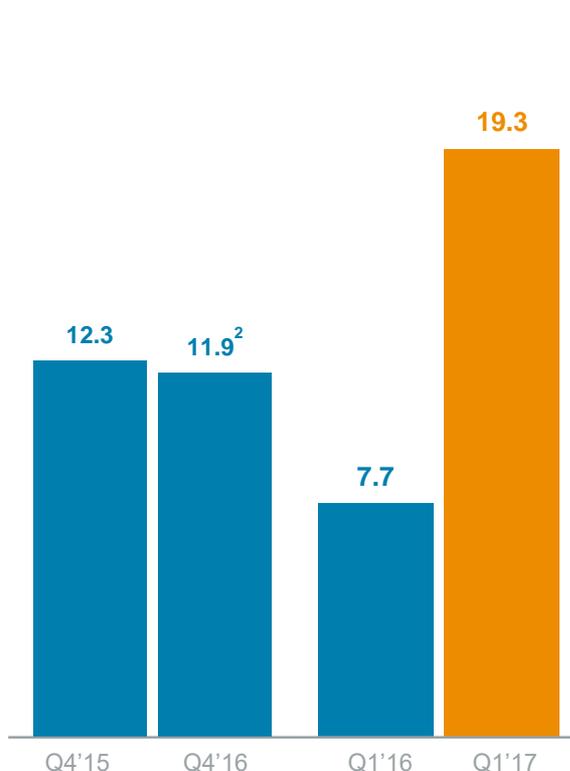
Appendix: Financial statements

# Strong YoY growth in revenue continued in Q1 2017

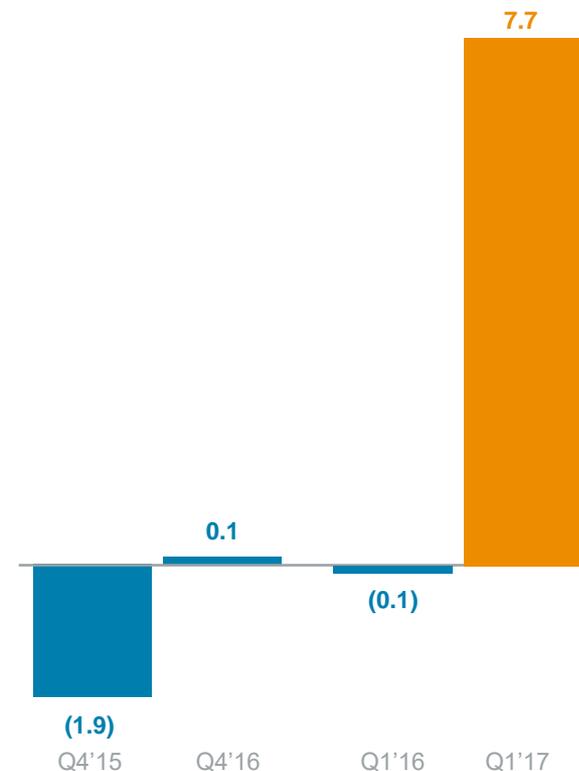
## Total Revenue (€mm)



