trivago

trivago N.V.: trivago reports full year 2017 results: Exceeds €1 billion, achieving guidance target of 37% total revenue growth

February 7, 2018

Financial Highlights

- Total revenue increased to €181.5 million in the fourth quarter of 2017, or 7% year-over-year, compared to €169.2 million in the fourth quarter of 2016, and increased to €1,035.4 million in the full year ended December 31, 2017, compared to €754.2 million for the same period in 2016, representing a 37% increase year-over-year.

- The number of Qualified Referrals increased to 139.3 million in the fourth quarter of 2017, or 14% year-over-year, compared to 122.2 million in the fourth quarter of 2016, and increased to 727.1 million in the full year ended December 31, 2017, compared to 535.3 million for the same period in 2016, or 36% year-over-year.

- Net loss was €9.6 million in the fourth quarter of 2017, compared to net income of €0.1 million in the fourth quarter of 2016, decreased to a net loss of €13.0 million in the full year ended December 31, 2017, compared to €51.4 million for the same period in 2016.

- Adjusted EBITDA was a loss of €8.7 million in the fourth quarter of 2017, compared to positive adjusted EBITDA of €11.9 million in the fourth quarter of 2016, and positive adjusted EBITDA of €6.7 million in the full year ended December 31, 2017, compared to €28.2 million in the full year ended December 31, 2016.

Operational Highlights

- In 2017, the hotel search platform exceeded € 1 billion in annual revenue for the first time in company history.

- After the technical integration of HomeAway, we saw alternative accommodation inventory expand to over 250,000, increasing our offering and choice for users.

- We saw a strong increase in other revenues, driven by the increase in hoteliers engaging directly with our platform through Hotel Manager Pro subscriptions.

- We optimized our back-end structure to accelerate future product improvements.

- We continued to make improvements to our marketplace, including the relevance assessment, which focuses on the quality of users' experience after clicking out to an advertiser from our website.

- We began the roll out of our new attribution model to optimize our performance marketing investment mix by focusing less on revenue per session and more on the end-to-end booking value of the user that is generated through our platform.

- A new leadership framework was initiated to reinforce core leadership roles and drive operational excellence.

Düsseldorf - February 7, 2018 - trivago N.V. (NASDAQ: TRVG) announced financial results today for the fourth quarter ended December 31, 2017, its first full year results as a NASDAQ-listed company.

Revenue and qualified referral increased

Total revenue increased to €1,035.4 million in the full year ended December 31, 2017 compared to €754.2 million for the same period in 2016, representing a 37% increase year-over-year. This is in line with previously-stated guidance and driven by an increase in advertising spend and a higher brand awareness in most markets.

Fourth quarter revenue increased 7% year-over-year to €181.5 million, compared to €169.2 million in the fourth quarter of 2016.

In the fourth quarter of 2017, our revenue share from mobile websites and apps continued to exceed 60%. Qualified referrals increased to 727.1 million during the full year ended December 31, 2017 compared to 535.3 million for the same period in 2016, or 36% year-over-year. Split by segment, this represents a growth rate of 36%, 16% and 75% in Americas, Developed Europe and Rest of World (RoW), respectively. The growth rates are primarily the result of an increased awareness of the brand and continued strong TV advertising spend as well as an increase in performance marketing spend in the first half of 2017. In the first half of 2017, we benefitted from the positive revenue effects of the relevance assessment on our marketplace that reversed in the second half and led (amongst other reasons) to a slow-down in the year-over-year growth rates in the second half of 2017.

Qualified Referrals were also up quarter-on-quarter, increasing by 17.1 million to 139.3 million in the fourth quarter of 2017, compared to 122.2 million in the fourth quarter of 2016.

Narrowed net loss

We narrowed our net loss to €13.0 million in the full year ended December 31, 2017, compared to a net loss of €51.4 million for the same period in 2016 due to a significant decrease in share-based compensation expense. Adjusted EBITDA was €6.7 million in the full year ended December 31, 2017, compared to €28.2 million in the full year ended December 31, 2016. Adjusted EBITDA was a loss of €8.7 million in the fourth quarter of 2017, compared to €11.9 million in the fourth quarter of 2016. Adjusted EBITDA was negatively impacted by lower levels of commercialization on our platform, increased advertiser testing activities in the second half of 2017 as well as an increase in advertising spend.

