



Posting record double-digit net income, trivago returns to profitability in Q3 2018

October 24, 2018

Financial Highlights

- In the third quarter of 2018, we returned to profitability as we reduced our Advertising Spend to adapt to the changing dynamics on our marketplace.
- Net income in the third quarter of 2018 was €10.1 million, compared to a net loss of €7.7 million in the third quarter of 2017. Net loss in the nine months ended September 30, 2018 was €32.5 million, compared to net loss of €3.5 million for the same period in 2017.
- Adjusted EBITDA was €26.6 million in the third quarter of 2018, compared to an Adjusted EBITDA loss of €7.1 million in the third quarter of 2017. For the nine months ended September 30, 2018, Adjusted EBITDA was a loss of €13.0 million, compared to Adjusted EBITDA of €15.3 million for the same period in 2017.
- Consolidated ROAS improved to 135.9% in the third quarter of 2018 and to 116.8% in the nine months ended September 30, 2018, respectively, compared to 110.9% and 114.7% in the same periods in 2017.
- While our shift in focus to profitability resulted in improvements in our Return on Advertising Spend ("ROAS") in the third quarter of 2018, it also resulted in a decline in revenue and Qualified Referrals as compared to the same period in 2017.
- Total revenue decreased to €253.7 million in the third quarter of 2018, representing a decline of 12% year-over-year, compared to €287.9 million in the same period in 2017. Total revenue decreased to €748.0 million in the nine months ended September 30, 2018 compared to €853.8 million for the same period in 2017, representing a 12% decline period-over-period.
- The number of Qualified Referrals decreased to 189.1 million in the third quarter of 2018, or by 12%, compared to 214.2 million in the third quarter of 2017. The number of Qualified Referrals decreased to 555.6 million in the nine months ended September 30, 2018, compared to 587.8 million for the same period in 2017, or by 5% period-over-period.
- Reflecting our performance in the third quarter of 2018, we increased our profitability guidance for 2018. We now expect Adjusted EBITDA for 2018 to be between nil and €(10) million.

Operational Highlights

- As of September 30, 2018, we achieved a significant milestone in our on-boarding effort of alternative accommodation providers, offering over 1.0 million units of alternative accommodation, such as vacation rentals and private apartments.
- After consolidating our core infrastructure, we are focusing on user experience innovation having launched our new app on both Android and iOS which features a redesigned user interface, improved functionalities and an increased focus on in-app content.
- Our revenue share from mobile websites and apps continued to exceed 60%.
- We believe our attribution model and product optimization measures have contributed to continuous improvement in our referred traffic quality, which would have had a positive effect on our referral revenues and revenue per qualified referrals, or RPQR.
- We were able to improve the quality of the traffic that we referred to our advertisers, particularly in Developed Europe and RoW, which was evident in the development of Revenue per Qualified Referral (RPQR) in those segments in the third quarter of 2018.
- We continued to experience lower levels of commercialization as our largest advertisers appeared to have increased their return on investment targets for their spend on our marketplace compared to the same period in 2017.

Rolf Schrömgens, CEO and Founder, "This quarter we continued to focus on our core principles and what has made us successful by optimizing our marketing, improving our traffic quality and putting our users at the center of the experience. We believe we've done just that."

Axel Hefer, CFO, "Our aim was to return to profitability in a sustainable way by reducing inefficiencies and getting the business back on track. We believe we are now well-positioned moving forward and have adjusted our guidance to reflect our improved outlook."

Financial Summary & Operating Metrics (€ millions, unless otherwise stated)

Three months ended September 30,

Nine months ended September 30,

	2018	2017	Δ Y/Y		2018	2017	Δ Y/Y		
Total Revenue	253.7	287.9	(12	)%	748.0	853.8	(12)%	
Qualified Referrals (in millions)	189.1	214.2	(12	)%	555.6	587.8	(5)%	
Revenue per Qualified Referral (in €)	1.32	1.32	0	%	1.33	1.43	(7)%	
Operating income/(loss)	17.9	(14.3)	n.m.	(38.0)	(4.8)	n.m.
Net income/(loss)	10.1	(7.7)	n.m.	(32.5)	(3.5)	n.m.
Net income/(loss) attributable to trivago N.V.	10.1	(5.9)	n.m.	(32.5)	(2.9)	n.m.
Return on Advertising Spend	135.9	% 110.9	%	25.0 ppts	116.8	% 114.7	%	2.1 ppts	
Adjusted EBITDA ⁽¹⁾	26.6	(7.1	)	n.m.	(13.0	)	15.3	n.m.

n.m. not meaningful

⁽¹⁾ "Adjusted EBITDA" (Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization, and Share Based Compensation) is a non-GAAP measure. Please see "Definitions of Non-GAAP Measures" and "Tabular Reconciliations for Non-GAAP Measures" for explanations and reconciliations of non-GAAP measures used throughout this release.