## Adj. EBITDA<sup>1</sup> (€mm)

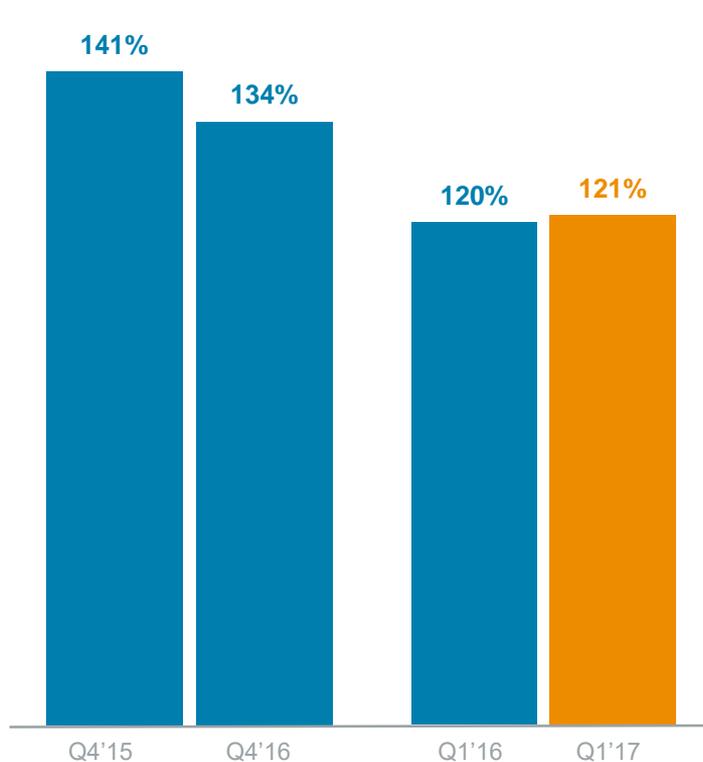


## Net Income (€mm)

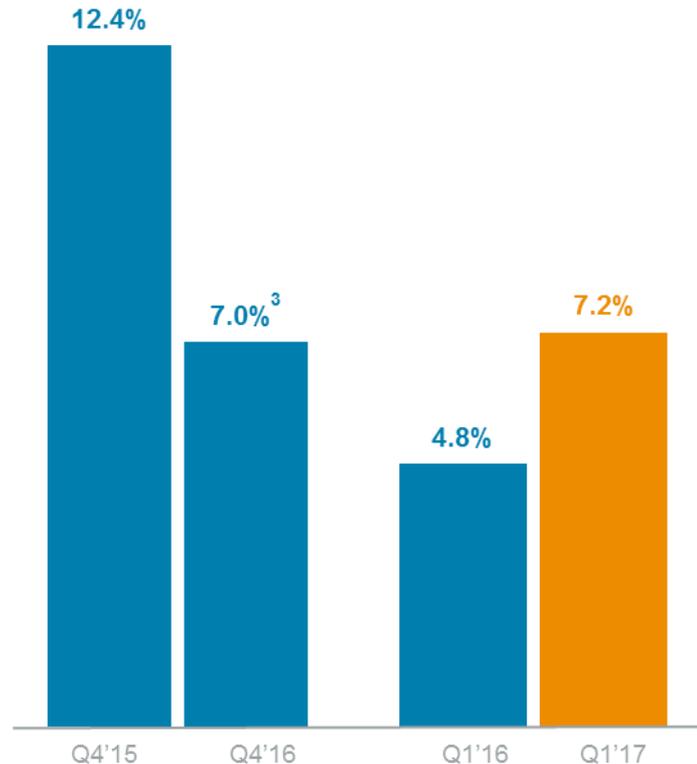


