UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36603

LIBERTY TRIPADVISOR HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**46-3337365**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12300 Liberty Boulevard, Englewood, Colorado 80112
(Address, including zip code, of Registrant's principal executive offices)

Registrant's telephone number, including area code: **(720) 875-5200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

The number of outstanding shares of Liberty TripAdvisor Holdings, Inc. common stock as of October 31, 2018 was:

	Series A	Series B
Liberty TripAdvisor Holdings, Inc. common stock	72,130,278	2,929,777

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Part I – Financial Information

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2018	December 31, 2017
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 681	695
Accounts receivable and contract assets, net of allowance for doubtful accounts of $19 million and $16 million, respectively	237	230
Other current assets	27	120
Total current assets	945	1,045
Property and equipment, at cost	232	226
Accumulated depreciation	(76)	(61)
	156	165
Intangible assets not subject to amortization:		
Goodwill	2,447	2,445
Trademarks	1,268	1,272
	3,715	3,717
Intangible assets subject to amortization, net	334	382
Other assets, at cost, net of accumulated amortization	115	175
Total assets	$ 5,265	5,484

(continued)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

		September 30, 2018	December 31, 2017
		amounts in millions	
Liabilities and Equity			
Current liabilities:			
Deferred merchant and other payables	$	226	164
Accrued liabilities		140	135
Current portion of debt (note 6)		217	7
Deferred revenue		73	60
Other current liabilities		15	6
Total current liabilities		671	372
Long-term debt (note 6)		267	704
Deferred income tax liabilities		325	332
Other liabilities		277	323
Total liabilities		1,540	1,731
Equity:			
Preferred stock, $.01 par value. Authorized shares 50,000,000; no shares issued.		—	—
Series A common stock, $.01 par value. Authorized 200,000,000 shares; issued and outstanding 72,130,128 shares at September 30, 2018 and 72,127,285 at December 31, 2017		1	1
Series B common stock, $.01 par value. Authorized shares 7,500,000; issued and outstanding 2,929,777 shares at September 30, 2018 and December 31, 2017		—	—
Series C common stock, $.01 par value. Authorized 200,000,000 shares; no shares issued.		—	—
Additional paid-in capital		231	250
Accumulated other comprehensive earnings (loss), net of taxes		(27)	(23)
Retained earnings		141	196
Total stockholders' equity		346	424
Noncontrolling interests in equity of subsidiaries		3,379	3,329
Total equity		3,725	3,753
Commitments and contingencies (note 7)			
Total liabilities and equity	$	5,265	5,484

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	amounts in millions, except per share amounts			
Service revenue	$ 458	439	1,269	1,235
Other revenue	—	—	—	13
Total revenue, net	458	439	1,269	1,248
Operating costs and expenses:				
Operating expense, including stock-based compensation (note 3)	95	80	274	256
Selling, general and administrative, including stock-based compensation (note 3)	249	293	758	809
Depreciation and amortization	38	50	118	161
	382	423	1,150	1,226
Operating income (loss)	76	16	119	22
Other income (expense):				
Interest expense	(8)	(6)	(20)	(18)
Realized and unrealized gains (losses) on financial instruments, net	9	(9)	(56)	10
Gain (loss) on dispositions, net (note 1)	—	—	—	(18)
Other, net	1	(1)	2	2
	2	(16)	(74)	(24)
Earnings (loss) before income taxes	78	—	45	(2)
Income tax (expense) benefit	(21)	(7)	(45)	(21)
Net earnings (loss)	57	(7)	—	(23)
Less net earnings (loss) attributable to noncontrolling interests	43	6	56	5
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	$ 14	(13)	(56)	(28)
Basic net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 4):	$ 0.19	(0.17)	(0.75)	(0.37)
Diluted net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 4):	$ 0.19	(0.17)	(0.75)	(0.37)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Net earnings (loss)	$ 57	(7)	—	(23)
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(10)	17	(19)	52
Other comprehensive earnings (loss)	(10)	17	(19)	52
Comprehensive earnings (loss)	47	10	(19)	29
Less comprehensive earnings (loss) attributable to the noncontrolling interests	35	19	41	45
Comprehensive earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	$ 12	(9)	(60)	(16)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ —	(23)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Depreciation and amortization	118	161
Stock-based compensation	94	77
(Gain) loss on dispositions, net	—	18
Realized and unrealized (gains) losses on financial instruments, net	56	(10)
Deferred income tax expense (benefit)	(9)	(32)
Other noncash charges (credits), net	8	8
Changes in operating assets and liabilities		
Current and other assets	25	(63)
Payables and other liabilities	78	66
Net cash provided (used) by operating activities	370	202
Cash flows from investing activities:		
Capital expended for property and equipment, including internal-use software and website development	(45)	(51)
Purchases of short term investments and other marketable securities	(1)	(16)
Sales and maturities of short term investments and other marketable securities	64	130
Other investing activities, net	(36)	(6)
Net cash provided (used) by investing activities	(18)	57
Cash flows from financing activities:		
Borrowings of debt	7	415
Repayments of debt	(245)	(314)
Shares repurchased by subsidiary	(100)	(250)
Payment of withholding taxes on net share settlements of equity awards	(19)	(15)
Other financing activities, net	3	2
Net cash provided (used) by financing activities	(354)	(162)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	(12)	17
Net increase (decrease) in cash, cash equivalents and restricted cash	(14)	114
Cash, cash equivalents and restricted cash at beginning of period	695	659
Cash, cash equivalents and restricted cash at end of period	$ 681	773

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Condensed Consolidated Statement of Equity

Nine months ended September 30, 2018

(unaudited)

	Stockholders' equity								
	Preferred Stock	Common Stock Series A	Common Stock Series B	Common Stock Series C	Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Retained earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	amounts in millions								
Balance at January 1, 2018	$ —	1	—	—	250	(23)	196	3,329	3,753
Net earnings (loss)	—	—	—	—	—	—	(56)	56	—
Other comprehensive earnings (loss)	—	—	—	—	—	(4)	—	(15)	(19)
Stock-based compensation	—	—	—	—	27	—	—	77	104
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(19)	—	—	—	(19)
Shares issued by subsidiary	—	—	—	—	(6)	—	—	9	3
Shares repurchased by subsidiary	—	—	—	—	(20)	—	—	(80)	(100)
Cumulative effect of accounting change (note 2)	—	—	—	—	—	—	1	3	4
Other, net	—	—	—	—	(1)	—	—	—	(1)
Balance at September 30, 2018	$ —	1	—	—	231	(27)	141	3,379	3,725

See accompanying notes to condensed consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

During October 2013, the Board of Directors of Liberty Interactive Corporation and its subsidiaries ("Liberty") (subsequently renamed Qurate Retail, Inc. ("Qurate Retail")) authorized a plan to distribute to the stockholders of Liberty's then-outstanding Liberty Ventures common stock shares of a wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. ("TripCo," "Consolidated TripCo," the "Company," "we," "our" or "us," unless the context otherwise requires) (the "TripCo Spin-Off"). TripCo does not have any operations outside of its controlling interest in its subsidiary TripAdvisor, Inc. ("TripAdvisor") and its former wholly owned subsidiary, BuySeasons, Inc. ("BuySeasons"). TripCo sold its ownership in BuySeasons effective June 30, 2017. The TripCo Spin-Off was completed on August 27, 2014 and effected as a pro-rata dividend of shares of TripCo to the stockholders of Series A and Series B Liberty Ventures common stock of Liberty. The TripCo Spin-Off was accounted for at historical cost due to the pro rata nature of the distribution to stockholders of Liberty Ventures common stock. TripAdvisor's financial performance tends to be seasonally highest in the second and third quarters of a year, as it is a key period for leisure travel research and trip-taking, which includes the seasonal peak in traveler hotel and rental stays, and tours and experiences taken, compared to the first and fourth quarters, which represent seasonal low points.