About trivago

trivago is a leading global hotel search platform focused on reshaping the way travelers search for and compare hotels and alternative accommodations. Incorporated in 2005 in Düsseldorf, Germany, the platform allows travelers to make informed decisions by personalizing their hotel search and providing them access to a deep supply of hotel information and prices. trivago enables its advertisers to grow their businesses by providing access to a broad audience of travelers via its websites and apps. As of September 30, 2018, trivago has established 55 localized platforms connected to over two and a half million hotels and alternative accommodations, in over 190 countries.

For more information, trivago's earnings releases and other financial information are available at ir.trivago.com and visit company.trivago.com/press for all corporate news.

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For more details, refer to our Q3 report, which is available on the Securities and Exchange Commission's website (<http://www.sec.gov>).

Conference Call

trivago N.V. will webcast a conference call to discuss third quarter 2018 financial results and certain forward-looking information on Wednesday, October 24, 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 provide access to the webcast on the IR website for at least three months subsequent to the initial broadcast.

Notes & Definitions:

Current Ratio: The current ratio is used to measure the company's ability to pay off its short-term liabilities with its current assets and is an important measure of liquidity. The current ratio is calculated by dividing the company's total current assets by the company's total current liabilities.

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 or advertisement 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.

ROAS: The ratio of our referral revenue to our advertising spend in a given period, or **return on Advertising Spend**. We invest in multiple marketing channels, such as: TV; out-of-home advertising; search engine marketing; display advertising campaigns on advertising networks, affiliate websites, social networking sites and email marketing; online video; mobile app marketing and content marketing.

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.

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.

Definitions of Non-GAAP Measures

Adjusted EBITDA:

We define adjusted EBITDA as net income (loss):

1. Less: income/(loss) from equity method investment
2. Plus: expense/(benefit) for income taxes,
3. Plus: total other (income)/expense, net,
4. Plus: depreciation of property and equipment, including amortization of internal use software and website development
5. Plus: amortization of intangible assets, and
6. Plus: 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.

The Company is not able to provide a reconciliation of this adjusted EBITDA guidance to net income/(loss), the comparable GAAP measure, because certain items that are excluded from adjusted EBITDA cannot be reasonably predicted or are not in our control. In particular, it is unable to forecast the timing or magnitude of share-based compensation, interest, taxes, depreciation and amortization without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, net income/(loss) in the future.

Tabular Reconciliations for Non-GAAP Measures

Adjusted EBITDA (Adjusted Earnings Before Interest, Taxes, Depreciation & Amortization and Share Based Compensation) (€ millions)

	Three months ended September 30,		Nine months ended September 30,					
2018		2017	2018	2017				
Net income/(loss)	€	10.1	€	(7.7)	€	(32.5)	€	(3.5)
Income from equity method investment		0.1		0.0		0.0		0.0
Income/(loss) before equity method investment	€	10.0	€	(7.7)	€	(32.5)	€	(3.5)
Expense/(benefit) for income taxes		7.1		(6.3)		(6.8)		(1.3)
Income/(loss) before income taxes	€	17.1	€	(14.0)	€	(39.3)	€	(4.7)
Add/(less):								
Interest expense		0.7		0.0		1.0		0.0
Other, net		0.1		(0.3)		0.4		(0.1)
Operating income/(loss)	€	17.9	€	(14.3)	€	(38.0)	€	(4.8)
Depreciation		3.0		1.9		8.5		5.0
Amortization of intangible assets		0.4		0.4		1.3		2.8
EBITDA	€	21.2	€	(12.0)	€	(28.2)	€	3.0
Share-based compensation		5.4		4.9		15.2		12.3
Adjusted EBITDA	€	26.6	€	(7.1)	€	(13.0)	€	15.3

Note: Some figures may not add due to rounding.

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 October 24, 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 and the effect of these changes on our profitability and revenue levels;
- the extent to which our advertisers prioritize profitability over traffic growth;
- our ability to be profitable in future quarters and 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 as we reduce our Advertising Spend;
- 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 ability to establish and maintain an effective system of internal control over financial reporting and avoid any future material weakness;
- 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 fiscal year ended December 31, 2017 as such risks and uncertainties may be updated from time to time. 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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