# Profitability improvement in Q1 2017

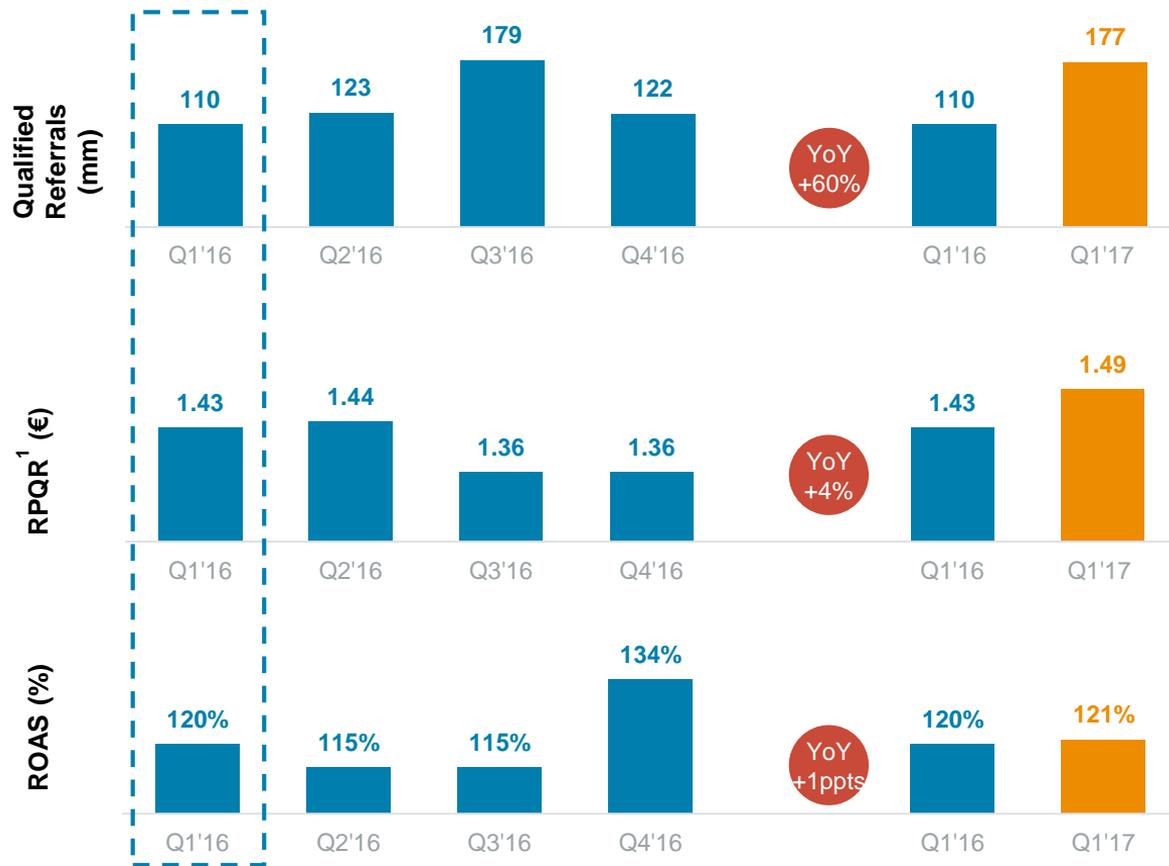
## ROAS<sup>1</sup> (% of Advertising Expense)