On June 30, 2017, TripCo sold BuySeasons. The sale resulted in an $18 million loss, which is included in Gain (loss) on dispositions, net in the accompanying condensed consolidated statement of operations. BuySeasons is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on TripCo's operations and financial results. Included in other revenue in the accompanying condensed consolidated statements of operations is $13 million for the nine months ended September 30, 2017, related to BuySeasons. Included in net earnings (loss) in the accompanying condensed consolidated statements of operations is a loss of $1 million for the nine months ended September 30, 2017, related to BuySeasons.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2017, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with the current period presentation. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2017 as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) recognition and recoverability of goodwill, intangible and long-lived assets and (ii) accounting for income taxes to be its most significant estimates.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted in December 2017. The Tax Act significantly changed U.S. tax law by, among other things, lowering U.S. corporate income tax rate, implementing a territorial tax system and imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. In the prior year, we recognized the provisional tax impacts related to the one-time transition tax and the revaluation of deferred tax balances and included these estimates in our consolidated financial statements for the year ended December 31, 2017. During both the three and nine months ended September 30, 2018, we recorded a $2 million income tax expense for the transition tax, reflecting additional information obtained related to uncertain tax positions, earnings and profits, foreign tax credits and state taxes. We are still in the process of analyzing the impact of the various provisions of the Tax Act. The ultimate impact may materially differ from these provisional amounts due to, among other things, continued analysis of the estimates and further guidance and interpretations on the application of the law. We expect to complete our analysis by December 2018.

Spin-Off of TripCo from Liberty

Following the TripCo Spin-Off, Qurate Retail and TripCo operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the TripCo Spin-Off, TripCo entered into certain agreements, including the reorganization agreement, the services agreement, the facilities sharing agreement and the tax sharing agreement, with Liberty and/or Liberty Media Corporation ("Liberty Media") (or certain of their subsidiaries) in order to govern certain of the ongoing relationships between the companies after the TripCo Spin-Off and to provide for an orderly transition.

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the TripCo Spin-Off, certain conditions to the TripCo Spin-Off and provisions governing the relationship between TripCo and Qurate Retail with respect to and resulting from the TripCo Spin-Off.

Pursuant to the services agreement, Liberty Media provides TripCo with general and administrative services including legal, tax, accounting, treasury and investor relations support. TripCo reimburses Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and TripCo pays a services fee to Liberty Media under the services agreement that is subject to adjustment semi-annually, as necessary.

Under the facilities sharing agreement, TripCo shares office space with Liberty Media and related amenities at Liberty Media's corporate headquarters in Englewood, Colorado.

The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Qurate Retail and TripCo and other agreements related to tax matters. Pursuant to the tax sharing agreement, TripCo has agreed to indemnify Qurate Retail, subject to certain limited exceptions, for losses and taxes resulting from the TripCo Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by TripCo (applicable to actions or failures to act by TripCo and its subsidiaries following the completion of the TripCo Spin-Off).

Under these agreements, approximately $1 million was reimbursable to Liberty Media for both of the three months ended September 30, 2018 and 2017, and approximately $2 million was reimbursable to Liberty Media for both of the nine month periods ended September 30, 2018 and 2017.

(2) Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications, which will reduce diversity in practice. Under the new guidance, an entity will not apply modification accounting to a share-based payment award if the award's fair value (or calculated value or intrinsic value, if those measurement methods are used), the award's vesting conditions, and the award's classification as an equity or liability instrument are the same immediately before and after the change. The guidance also states that an entity is not required to estimate the value of the award immediately before and after the change if the change does not affect any of the inputs to the model used to value the award. The Company adopted this guidance prospectively in the first quarter of 2018. The Company believes the new guidance will likely result in fewer changes to the terms of an award being accounted for as modifications.

In August and November 2016, the FASB issued new accounting standards which add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows, and add guidance on the presentation of restricted cash in the statement of cash flows, respectively. This new guidance requires entities to show changes in cash, cash equivalents and restricted cash on a combined basis in the statement of cash flows. In addition, this accounting guidance requires a reconciliation of the total cash, cash equivalent and restricted cash in the statement of cash flows to the related captions in the balance sheet if cash, cash equivalents and restricted cash are presented in more than one line item in the balance sheet. The Company adopted this guidance effective January 1, 2018 and applied it retrospectively to all prior periods presented in the financial statements as required under the new guidance. The Company does not currently have material amounts described as restricted cash; however, the Company's consolidated statement of cash flows for the year ended December 31, 2016 has been recast to present $5 million of restricted cash as beginning of period cash and cash equivalents. This amount was included in other current assets as of December 31, 2016.

In October 2016, the FASB issued new accounting guidance on income tax accounting associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted this new guidance in the first quarter of 2018 on a modified retrospective basis. The adoption of this guidance did not have a material impact on the Company's financial statements.

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers, or ASC 606,*Revenue from Contracts with Customers* ("ASC 606"), which replaced numerous requirements in GAAP, and provides companies with a single model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In addition, the FASB has also issued several amendments to the standard, which clarifies certain aspects of the guidance, including principal versus agent considerations and identifying performance obligations.

In the first quarter of 2018, the Company adopted ASC 606 under the modified retrospective method for all contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the previous accounting policies under the historical revenue guidance, or ASC 605, *Revenue Recognition*.

As a result of adoption of ASC 606, certain revenue streams, such as the instant booking revenue, recorded under the consumption model, which was previously recorded upon completion of the traveler stay, is now recognized upon booking. The amount of the recognized transaction price for the commission is recorded as revenue, net of the impact of estimated cancellations. TripAdvisor also recorded an adjustment to capitalize certain costs to obtain contracts for existing arrangements as of the implementation date. TripAdvisor expects the adoption of this new revenue standard will not have a material impact, either on an annual or quarterly basis, to its consolidated financial statements on an ongoing basis. Its systems and internal controls were not significantly impacted as a result of the accounting changes and TripAdvisor has

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

made the necessary changes to its accounting policies and internal processes to support the new revenue recognition standard, including the related disclosures.

TripAdvisor recognized the cumulative effect of initial application of ASC 606 as an adjustment to the opening balance of retained earnings. TripAdvisor recorded a net increase in opening retained earnings of $4 million as of January 1, 2018 due to the cumulative impact of adoption of the new revenue guidance, resulting in a $1 million increase in TripCo's opening retained earnings and $3 million increase in TripCo's noncontrolling interest in equity of subsidiaries as of January 1, 2018. All other accounts were not materially impacted.

Revenue Recognition under ASC 606

TripAdvisor generates all of its revenue from contracts with customers. It recognizes revenue when it satisfies a performance obligation by transferring control of the promised services to a customer in an amount that reflects the consideration that it expects to receive in exchange for those services. When TripAdvisor acts as an agent in the transaction under ASC 606, it recognizes revenue for only its commission on the arrangement. TripAdvisor determines revenue recognition through the following steps:

(1) Identification of the contract, or contracts, with a customer
(2) Identification of the performance obligations in the contract
(3) Determination of the transaction price
(4) Allocation of the transaction price to the performance obligations in the contract
(5) Recognition of revenue when, or as, TripAdvisor satisfies a performance obligation

At contract inception, TripAdvisor assesses the services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations, TripAdvisor considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. TripAdvisor has provided qualitative information about its performance obligations for its principal revenue streams discussed below. There was no significant revenue recognized in the three and nine months ended September 30, 2018 related to performance obligations satisfied in prior periods. TripAdvisor has applied a practical expedient and does not disclose the value of unsatisfied performance obligations that have an original expected duration of less than one year, and TripAdvisor does not have any material unsatisfied performance obligations over one year. The value related to TripAdvisor's remaining or partially satisfied performance obligations relates to subscription services that are satisfied over time or services that are recognized at a point in time, but not yet achieved. The timing of services, invoicing and payments are discussed in more detail below and do not include a significant financing component. TripAdvisor's customer invoices are generally due 30 days from the time of invoicing.