Rest of World drives referral revenue, but volatility remains

Referral revenue for the full year ended December 31, 2017 increased significantly year-over-year in Americas and Developed Europe respectively. The Rest of World segment saw the most growth year-over-year, with an increase of 84%.

These increases were due to strong advertising spend and the positive revenue effect during the first half of 2017 from the introduction of the relevance assessment, which is an adjustment to advertisers' cost-per-click bids in our marketplace auction process based on our assessment of the quality of users' experience after leaving the website.

Referral Revenue in the fourth quarter of 2017 increased to €65.8 million and €41.5 million in Americas and Rest of World (RoW), or by 5% and 35%, respectively, while it decreased to €69.9 million, or by 4%, in Developed Europe, as compared to the same period in 2016. Growth rates in Americas and Rest of World decelerated as compared to the previous quarter as we experienced a reduction in the levels of commercialization on our platform. We define commercialization as our share of the estimated booking revenues generated by our advertisers from our referrals. Increased volatility on our marketplace due to significant testing activities by our largest advertisers contributed to lower levels of commercialization. In Developed Europe, the impact of lower levels of commercialization and testing activities of our largest advertisers, was more pronounced, contributing to a decline in Referral Revenue. A significant slowdown in our advertising spend growth also negatively impacted Referral Revenue growth in Developed Europe.

Foreign exchange rate effects in the fourth quarter of 2017, in particular the relative weakening of the U.S. dollar and a number of other currencies in the Asia Pacific region to the euro, coupled with a significant slowdown in growth in advertising spend in response to slower revenue growth, also negatively impacted Referral Revenue growth in Americas and RoW.

Alternative accommodation integration

After the technical integration of HomeAway, we are now offering an alternative accommodation inventory of over 250,000, expanding the offering of the platform, and choice for users.

Other Revenue grew by 59% and 81% in the fourth quarter and in the full year ended December 31, 2017, respectively, as compared to the same periods in 2016. These increases were primarily driven by an increase in the number of Hotel Manager Pro subscriptions for which we receive a fee.

Rolf Schrömgens, CEO and Founder, said: "The past year has been focused on building a solid foundation that we can use to execute our vision of building the best product for our users, and to further strengthen trust in our brand. We finished the year in line with our previously stated guidance, and due in part to marketplace volatility, gained tremendous learnings along the way. Having significantly increased our brand awareness, optimized our back-end structures and broadened our offering to include alternative accommodation over the course of the year, we believe we are now in the strong position to move forward."

For more details, refer to our fourth-quarter report, which is available on the Securities and Exchange Commission's website (http://www.sec.gov).

For additional information and a media presentation summarizing the results, refer to our investor website (ir.trivago.com).

About trivago N.V.

trivago N.V. (NASDAQ: TRVG) is a global hotel search platform. We are focused on reshaping the way travelers search for and compare hotels, while enabling hotel advertisers to grow their businesses by providing access to a broad audience of travelers via our websites and apps. Our platform allows travelers to make informed decisions by personalizing their hotel search and providing access to a deep supply of hotel information and prices.

QR: We define a qualified referral as a unique visitor per day that generates at least one referral. For example, if a single visitor clicks on multiple hotel offers in our search results in a given day, they count as multiple referrals, but as only one qualified referral.

RPQR: We use average revenue per qualified referral, to measure how effectively we convert qualified referrals to revenue. RPQR is calculated as referral revenue divided by the total number of qualified referrals in a given period.

Referral Revenue: We use the term "referral" to describe each time a visitor to one of our websites or apps clicks on a hotel offer in our search results and is referred to one of our advertisers. We charge our advertisers for each referral on a cost-per-click (CPC) basis.