## Adjusted EBITDA<sup>2</sup> (% of Total Revenue)



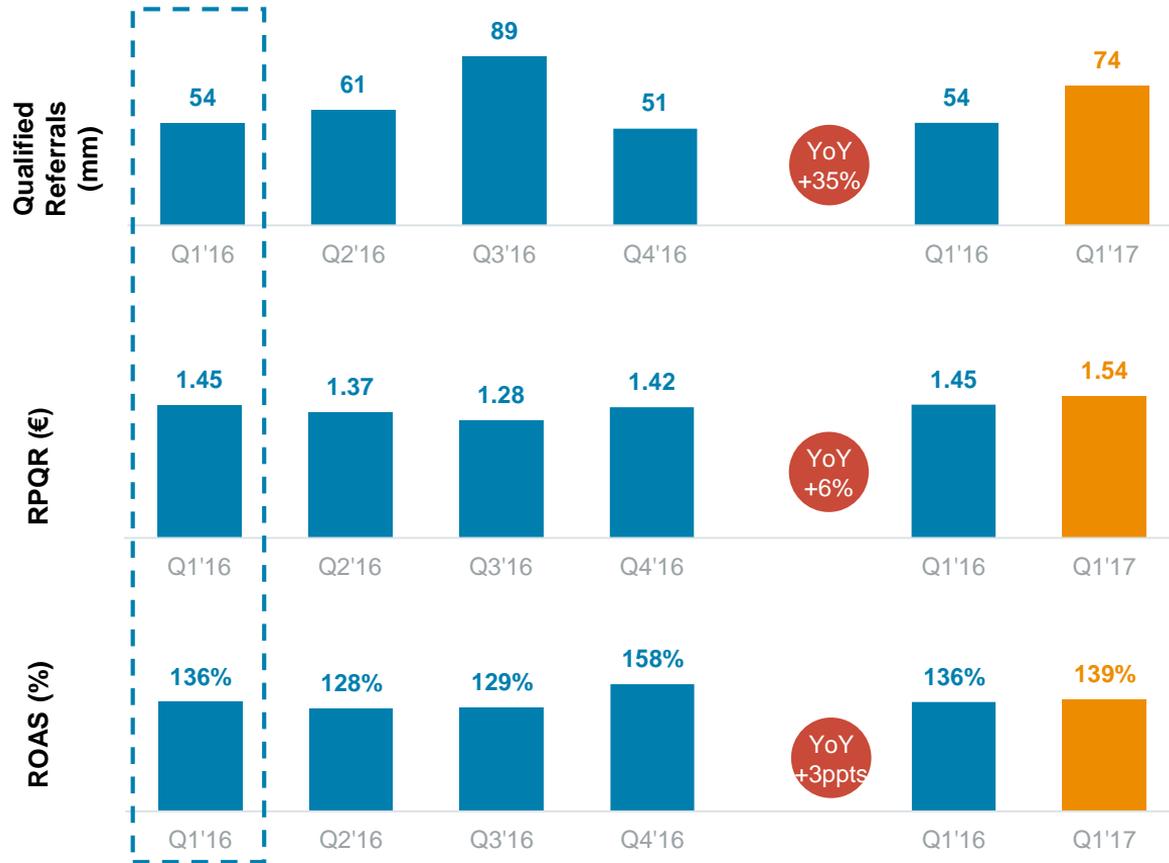
# Q1 2017 KPI overview – Total



## Highlights

- Strong growth in Qualified Referrals across all regions led by Rest of World