TripAdvisor recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. Although the substantial majority of its contract costs have an amortization period of less than one year, TripAdvisor has determined contract costs arising from certain sales incentives have an amortization period in excess of one year given the high likelihood of contract renewal. Sales incentives are not paid upon renewal of these contracts and therefore are not commensurate with the initial sales incentive costs. Total capitalized costs to obtain a contract were approximately $1 million as of September 30, 2018. These contract costs are amortized on a straight-line basis over the estimated customer life, which is based on historical customer retention rates. Amortization expense recorded to selling, general and administrative expense during the three and nine months ended September 30, 2018 was not material. TripAdvisor assesses such assets for impairment when events or circumstances indicate that the carrying amount may not be recoverable.

The recognition of revenue may require the application of judgment related to the determination of the performance obligations, the timing of when the performance obligations are satisfied and other areas. The determination of

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

TripAdvisor's performance obligations does not require significant judgment given that it generally does not provide multiple services to a customer in a transaction, and the point in which control is transferred to the customer is readily determinable. In instances where TripAdvisor recognizes revenue over time, it generally has either a subscription service that is recognized over time on a straight-line basis using the time-elapsed output method, or based on other output measures that provide a faithful depiction of the transfer of TripAdvisor's services. When an estimate for cancellations is included in the transaction price, the estimate is based on historical cancellation rates. There have been no significant adjustments to TripAdvisor's cancellation estimates and is not material. Taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue–producing transaction, that are collected by TripAdvisor from a customer, are reported on a net basis, or in other words, excluded from revenue on its consolidated financial statements, which is consistent with prior periods. The application of TripAdvisor's revenue recognition policies and a description of the principal activities, organized by segment, from which it generates revenue, are presented below.

Hotels

TripAdvisor-branded Click-based Advertising and Transaction Revenue. TripAdvisor's largest source of Hotel revenue is generated from click-based advertising on TripAdvisor-branded websites, which is primarily comprised of contextually-relevant booking links to its travel partners' sites. TripAdvisor's click-based travel partners are predominantly online travel agencies, or OTAs, and direct suppliers in the hotel category. Click-based advertising is generally priced on a cost-per-click, or "CPC," basis, with payments from advertisers determined by the number of users who click on a link multiplied by the price that partner is willing to pay for that click, or hotel shopper lead. CPC rates that travel partners are willing to pay are determined in a dynamic, competitive auction process, or metasearch auction. TripAdvisor records click-based advertising revenue as the click occurs and traveler leads are sent to the travel partner websites as the performance obligation is fulfilled at that time. Click-based revenue is generally billed to travel partners on a monthly basis consistent with the timing of the service.

Transaction revenue is generated from TripAdvisor's instant booking feature, which enables hotel shoppers to book directly with a travel partner, or the merchant of record, without leaving TripAdvisor's website. TripAdvisor earns a commission from its travel partner for a user that completes a hotel reservation on TripAdvisor's website. TripAdvisor's instant booking revenue includes (i) arrangements where commissions are billable on all instant booking hotel reservations; and (ii) arrangements where the commission is billable only upon the completion of the traveler's stay resulting from the reservation. The travel partner provides the service to the traveler and TripAdvisor acts as an agent under ASC 606. TripAdvisor's performance obligation in both arrangements is complete at the time of the booking and the commission earned is recognized upon booking, as TripAdvisor has no post-booking service obligations. The amount of revenue recognized for commissions which are billable contingent upon a traveler stay requires an estimate of the impact of cancellations using historical cancellation rates. Contract assets are recognized at the time of booking for commissions that are billable at the time of stay.

TripAdvisor-branded Display-based Advertising and Subscription Revenue. Travel partners can promote their brands in a contextually-relevant manner through a variety of display-based advertising placements on TripAdvisor websites. TripAdvisor's display-based advertising clients are predominately direct suppliers of hotels, airlines and cruises, as well as destination marketing organizations. TripAdvisor also sells display-based advertising to OTAs and other travel related businesses, as well as advertisers from non-travel categories. Display-based advertising is sold predominantly on a cost per thousand impressions basis. The performance obligation in TripAdvisor's display based advertising business is to display a number of advertising impressions on TripAdvisor's websites and TripAdvisor recognizes revenue for impressions as they are delivered. Services are generally billed monthly. TripAdvisor has applied the practical expedient to measure progress toward completion, as it has the right to invoice the customer in an amount that directly corresponds with the value to the customer of TripAdvisor's performance to date, which is measured based on impressions delivered.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

In addition, TripAdvisor offers subscription-based advertising to hotels, B&Bs and other specialty lodging properties. TripAdvisor's performance obligation is generally to enable subscribers to advertise their business on TripAdvisor's website, including such information as a website URL, email address and phone number, as well as other information. Subscription advertising services are predominantly sold for a flat fee, for a contracted period of time of one year or less and revenue is recognized on a straight-line basis over the period of the subscription service as efforts are expended evenly throughout the contract period. Subscription advertising services are generally billed in advance of service. When prepayments are received, TripAdvisor recognizes deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

Other Hotel Revenue. TripAdvisor's other hotel revenue primarily includes revenue from non-TripAdvisor-branded websites, such as www.bookingbuddy.com, www.cruisecritic.com, and www.onetime.com, which primarily includes click-based advertising and display-based advertising revenue. The performance obligations and timing of customer payments for these brands and methods of recognizing revenue are generally consistent with click-based advertising or display-based advertising revenue, as described above.

Non-Hotel

TripAdvisor provides information and services for users to research, book and experience activities and attractions in popular travel destinations both through Viator, its dedicated Experiences offering, and on its TripAdvisor website and applications. TripAdvisor also powers travel activities and experiences booking capabilities to users for affiliate partners, including some of the world's top airlines, hotel chains and online and offline travel agencies. TripAdvisor works with local tour or travel activities/experiences operators ("the supplier") to provide users with access to book tours, activities and experiences ("the activity") in popular destinations worldwide. TripAdvisor generates commissions for each booking transaction facilitated through its online reservation system. TripAdvisor provides post-booking service to the user until the time of the activity, which is the completion of the performance obligation. Revenue is recognized at the time that the activity occurs. TripAdvisor does not control the activity before the supplier provides the activity to its users and therefore acts as agent for nearly all of these transactions under ASC 606. TripAdvisor generally collects payment from the user at the time of booking that includes both TripAdvisor's commission revenue and the amount due to the supplier. TripAdvisor's commission revenue is recorded as deferred revenue until revenue is recognized, and the amount due to the supplier is recorded to deferred merchant payables on the consolidated balance sheet, until payment is made to the supplier after the completion of the activity. To a lesser extent, TripAdvisor earns commissions from third-party merchant partners, who display and promote TripAdvisor's supplier activities on their websites to generate bookings. In these transactions, where TripAdvisor is not the merchant of record, TripAdvisor generally invoices and receives commissions directly from the third-party merchant partners. TripAdvisor's performance obligation is to allow the third-party merchant partners to display and promote its supplier activities on their website and TripAdvisor earns a commission when users book and complete an activity. TripAdvisor does not control the service and act as an agent for these transactions under ASC 606. TripAdvisor's performance obligation is complete and revenue is recognized at the time of the booking, as TripAdvisor has no post-booking obligations. TripAdvisor recognizes this revenue net of an estimate of the impact of cancellations using historical cancellation rates. Contract assets are recognized for commissions that are billable contingent upon completion of the activity.