Definitions of Non-GAAP Measures

Adjusted EBITDA:

We define adjusted EBITDA as net income (loss) plus:

1. provision (benefit) for income taxes,
2. total other (income) expense, net,
3. depreciation of property and equipment, including amortization of internal use software and website development
4. amortization of intangible assets, and
5. share-based compensation

Adjusted EBITDA is a non-GAAP financial measure. A "non-GAAP financial measure" refers to a numerical measure of a company's historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with U.S. GAAP in such company's financial statements. We present this non-GAAP financial measure because it is used by management to evaluate our operating performance, formulate business plans, and make strategic decisions on capital allocation. We also believe that this non-GAAP financial measure provides useful information to investors and others in understanding and evaluating our operating performance and consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods. Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with U.S. GAAP, including net loss. Some of these limitations are:

· Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

· Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

· Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and

· Other companies, including companies in our own industry, may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Tabular Reconciliations for Non-GAAP Measures

Adjusted EBITDA (Adjusted Earnings Before Interest, Taxes, Depreciation & Amortization)

	Three months ended December 31,		Full year ended December 31,	
	2017	2016	2017	2016
(€ millions)				
Net income (loss)	(9.6)	0.1	(13.0)	(51.4)
Provision (benefit) for income taxes	(3.5)	5.1	(4.8)	6.7
Income (loss) before income taxes	(13.1)	5.2	(17.8)	(44.7)
Add/(less):				
Interest expense	0.0	0.0	0.0	0.1
Gain on deconsolidation of subsidiaries	(2.0)	-	(2.0)	-
Other, net	(0.5)	0.7	(0.6)	0.1
Operating income	(15.6)	5.9	(20.4)	(44.4)
Depreciation	2.8	1.8	7.8	5.1
Amortization of intangible assets	0.4	2.5	3.2	13.9
EBITDA	(12.4)	10.2	(9.3)	(25.5)
Share-based compensation	3.7	1.7	16.0	53.7

Adjusted EBITDA	(8.7)	11.9	6.7	28.2

Note: Some figures may not add due to rounding.

Conference Call

trivago N.V. will webcast a conference call to discuss fourth quarter and full year 2017 financial results and certain forward-looking information on Wednesday, February 7, 2018 at 8:00 a.m. Eastern Time (ET). The webcast will be open to the public and available via http://ir.trivago.com. trivago N.V. expects to maintain access to the webcast on the IR website for at least three months subsequent to the initial broadcast.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance. These forward-looking statements are based on management's expectations as of February 7, 2018 and assumptions which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as "intend" and "expect," among others, generally identify forward-looking statements. However, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements and may include statements relating to future revenue, expenses, margins, profitability, net income / (loss), earnings per share and other measures of results of operations and the prospects for future growth of trivago N.V.'s business.

Actual results and the timing and outcome of events may differ materially from those expressed or implied in the forward-looking statements for a variety of reasons, including, among others:

- any reduction in spending or any change in bidding strategy by one or more of our largest advertisers;

- our ability to return to a growth trajectory as our business matures;

- our ability to increase advertiser diversity on our market;

- the success of measures we are implementing aimed at maximizing the life-time value of the user, including the "attribution model" with respect to the allocation of performance marketing advertising spend;

- global political and economic instability and other events beyond our control;

- increasing competition and consolidation in our industry;

- our advertiser concentration;

- our ability to maintain and increase our brand awareness;

- our ability to maintain and/or expand relationships with, and develop new relationships with, hotel chains and independent hotels as well as OTAs;

- our reliance on search engines, which may change their algorithms;

- any inaccuracies in, or misinterpretation of, the assumptions and estimates and data we use to make decisions about our business;

- the potential development and impact on us of legal and regulatory proceedings to which we are or may become subject

- our reliance on technology;

- our material weakness in our internal control over financial reporting and our ability to establish and maintain an effective system of internal control over financial reporting;

- our ability to attract, train and retain executives and other qualified employees; and

- our entrepreneurial culture and decentralized decision making;

as well as other risks and uncertainties detailed in our public filings with the SEC, including trivago's annual report on Form 20-F for the year ended December 31, 2016. Except as required by law, we undertake no obligation to update any forward-looking or other statements in this release, whether as a result of new information, future events or otherwise.

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