- Improved RPQR impacted by higher commercialization relating to introduction of relevance assessment
- ROAS slightly improved compared to last year

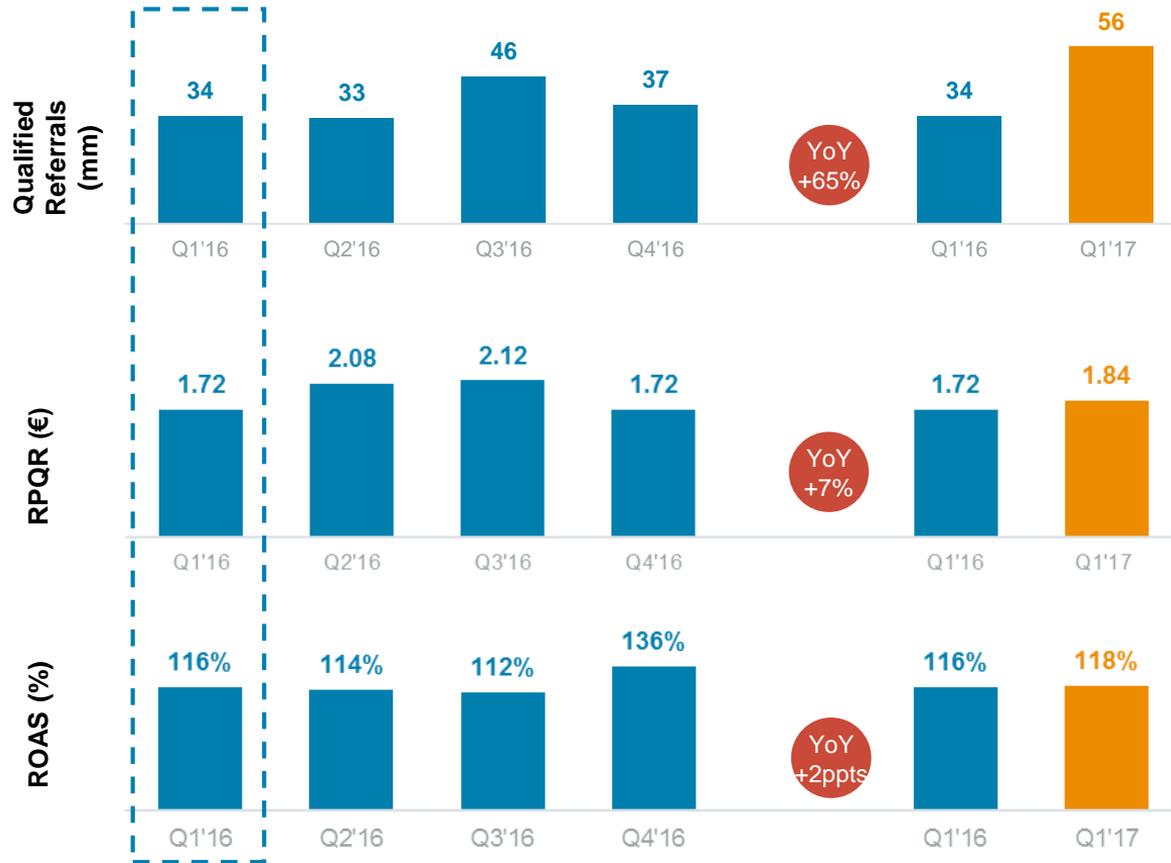
# Q1 2017 KPI overview – Developed Europe