TripAdvisor also provides information and services for users to research and book restaurants in popular travel destinations through its dedicated restaurant reservations offering, TheFork, and on TripAdvisor's website and applications. TheFork is an online restaurant booking platform operating on a number of websites (including www.lafourchette.com, www.eltenedor.com, www.iens.nl and www.dimmi.com.au), with a network of restaurant partners located primarily across Europe and Australia. TripAdvisor's bookable restaurants are available on www.thefork.com and on TripAdvisor-branded websites and mobile applications. TripAdvisor primarily generates transaction fees (or per seated diner fees) that are paid by restaurants for diners seated primarily from bookings through TheFork's online reservation system. The transaction fee is recognized as revenue after the reservation is fulfilled, or as diners are seated by restaurant customers. Revenue is billed monthly when the transaction fees are payable, which is at the time the diner is seated. To a lesser extent, TripAdvisor also generates subscription fees for access to certain online reservation management services and marketing analytic tools provided by TheFork and TripAdvisor. As the performance obligation is to provide restaurants with access to these services over the subscription period, subscription fee revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. Subscription fees are generally billable in advance of service. When prepayments are received, TripAdvisor recognizes deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

In addition, TripAdvisor provides information and services for users to research and book vacation and short-term rental properties, including full home rentals, condominiums, villas, beach rentals, cabins and cottages. TripAdvisor's Rentals business generates revenue primarily by offering individual property owners and managers the ability to list their properties on TripAdvisor's websites and mobile applications thereby connecting homeowners with travelers through a free-to-list, commission-based option or, to a lesser extent, by an annual subscription-based fee structure. These properties are listed on www.flipkey.com, www.holidaylettings.co.uk, www.housetrip.com, www.niumba.com, and www.vacationhomerentals.com, and on TripAdvisor-branded websites and mobile applications. TripAdvisor earns commissions associated with rental transactions through its free-to-list model from both the traveler and the property owner or manager. TripAdvisor provides post-booking service to the travelers, property owners and managers until the time the rental commences, which is the time the performance obligation is completed. Revenue from transaction fees is recognized at the time that the rental commences. TripAdvisor acts as an agent under ASC 606, in the transactions, as TripAdvisor does not control any properties before the owner provides the accomodation to the traveler and does not have inventory risk. TripAdvisor generally collects payment from the traveler at the time of booking that includes TripAdvisor's commissions, which is recorded as deferred revenue until revenue is recognized, and the amount due to the property owner, which is recorded in deferred merchant payables on the consolidated balance sheet, until payment is made to the property owner after the completion of the rental. Payments for term-based subscription fees related to online advertising services for the listing of rental properties, are generally due in advance. As the performance obligation is the listing service provided to the property owner or manager over the subscription period, revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. TripAdvisor recognizes deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

Practical Expedients and Exemptions

TripAdvisor expenses costs to obtain a contract as incurred, such as sales incentives, when the amortization period would have been one year or less.

TripAdvisor does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

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Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Impact of Adoption of ASC 606

The impact of this new revenue recognition guidance on TripCo's unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2018 was as follows:

	As Reported - ASC 606 Three months ended September 30, 2018	Impact of Accounting under ASC 606	Adjusted - ASC 605 Three months ended September 30, 2018
		(in millions)	
Revenue	$ 458	$ 3	$ 461
Operating income	76	3	79
Earnings (loss) before income taxes	78	3	81
Income tax (expense) benefit	(21)	-	(21)
Net earnings (loss)	57	3	60

	As Reported - ASC 606 Nine months ended September 30, 2018	Impact of Accounting under ASC 606	Adjusted - ASC 605 Nine months ended September 30, 2018
		(in millions)	
Revenue	$ 1,269	$ (3)	$ 1,266
Operating income	119	(3)	116
Earnings (loss) before income taxes	45	(3)	42
Income tax (expense) benefit	(45)	1	(44)
Net earnings (loss)	-	(2)	(2)

The impact of the new guidance was not meaningful as of and for the nine months ended September 30, 2018 for the unaudited condensed consolidated balance sheet and unaudited condensed consolidated statement of cash flows.

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Notes to Condensed Consolidated Financial Statements (continued)

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Disaggregation of Revenue

TripAdvisor disaggregates revenue from contracts with customers into major products/revenue sources. TripAdvisor has determined that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A reconciliation of disaggregated revenue to total hotel and non-hotel revenue is also included below.

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Major products/revenue sources:	**(in millions)**	
TripAdvisor-branded click-based advertising and transaction revenue	$ 194	583
TripAdvisor-branded display-based advertising and subscription revenue	81	231
Other hotel revenue	30	103
Total Hotel Revenue (1)	305	917
Non-Hotel Revenue (1)	153	352
Total Revenue	$ 458	1,269

(1) TripAdvisor's revenue is recognized primarily at a point in time for both Hotel and Non-Hotel revenue.

Contract balances

The following table provides information about the opening and closing balances of accounts receivables and contract assets from contracts with customers (in millions):

	September 30, 2018	December 31, 2017
Accounts receivable	$ 227	230
Contract assets	10	—
Total	$ 237	230

Accounts receivable are recognized when the right to consideration becomes unconditional. Contract assets are rights to consideration in exchange for services that TripAdvisor has transferred to a customer when that right is conditional on something other than the passage of time, such as commission payments that are contingent upon the completion of the service by the principal in the transaction. Contract liabilities generally include payments received in advance of performance under the contract, and are realized as revenue as the performance obligation to the customer is satisfied, which TripAdvisor presents as deferred revenue on its unaudited consolidated balance sheets. As of January 1, 2018, TripAdvisor had $59 million recorded as deferred revenue on its unaudited condensed consolidated balance sheet, of which $8 million and $53 million was recognized in revenue during the three and nine months ended September 30, 2018, respectively. The difference between the opening and closing balances of TripAdvisor's contract assets and deferred revenue primarily results from the timing differences between when TripAdvisor receives customer payments and the time in which TripAdvisor satisfies its performance obligations. There were no significant changes in contract assets or liabilities during the nine months ended September 30, 2018 related to business combinations, impairments, cumulative catch-ups or other material adjustments.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued new guidance related to accounting for leases. The new standard requires the recognition of right-of-use (ROU) assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. The new guidance will classify leases as either finance or operating leases, with classification determining the presentation of expenses and cash flows on TripAdvisor's consolidated financial statements. Initial costs directly attributable to negotiating and arranging the lease will be included in the asset. For leases with a term of 12 months or less, a lessee can make an accounting policy election by class of underlying asset to not recognize an asset and corresponding liability. The transition guidance also provides specific guidance for sale and leaseback transactions, build-to-suit leases and amounts previously recognized in accordance with the business combinations guidance for leases. TripAdvisor will also be required to provide additional qualitative and quantitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases which include, among other things, the computation and disclosure of its weighted average remaining lease term and discount rate, cash paid for amounts included in the measurement of lease liabilities, and supplemental non-cash information on lease liabilities arising from obtaining the ROU assets. These disclosures are intended to provide supplemental information to the amounts recorded in the financial statements so that users can better understand the nature of an entity's leasing activities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company plans to adopt this guidance on January 1, 2019 and expects to elect certain practical expedients. Additionally, the Company plans to elect the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and does not plan to restate prior periods.