## Highlights

- Solid QR growth YoY, reflecting increase in advertising spend
- Improved RPQR impacted by higher commercialization
- ROAS slightly improved vs. Q1'16

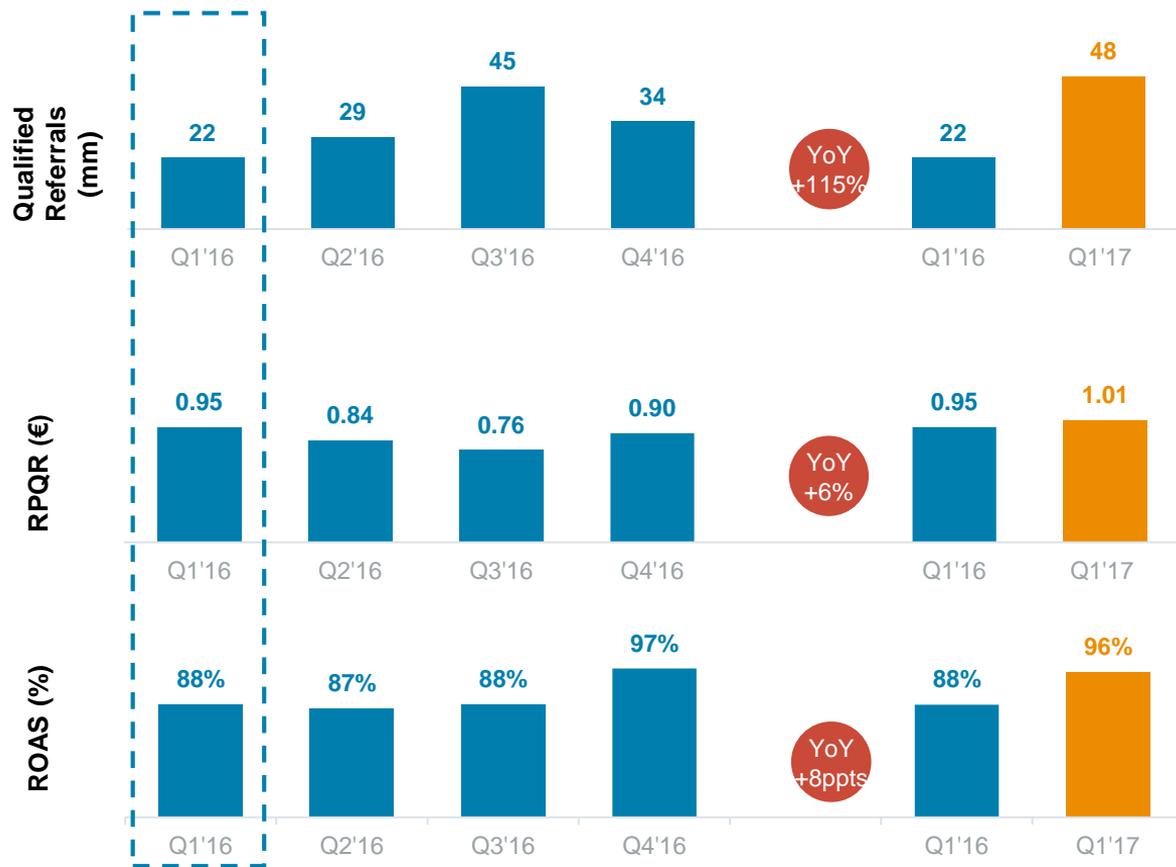
# Q1 2017 KPI overview – Americas



## Highlights

- Strong YoY growth driven by investments in TV and SEM
- Improved RPQR impacted by higher commercialization
- ROAS slightly improved vs. Q1'16

# Q1 2017 KPI overview – Rest of World



## Highlights

- Strong Qualified Referral growth of +118% YoY, significantly driven by scaling Japan, India and Russia
- Improved RPQR impacted by higher commercialization
- Continuously improving ROAS as a result of brand investments across the region (brand after-effect)

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# Guidance for 2017



Total Revenue expected to grow around 50%



Adjusted EBITDA<sup>1</sup> margin expected to slightly increase vs. 2016

Q&A

trivago



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**Appendix: Financial statements**

# Consolidated Financials Q1 2017, trivago N.V.

(in €k)	Q1 2017	Q1 2016	Abs Δ vs. Q1'16	Δ vs. Q1'16
Referral revenue	264,292	157,986	106,306	67.3%
Other revenue	3,352	1,365	1,987	145.6%
<b>Total revenue</b>	<b>267,644</b>	<b>159,351</b>	<b>108,293</b>	<b>68.0%</b>
Cost of revenue	(1,098)	(715)	(383)	53.6%
<i>% of Total revenue</i>	<i>0.4%</i>	<i>0.4%</i>		
Selling and marketing	(231,455)	(140,112)	(91,343)	65.2%
<i>% of Total revenue</i>	<i>86.5%</i>	<i>87.9%</i>		
Technology and content	(11,715)	(7,640)	(4,075)	53.3%
<i>% of Total revenue</i>	<i>4.4%</i>	<i>4.8%</i>		
General and administrative	(8,869)	(4,340)	(4,529)	104.4%
<i>% of Total revenue</i>	<i>3.3%</i>	<i>2.7%</i>		
Amortization of intangible assets	(1,998)	(6,276)	4,278	(68.2%)
<i>% of Total revenue</i>	<i>0.7%</i>	<i>3.9%</i>		
<b>Operating income (loss)</b>	<b>12,509</b>	<b>268</b>	<b>12,241</b>	<b>n.m.</b>
Net interest and other expenses	(149)	9	(158)	n.m.
<i>% of Total revenue</i>	<i>0.1%</i>	<i>0.0%</i>		
Income taxes	(4,702)	(385)	(4,317)	n.m.
<i>% of Total revenue</i>	<i>1.8%</i>	<i>0.2%</i>		
<b>Net income (loss)</b>	<b>7,658</b>	<b>(108)</b>	<b>7,766</b>	<b>n.m.</b>
<i>% of Total revenue</i>	<i>2.9%</i>	<i>0.1%</i>		
Net income (loss) attributable to noncontrolling interest	(2,423)	91	(2,514)	n.m.
<i>% of Total revenue</i>	<i>0.9%</i>	<i>0.1%</i>		
Net income (loss) attributable to trivago N.V.	5,235	(17)	5,252	n.m.
<i>% of Total revenue</i>	<i>2.0%</i>	<i>0.0%</i>		

## Comments

- Overview of P&L under US GAAP
- See next page for a detailed discussion of business development