The transition guidance for a build-to-suit lease arrangement requires the lessee to derecognize the assets and liabilities that were recognized solely as a result of a transaction's build-to-suit designation under the current guidance, with any difference recorded as an adjustment to equity as of the adoption date. TripAdvisor will subsequently apply the general lessee guidance under the new standard to its corporate headquarters lease, including classifying it as either a finance or operating lease, and record a ROU asset and lease liability on the balance sheet, which will be initially measured at the present value of the remaining lease payments over the lease term. TripAdvisor is currently still assessing the quantitative impact this new guidance may have on its consolidated financial statements related to the aforementioned leases.

TripAdvisor continues to update its accounting policies and accounting memos under the new guidance, and evaluate its existing population of contracts to ensure all contracts that meet the definition of a lease contract under the new standard are identified. TripAdvisor is also in the process of implementing additional lease software to support its accounting and reporting process, including the new quantitative and qualitative financial disclosure requirements. In addition, TripAdvisor is evaluating the impact of the system implementation and new accounting guidance on its internal controls. TripAdvisor will continue to provide updates on its assessment of the effect that this new lease guidance will have on its consolidated financial statements, disclosures, systems and related internal controls, and will disclose material effects, if any, when known.

(3) Stock-Based Compensation

TripCo Incentive Plans

TripCo has granted to certain of its directors and employees options to purchase shares of TripCo common stock ("Awards"). TripCo measures the cost of employee services received in exchange for an equity classified Award based on

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award).

TripCo has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards using the Black-Scholes-Merton model. TripCo estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of TripCo common stock and the implied volatility of publicly traded TripCo options. TripCo uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Included in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation, the majority of which relates to TripAdvisor as discussed below:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Operating expense	$ 12	11	38	31
Selling, general and administrative expense	19	16	56	46
	$ 31	27	94	77

Stock-based compensation expense related to TripAdvisor was $29 million and $26 million for the three months ended September 30, 2018 and 2017, respectively, and $90 million and $72 million for the nine months ended September 30, 2018 and 2017, respectively.

TripCo - Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of the Awards to purchase TripCo common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining contractual life and aggregate intrinsic value of the Awards.

	Series A	WAEP	Weighted average remaining contractual life	Aggregate intrinsic value
	in thousands		in years	in millions
Outstanding at January 1, 2018	681	$ 14.68		
Granted	—	$ —		
Exercised	(3)	$ 9.49		
Forfeited/Cancelled	(149)	$ 14.12		
Outstanding at September 30, 2018	529	$ 14.86	2.6	$ 1
Exercisable at September 30, 2018	422	$ 16.16	1.7	$ —

There were no options to purchase shares of Series A common stock granted during the nine months ended September 30, 2018. There was no activity during the period related to the outstanding TripCo Series B common stock options.

As of September 30, 2018, the total unrecognized compensation cost related to unvested Awards was approximately$6 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years.

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Notes to Condensed Consolidated Financial Statements (continued)

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As of September 30, 2018, TripCo reserved 2.3 million shares of Series A and Series B common stock for issuance under exercise privileges of outstanding stock Awards.

TripAdvisor Equity Grant Awards

The following table presents the number and WAEP of the Awards to purchase TripAdvisor common stock granted to certain officers, employees and directors of TripAdvisor.

	TripAdvisor stock options	WAEP	Weighted average remaining contractual life	Aggregate intrinsic value
	in thousands		in years	in millions
Outstanding at January 1, 2018	6,853	$ 52.78		
Granted	632	$ 41.87		
Exercised	(619)	$ 36.46		
Cancelled or expired	(266)	$ 51.93		
Outstanding at September 30, 2018	6,600	$ 53.29	6.3	$ 44
Exercisable at September 30, 2018	3,764	$ 58.79	4.5	$ 19

The weighted average GDFV of options granted was $17.72 for the nine months ended September 30, 2018.

As of September 30, 2018, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately $39 million and will be recognized over a weighted average period of approximately 3.0 years. The total intrinsic value of stock options exercised was $7 million and $8 million for the nine months ended September 30, 2018 and 2017, respectively.

Additionally, during the nine months ended September 30, 2018, TripAdvisor granted 3,334 thousand of primarily service-based restricted stock units ("RSUs") and market-based restricted stock units ("MSUs") under the 2018 Stock and Annual Incentive Plan and the Amended and Restated 2011 Stock and Annual Incentive Plan. The RSUs' fair value was measured based on the quoted price of TripAdvisor common stock at the date of grant. As the MSUs provide for vesting based upon TripAdvisor's total shareholder return, or "TSR," performance, the potential outcomes of future stock prices and TSR of TripAdvisor and the Nasdaq Composite Total Return Index, was used to calculate the GDFV of these awards. The weighted average GDFV for RSUs and MSUs granted during the nine months ended September 30, 2018 was $42.56 per share. As of September 30, 2018, the total unrecognized compensation cost related to TripAdvisor RSUs and MSUs was approximately $253 million and will be recognized over a weighted average period of approximately 2.8 years.

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Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(4) Earnings (Loss) Per Common Share (EPS)

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) attributable to TripCo shareholders by the weighted average number of common shares outstanding ("WASO") for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Excluded from EPS for both the three and nine months ended September 30, 2018 and 2017 are 2 million potential common shares, because their inclusion would be antidilutive.

	Liberty TripAdvisor Holdings Common Stock			
	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	number of shares in millions			
Basic WASO	75	75	75	75
Potentially dilutive shares	—	—	—	—
Diluted WASO	75	75	75	75

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any material recurring assets or liabilities measured at fair value that would be considered Level 3.

The Company's assets and liabilities measured at fair value are as follows:

	September 30, 2018			December 31, 2017		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	$ 258	258	—	32	23	9
Marketable securities	$ —	—	—	62	—	62
Variable postpaid forward	$ 22	—	22	75	—	75

On June 6, 2016, TripCo entered into a variable postpaid forward transaction with a financial institution with respect to 7 million shares of TripAdvisor common stock held by the Company with a forward floor price of $38.90 per share and a forward cap price of $98.96 per share. TripCo borrowed $259 million against the variable postpaid forward on June 23, 2016 (see note 6). The asset associated with this instrument is included in the other assets, at cost, net of accumulated amortization in the accompanying condensed consolidated balance sheets.

The fair value of Level 2 cash equivalents and marketable securities were obtained from pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Marketable securities are

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Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

included in other current assets and other assets in the accompanying condensed consolidated balance sheets. The fair value of Level 2 derivative assets were derived from a Black-Scholes-Merton model using observable market data as the significant inputs.

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, trade payables, accrued and other current liabilities, current portion of debt and long-term debt. With the exception of debt, the carrying amount approximates fair value due to the short maturity of these instruments as reported on our condensed consolidated balance sheets. The carrying value of our debt bears interest at a variable rate and therefore is also considered to approximate fair value.

(6) Debt

Outstanding debt at September 30, 2018 and December 31, 2017 is summarized as follows:

	September 30, 2018	December 31, 2017
	amounts in millions	
TripAdvisor Credit Facilities	—	230
TripAdvisor Chinese Credit facilities	—	7
TripCo margin loans	217	210
TripCo variable postpaid forward	267	264
Total consolidated TripCo debt	$ 484	711
Debt classified as current	(217)	(7)
Total long-term debt	$ 267	704

TripAdvisor Credit Facilities

TripAdvisor is party to a five year credit agreement, with a group of lenders, which, among other things, provides for a $1.2 billion unsecured revolving credit facility (the "2015 Credit Facility") with a maturity date of May 12, 2022. Borrowings under the 2015 Credit Facility generally bear interest, at TripAdvisor's option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBOR for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00%, based on TripAdvisor's leverage ratio; or (ii) the Alternate Base Rate Borrowing, which is the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBOR (or LIBOR multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00%, based on TripAdvisor's leverage ratio. TripAdvisor may borrow from the 2015 Credit Facility in U.S. dollars, Euros and British pound sterling.