# Consolidated Financial Information Q1 2017, trivago N.V.

(in €k)	Q1 2017	Q1 2016	Abs Δ vs. Q1'16	Δ vs. Q1'16
Referral revenue	264,292	157,986	106,306	67.3%
Other revenue	3,352	1,365	1,987	145.6%
<b>Total revenue</b>	<b>267,644</b>	<b>159,351</b>	<b>108,293</b>	<b>68.0%</b>
Cost of revenue excl. SBC	(1,085)	(711)	(374)	52.6%
% of Total revenue	0.4%	0.4%		
Selling and marketing excl. SBC	(230,476)	(139,915)	(90,561)	64.7%
% of Total revenue	86.1%	87.8%		
Adv.exp excl.SBC	(218,954)	(132,092)	(86,862)	65.8%
% of Total revenue	81.8%	82.9%		
Other S&M excl.SBC	(11,522)	(7,823)	(3,699)	47.3%
% of Total revenue	4.3%	4.9%		
Technology and content excl. SBC	(10,711)	(7,659)	(3,052)	39.8%
% of Total revenue	4.0%	4.8%		
General and administrative excl. SBC	(7,561)	(4,333)	(3,228)	74.5%
% of Total revenue	2.8%	2.7%		
Depreciation add-back	1,475	951	524	55.1%
% of Total revenue	0.6%	0.6%		
<b>Adj. EBITDA</b>	<b>19,286</b>	<b>7,684</b>	<b>11,602</b>	<b>151.0%</b>
% of Total revenue	7.2%	4.8%		
Share-based compensation (SBC)	(3,304)	(189)	(3,115)	n.m.
% of Total revenue	1.2%	0.1%		
<b>EBITDA</b>	<b>15,982</b>	<b>7,495</b>	<b>8,487</b>	<b>113.2%</b>
% of Total revenue	6.0%	4.7%		
D&A	(3,473)	(7,227)	3,754	(51.9%)
% of Total revenue	1.3%	4.5%		
Net interest and other expenses	(149)	9	(158)	n.m.
% of Total revenue	0.1%	0.0%		
Income taxes	(4,702)	(385)	(4,317)	n.m.
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% of Total revenue	2.0%	(0.0%)		

## Comments

- 1) Reflects ongoing international roll-out of Hotel Relations
- 2) As a stand-alone listed company, trivago has significantly reduced dependency on Expedia's corporate services since 2017. Consequently, we do not expect Expedia related management fees to have a significant impact on G&A expenses going forward

# Consolidated Balance Sheet Q1 2017, trivago N.V.

(in €k)	31. Mar 2017	31. Dec 2016
Cash and cash equivalent	216,536	227,298
Restricted cash	884	884
Accounts receivable	64,197	36,658
Accounts receivable, related party	50,821	16,505
Prepaid expenses and other current assets	10,432	11,529
<b>Total Current Assets</b>	<b>342,870</b>	<b>292,874</b>
Property and equipment, net	55,202	46,862
Other long-term assets	1,020	955
Intangible assets, net	174,055	176,052
Goodwill	490,511	490,503
<b>Total Assets</b>	<b>1,063,658</b>	<b>1,007,246</b>
Accounts payable	75,887	39,965
Income taxes payable	7,341	3,433
Deferred revenue	7,547	5,078
Accrued expenses and other current liabilities	9,663	12,627
<b>Total Current Liabilities</b>	<b>100,438</b>	<b>61,103</b>
Deferred income taxes	51,978	53,156
Other long-term liabilities	46,367	38,565
Long-term tax liability	-	-
Redeemable noncontrolling interests	364	351
Class A common stock	1,807	1,802
Class B common stock	125,405	125,405
Reserves	587,420	584,667
Contribution from parent	122,200	122,200
Accumulated other comprehensive income	39	21
Retained earnings (accumulated deficit)	(174,602)	(179,837)
<b>Total Stockholders' Equity attributable to trivago N.V.</b>	<b>662,269</b>	<b>654,258</b>
Noncontrolling interest	202,242	199,813
<b>Total Stockholders'/Members' Equity</b>	<b>864,511</b>	<b>854,071</b>
<b>Total Liabilities and Members' Equity</b>	<b>1,063,658</b>	<b>1,007,246</b>

1

2

3

4

3

## Comments

- 1) Fluctuations in cash balance result from working capital related seasonal changes
- 2) Total accounts receivables increased by 116% QoQ along with total revenue (58%). More specifically, third party receivables increased 75% from €36.7 million to €64.2 million and related party receivables increased by 208% from €16.5 million to €50.8 million
- 3) trivago plans on moving its headquarters to a newly leased campus building in Düsseldorf's media harbour in the summer of 2018, steadily increasing PPE and other long-term liabilities due to capitalization of capital lease obligation during the construction period
- 4) Accounts payable increased by 90% along with the seasonal ramp up of marketing investments

# Consolidated Statement of Cash Flows Q1 2017, trivago N.V.

(in €k)	Q1 2017	Q1 2016
<b>Net Income (loss)</b>	<b>7,658</b>	<b>(108)</b>
Adjustments to reconcile net income to net cash used:		
Depreciation	1,475	951
Amortization of intangible assets	1,998	6,276
Share-based compensation	3,304	188
Deferred income taxes	(1,178)	(1,459)
Foreign exchange (gain) loss	76	(53)
Bad debt (recovery) expense	29	(145)
Non-cash charge, contribution from parent	-	794
<b>Changes in operating assets and liabilities</b>		
Accounts receivable, including related party	(61,927)	(31,589)
Prepaid expense and other assets	1,032	(1,712)
Accounts payable	35,685	19,770
Accrued expenses and other liabilities	1,284	(358)
Deferred revenue	2,469	246
Taxes payable/receivable, net	3,908	1,561
<b>Net cash used in operating activities</b>	<b>(4,187)</b>	<b>(5,638)</b>
Capital expenditures	(2,358)	(2,808)
<b>Net cash used in investing activities</b>	<b>(2,358)</b>	<b>(2,808)</b>
Payments of initial public offering costs	(4,038)	-
Dividends paid to NCI	(158)	-
<b>Net cash used in financing activities</b>	<b>(4,196)</b>	<b>-</b>
Effect of exchange rate changes on cash	(21)	(152)
<b>Net decrease in cash and cash equivalents</b>	<b>(10,762)</b>	<b>(8,598)</b>
Cash and cash equivalents at beginning of Quarter	227,298	17,556
Cash and cash equivalents at end of Quarter	216,536	8,958

## Comments

- 1) Decreasing effect on amortization from pushdown accounting from Expedia's share purchase in 2013
- 2) Significant period over period referral revenue (+67%) and advertising expense (+65%) leading to significant increase in working capital

# Reconciliation of non-GAAP Financial Measures Q1 2017, trivago N.V.

(in €k)	Q1 2017	Q1 2016	Abs Δ vs. Q1'16	Δ vs. Q1'16
<b>Net income (loss)</b>	<b>7,658</b>	<b>(108)</b>	<b>7,766</b>	<b>n.m</b>
Income taxes	4,702	385	4,317	n.m.
<b>Income before income tax</b>	<b>12,360</b>	<b>277</b>	<b>12,083</b>	<b>n.m</b>
Add/(Deduct): Net interest and other expenses	149	(9)	158	n.m.
<b>Operating Income</b>	<b>12,509</b>	<b>268</b>	<b>12,241</b>	<b>n.m.</b>
Add: Depreciation & Amortization	3,473	7,227	(3,754)	(51.9%)
<b>EBITDA</b>	<b>15,982</b>	<b>7,495</b>	<b>8,487</b>	<b>113.2%</b>
Share-based compensation (SBC)	3,304	189	3,115	n.m.
<b>Adjusted EBITDA</b>	<b>19,286</b>	<b>7,684</b>	<b>11,602</b>	<b>151.0%</b>

Provided below are the amounts of share-based compensation excluded from the expense items on slide 31:

(in €k)	Q1 2017	Q1 2016
Cost of revenue, including related party	13	4
Selling and marketing	979	197
Technology and content	1,004	(19)
General and administrative	1,308	7
<b>Share-based compensation</b>	<b>3,304</b>	<b>189</b>