During the nine months ended September 30, 2018, TripAdvisor borrowed an additional $5 million and repaid $235 million of its outstanding borrowings on the 2015 Credit Facility. These net repayments were primarily made from a one-time cash repatriation of $325 million of foreign earnings to the United States during the nine months ended September 30, 2018. As of September 30, 2018, there were no outstanding borrowings under the 2015 Credit Facility. TripAdvisor is also required to pay a quarterly commitment fee, at an applicable rate ranging from 0.15% to 0.30%, on the daily unused portion of the 2015 Credit Facility for each fiscal quarter and additional fees in connection with the issuance of letters of credit. As of September 30, 2018, TripAdvisor's unused revolver capacity was subject to a commitment fee of 0.15%, given TripAdvisor's leverage ratio. The 2015 Credit Facility includes $15 million of borrowing capacity available for letters of credit and $40 million for Swingline borrowings on same-day notice. As of September 30, 2018, TripAdvisor had issued $3 million of outstanding letters of credit under the 2015 Credit Facility.

There is no specific repayment date prior to the maturity date for borrowings under the 2015 Credit Facility. TripAdvisor may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans.

The 2015 Credit Facility contains a number of covenants that, among other things, restrict TripAdvisor's ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change its fiscal year. The 2015 Credit Facility also requires TripAdvisor to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility.

TripAdvisor was party to an uncommitted facility agreement which provided for a $73 million unsecured revolving credit facility (the "2016 Credit Facility," and together with the 2015 Credit Facility, the "TripAdvisor Credit Facilities") with no specific expiration date. TripAdvisor repaid all outstanding borrowings on the 2016 Credit Facility during the first three months of 2017. As of December 31, 2017, there were no outstanding borrowings under the 2016 Credit Facility. In June 2018, TripAdvisor terminated the 2016 Credit Facility.

TripAdvisor Chinese Credit Facilities

In addition to borrowings under the Trip Advisor Credit Facilities, TripAdvisor maintains two credit facilities in China (jointly, the "TripAdvisor Chinese Credit Facilities").

TripAdvisor's Chinese subsidiary is party to a $30 million, one-year revolving credit facility with Bank of America (the "Chinese Credit Facility—BOA") that is currently subject to review on a periodic basis with no specific expiration period. Borrowings under the Chinese Credit Facility—BOA generally bear interest at a rate based on the People's Bank of China benchmark, including certain adjustments which may be made in accordance with market conditions at the time of borrowing. As of September 30, 2018 and December 31, 2017, there were no outstanding borrowings under the Chinese Credit Facility—BOA.

In addition, TripAdvisor's Chinese subsidiary is party to a RMB 70,000,000 (approximately $10 million) one-year revolving credit facility with J.P. Morgan Chase Bank (the "Chinese Credit Facility—JPM"). Borrowings under the Chinese Credit Facility—JPM generally bear interest at a rate based on the People's Bank of China benchmark, including certain adjustments which may be made in accordance with market conditions at the time of borrowing. As of December 31, 2017, TripAdvisor had $7 million of outstanding borrowings from the Chinese Credit Facility—JPM at a weighted average interest rate of 5.00%. During the nine months ended September 30, 2018, TripAdvisor borrowed an additional $2 million and repaid in full the outstanding borrowings under the Chinese Credit Facility—JPM.

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Notes to Condensed Consolidated Financial Statements (continued)

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TripCo Margin Loans and Variable Postpaid Forward

On August 21, 2014, a wholly owned subsidiary of TripCo ("TripSPV") entered into two margin loan agreements, which aggregated total borrowings of $400 million. Interest on the margin loans accrues at a rate of 3.65% plus LIBOR for nine months and 3.25% plus LIBOR thereafter. Interest on the margin loans was paid in kind and added to the principal amount on the loans.

In connection with the variable postpaid forward transaction entered into on June 6, 2016, as described in note 5, TripCo borrowed $259 million against the variable postpaid forward on June 23, 2016. The term of the forward is four years. At maturity, the accreted loan amount due is approximately $272 million. The proceeds from the forward were used to repay $200 million in principal and $29 million of paid in kind interest on the margin loans with the remainder being used for general corporate purposes.

On June 23, 2016, TripCo amended the terms of the margin loan agreements with respect to the remaining borrowings of $200 million. Common Stock and Class B Common Stock of TripAdvisor were pledged as collateral pursuant to these agreements. Each agreement contains language that indicates that the Company, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that TripCo agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or certain other restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The agreements also contain certain restrictions related to additional indebtedness and margin calls. The initial margin call would require the outstanding balance to be reduced to $150 million if at any time the closing price per share of TripAdvisor common stock were to fall below a certain minimum value. Pursuant to the amendments, interest on the margin loans accrued at a rate of 2.0% plus LIBOR. On November 7, 2017, pursuant to another amendment to the margin loan agreements, the interest rate on the margin loans increased to 2.4% plus LIBOR per year. The interest can be paid in kind or cash at the election of TripCo. The Company expects that interest on the loans will be paid in kind and added to the principal amount on the loans. The term of the loans is three years and the maturity date is June 21, 2019. Accordingly, the loans are classified as current as of September 30, 2018.

During the nine months ended September 30, 2018, TripCo recorded $7 million and $2 million of non-cash interest related to the amended margin loans and variable postpaid forward, respectively.

As of September 30, 2018, the values of TripAdvisor's shares pledged as collateral pursuant to the margin loan agreements and variable postpaid forward, determined based on the trading price of the Common Stock and on an as-if converted basis for the Class B Common Stock, are as follows:

Pledged Collateral	Number of Shares Pledged as Collateral as of September 30, 2018	Share value as of September 30, 2018
	amounts in millions	
Common Stock	18.2	$ 927
Class B Common Stock	12.8	$ 654

The outstanding margin loans contain various affirmative and negative covenants that restrict the activities of the borrower. The loan agreements do not include any financial covenants.

Debt Covenants

As of September 30, 2018, each of the Company and TripAdvisor was in compliance with its respective debt covenants.

(7) Commitments and Contingencies

Litigation

In the ordinary course of business, the Company and its subsidiaries are parties to legal proceedings and claims arising out of our operations. These matters may relate to claims involving alleged infringement of third-party intellectual property rights, defamation, taxes, regulatory compliance and other claims. Although it is reasonably possible that the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

(8) Segment Information

TripCo, through its ownership interests in subsidiaries and other companies, is primarily engaged in the online commerce industries. TripCo identifies its reportable segments as (A) those consolidated companies that represent 10% or more of its consolidated annual revenue, annual adjusted operating income before depreciation and amortization ("Adjusted OIBDA") or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of TripCo's annual pre-tax earnings.

TripCo evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, and revenue or sales per customer equivalent. In addition, TripCo reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

TripCo defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation), adjusted for specifically identified non-recurring transactions. TripCo believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results, and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, equity settled liabilities (including stock-based compensation), separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. TripCo generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the nine months ended September 30, 2018, TripCo has identified the following consolidated company as its reportable segment:

- TripAdvisor - an online travel research company, empowering users to plan and maximize their travel experience.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

TripAdvisor's accounting policies are the same as those described in the Company's Summary of Significant Accounting Policies included in the Annual Report on Form 10-K for the year ended December 31, 2017.

Performance Measures

	Three months ended September 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
TripAdvisor	$ 458	146	439	95
Corporate and other	—	(1)	—	(2)
Consolidated TripCo	$ 458	145	439	93

	Nine months ended September 30,			
	2018		2017	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
TripAdvisor	$ 1,269	335	1,235	269
Corporate and other	—	(4)	13	(9)
Consolidated TripCo	$ 1,269	331	1,248	260

Other Information

	September 30, 2018	
	Total assets	Capital expenditures
	amounts in millions	
TripAdvisor	$ 5,225	45
Corporate and other	40	—
Consolidated TripCo	$ 5,265	45

LIBERTY TRIPADVISOR HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

The following table provides a reconciliation of Consolidated segment Adjusted OIBDA to Operating income (loss) and Earnings (loss) before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Consolidated segment Adjusted OIBDA	$ 145	93	331	260
Stock-based compensation	(31)	(27)	(94)	(77)
Depreciation and amortization	(38)	(50)	(118)	(161)
Operating income (loss)	76	16	119	22
Interest expense	(8)	(6)	(20)	(18)
Realized and unrealized gain (losses) on financial instruments, net	9	(9)	(56)	10
Gain (loss) on dispositions, net	—	—	—	(18)
Other, net	1	(1)	2	2
Earnings (loss) before income taxes	$ 78	—	45	(2)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business and marketing strategies; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; fluctuations in interest rates and foreign exchange rates; and the anticipated impact of certain contingent liabilities related to tax rules and other matters arising in the ordinary course of business. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but such statements necessarily involve risks and uncertainties and there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for products and services and the ability of our subsidiary to adapt to changes in demand;
- competitor responses to products and services;
- the levels and quality of online traffic to TripAdvisor, Inc.'s ("TripAdvisor") businesses' websites and the ability to convert visitors into contributors or consumers;
- the expansion of social integration and member acquisition efforts with social media;
- the impact of changes in search engine algorithms and dynamics or search engine disintermediation;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- impairment of goodwill or other intangible assets such as trademarks or other intellectual property;
- the ability of suppliers and vendors to deliver equipment, software and services;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission and adverse outcomes from regulatory proceedings;
- changes in business models;
- changes in the nature of key strategic relationships with partners and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of "Brexit" and those conditions and trends which result in declines or disruptions in the travel industry;
- consumer spending levels, including the availability and amount of individual consumer debt;
- costs related to the maintenance and enhancement of brand awareness;
- advertising spending levels;
- rapid technological changes;
- failure to protect the security of personal information about customers and users, subjecting us to potentially costly government enforcement actions or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- fluctuations in foreign currency exchange rates; and
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world.

During the fourth quarter of 2017, TripCo recorded impairment losses related to TripAdvisor's trademarks and goodwill. TripCo will continue to evaluate if there are events or circumstances that indicate additional impairments may have occurred.

For additional risk factors, please see Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2017. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto.

See note 2 to the accompanying condensed consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

The accompanying financial statements and the other information herein refer to the consolidation of TripAdvisor and BuySeasons, Inc. ("BuySeasons") as "TripCo," "Consolidated TripCo," the "Company," "us," "we" and "our" unless the context otherwise requires. The results of BuySeasons are included in the accompanying condensed consolidated financial results of TripCo until June 30, 2017. We own an approximate 22% economic interest and 58% voting interest in TripAdvisor as of September 30, 2018. All significant intercompany accounts and transactions have been eliminated in the accompanying condensed consolidated financial statements.

On June 30, 2017, TripCo sold BuySeasons. BuySeasons is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on TripCo's operations and financial results.

Our "Corporate and other" category includes our former interest in BuySeasons and corporate expenses.

Results of Operations—Consolidated—September 30, 2018 and 2017

General. We provide in the tables below information regarding our consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segment. The "Corporate and other" category consists of those assets or businesses which we do not disclose separately, such as BuySeasons (through June 30, 2017). For a more detailed discussion and analysis of the financial results of the principal reporting segment, see "Results of Operations—TripAdvisor" below.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Revenue				
TripAdvisor	$ 458	439	1,269	1,235
Corporate and other	—	—	—	13
Consolidated TripCo	$ 458	439	1,269	1,248
Operating Income (Loss)				
TripAdvisor	$ 78	19	127	36
Corporate and other	(2)	(3)	(8)	(14)
Consolidated TripCo	$ 76	16	119	22
Adjusted OIBDA				
TripAdvisor	$ 146	95	335	269
Corporate and other	(1)	(2)	(4)	(9)
Consolidated TripCo	$ 145	93	331	260

Revenue. Our consolidated revenue increased $19 million and $21 million during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in the prior year, due to increases of $19 million and $34 million at TripAdvisor, respectively, partially offset by a decrease of $13 million for the nine months ended September 30, 2018 of corporate and other revenue. On June 30, 2017, TripCo sold BuySeasons, the only consolidated subsidiary in Corporate and other. See "Results of Operations—TripAdvisor" below for a more complete discussion of the results of operations of TripAdvisor.

Operating Income (Loss). Our consolidated operating results increased by $60 million and $97 million for the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in the prior year. The increases for the three and nine months ended September 30, 2018 were due to increases in operating results at TripAdvisor. See "Results of Operations—TripAdvisor" below for a more complete discussion of the results of operations of TripAdvisor.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock-based compensation), adjusted for specifically identified non-recurring transactions. Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our business and make decisions about our resources. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation and restructuring and impairment charges that are included in the measurement of operating income pursuant to U.S. generally accepted accounting principles ("GAAP"). Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 8 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to operating income (loss) and earnings (loss) before income taxes.

Consolidated Adjusted OIBDA increased $52 million and $71 million during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in the prior year. These changes were primarily due to the operating results of TripAdvisor. See “Results of Operations—TripAdvisor” below for a more complete discussion of the results of operations of TripAdvisor.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Interest expense				
TripAdvisor	$ (4)	(4)	(10)	(11)
Corporate and other	(4)	(2)	(10)	(7)
Consolidated TripCo	$ (8)	(6)	(20)	(18)
Realized and unrealized gains (losses) on financial instruments, net				
TripAdvisor	$ —	—	(3)	—
Corporate and other	9	(9)	(53)	10
Consolidated TripCo	$ 9	(9)	(56)	10
Gain (loss) on dispositions, net				
TripAdvisor	$ —	—	—	—
Corporate and other	—	—	—	(18)
Consolidated TripCo	$ —	—	—	(18)
Other, net				
TripAdvisor	$ 2	(1)	3	2
Corporate and other	(1)	—	(1)	—
Consolidated TripCo	$ 1	(1)	2	2

Interest expense. Interest expense increased for the three and nine months ended September 30, 2018 as compared to the corresponding periods in the prior year primarily due to higher average outstanding borrowings and effective interest rates on corporate debt during 2018.

Realized and unrealized gains (losses) on financial instruments, net. Realized and unrealized gains (losses) on financial instruments, net is primarily comprised of the change in the fair value of the variable postpaid forward as described in notes 5 and 6 to the accompanying condensed consolidated financial statements.

Gain (loss) on dispositions, net. On June 30, 2017, TripCo sold BuySeasons. The sale resulted in an $18 million loss, which is included in “Gain (loss) on dispositions, net” in the accompanying condensed consolidated financial statements of operations.

Other, net. Other, net income remained relatively flat for both the three and nine months ended September 30, 2018 as compared to the corresponding periods in the prior year. Other, net primarily consists of transaction losses as a result of the fluctuation of foreign exchange rates and interest income.

Income taxes. During the three months ended September 30, 2018 and 2017, we had earnings before income taxes of $78 million and zero, respectively, and we had income tax expenses of $21 million and $7 million, respectively. During the nine months ended September 30, 2018 and 2017, we had earnings before income taxes of $45 million and losses before income taxes of $2 million, respectively, and we had income tax expenses of $45 million and $21 million, respectively. For the three months ended September 30, 2018, the Company recognized additional tax expense related to changes in unrecognized tax benefits and changes in effective state tax rates. For the nine months ended September 30, 2018, the Company recognized additional tax expense related to the recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary, changes in unrecognized tax benefits, the recognition of excess tax benefits and shortfalls related to stock-based compensation and changes in the valuation allowance. The expense items for both the three and nine months ended September 30, 2018 were partially offset by a net tax benefit of earnings in foreign jurisdictions taxed at a rate lower than the U.S. federal tax rate of 21%. For the three and nine months ended September 30, 2017, the Company recognized additional tax expense related to changes in valuation allowance, changes in unrecognized tax benefits, the recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary, and the recognition of excess tax benefits and shortfalls related to stock-based compensation. These expense items were partially offset by the tax benefit of earnings in foreign jurisdictions taxed at a rate lower than the U.S. federal tax rate and an increase in federal tax credits.

Net earnings (loss). We had net earnings of $57 million and net losses of $7 million for the three months ended September 30, 2018 and 2017, respectively, and net earnings of zero and net losses of $23 million for the nine months ended September 30, 2018 and 2017, respectively. The change in net earnings was the result of the above described fluctuations in our revenue and expenses.

Liquidity and Capital Resources

As of September 30, 2018, substantially all of our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities with maturities of 90 days or less at the date of purchase.

The following are potential sources of liquidity: available cash balances, proceeds from asset sales, monetization of our investments, outstanding or anticipated debt facilities, debt and equity issuances, and dividend and interest receipts.

As of September 30, 2018, TripCo had a cash balance of $681 million. Approximately $663 million of the cash balance, at September 30, 2018, is held at TripAdvisor. Although TripCo has a 58% voting interest in TripAdvisor, TripAdvisor is a separate public company with a significant non-controlling interest, as TripCo has only a 22% economic interest in TripAdvisor. Even though TripCo controls TripAdvisor through its voting interest and board representation, decision making with respect to using TripAdvisor's cash balances must consider TripAdvisor's minority holders. Accordingly, any potential distributions of cash from TripAdvisor to TripCo would generally be on a pro rata basis based on economic ownership interests. Covenants in TripAdvisor's debt instruments also restrict the payment of dividends and cash distributions to stockholders. Approximately $280 million of the TripAdvisor cash and cash equivalents balance is held by foreign subsidiaries.

During the nine months ended September 30, 2018, TripAdvisor borrowed an additional $5 million and repaid $235 million of outstanding borrowings under the 2015 Credit Facility (as defined in note 6 to the accompanying condensed consolidated financial statements). These net repayments were primarily made from a one-time repatriation of $325 million of foreign earnings to the United States. Cumulative undistributed earnings of foreign subsidiaries that TripAdvisor intends to indefinitely reinvest outside of the United States totaled approximately $616 million as of September 30, 2018. Should TripAdvisor distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, TripAdvisor may be subject to U.S. income taxes. To date, TripAdvisor has permanently reinvested its foreign earnings outside of the United States and it currently does not intend to repatriate these earnings to fund U.S. operations. The amount of any unrecognized deferred income tax on this temporary difference is not material.

Historically, TripAdvisor's operating cash flows have been sufficient to fund its working capital requirements, capital expenditures and long term debt obligations and other financial commitments and are expected to be sufficient in future periods.

		Nine months ended September 30,	
		2018	2017
		amounts in millions	
Cash flow information			
TripAdvisor cash provided (used) by operating activities	$	374	220
Corporate and other cash provided (used) by operating activities		(4)	(18)
Net cash provided (used) by operating activities	$	370	202
TripAdvisor cash provided (used) by investing activities	$	(18)	64
Corporate and other cash provided (used) by investing activities		—	(7)
Net cash provided (used) by investing activities	$	(18)	57
TripAdvisor cash provided (used) by financing activities	$	(354)	(163)
Corporate and other cash provided (used) by financing activities		—	1
Net cash provided (used) by financing activities	$	(354)	(162)

During the nine months ended September 30, 2018, TripCo's primary use of cash was net debt repayments of $238 million. TripCo's primary sources of cash included cash on hand, cash provided by operations and approximately $64 million in sales and maturities of short term investments and other marketable securities.

The projected use of TripCo's corporate cash will primarily be to pay fees (not expected to exceed $4 million annually) to Liberty Media Corporation ("Liberty Media") for providing certain services pursuant to the services agreement and the facilities sharing agreement that TripCo entered into with Liberty Media or its subsidiaries, and to pay any other corporate level expenses. We anticipate that TripCo's corporate cash balance (without other financial resources potentially available as discussed above) to be sufficient to maintain operations through a refinancing arrangement on the margin loans and the variable postpaid forward described in notes 5 and 6 to the accompanying condensed consolidated financial statements. The debt service costs of the two margin loan agreements (the "Margin Loan Agreements") entered into by our bankruptcy remote wholly-owned subsidiary are paid in kind and become outstanding principal. In addition, debt service costs accrue on the variable postpaid forward borrowing described in note 6 to the accompanying condensed consolidated financial statements. At maturity, the accreted loan amount due under the variable postpaid forward is approximately $272 million. At the maturity of the Margin Loan Agreements, a number of options are available to satisfy the obligation as discussed above in potential sources of liquidity.

TripAdvisor's available cash and marketabl e securities, combined with expected cash flows generated by operating activities and available cash from its credit facilities, are expected to be sufficient to fund TripAdvisor's foreseeable working capital requirements, capital expenditures, existing business growth initiatives, debt obligations, lease commitments, and other financial commitments through at least the next twelve months. TripAdvisor's future capital requirements may also include capital needs for acquisitions, share repurchases, and/or other expenditures in support of its business strategy, thus may potentially reduce TripAdvisor's cash balance and/or increase its debt.

Results of Operations—TripAdvisor

TripAdvisor, Inc. Our economic ownership interest in TripAdvisor is approximately 22% and TripCo's results include the consolidated results of TripAdvisor and the elimination of approximately 78% of TripAdvisor's net income (loss), including purchase accounting adjustments, through the line item for net earnings (loss) attributable to noncontrolling interests in the accompanying condensed consolidated statements of operations. TripAdvisor is a separate publicly traded company and additional information about TripAdvisor can be obtained through its website and its public filings. The information on that website and in those reports is not incorporated by reference into this report. We believe a discussion of TripAdvisor's results promotes a better understanding of the overall results of its business. The results presented for TripAdvisor below include the impacts of acquisition accounting adjustments in the current and prior periods.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
Revenue				
Hotel	$ 305	312	917	952
Non-Hotel	153	127	352	283
Total revenue	458	439	1,269	1,235
Operating expense	82	69	236	209
SG&A	230	275	698	757
Adjusted OIBDA	146	95	335	269
Stock-based compensation	29	26	90	72
Depreciation and amortization	39	50	118	161
Operating income	$ 78	19	127	36

Revenue

TripAdvisor's Hotel revenue decreased $7 million and $35 million during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in the prior year. The decrease in Hotel revenue is detailed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	amounts in millions			
TripAdvisor-branded click-based and transaction	$ 194	195	583	619
TripAdvisor-branded display-based advertising and subscription	81	76	231	215
Other hotel revenue	30	41	103	118
Total Hotel revenue	$ 305	312	917	952

TripAdvisor-branded click-based and transaction revenue includes cost-per-click-based advertising revenue from its TripAdvisor-branded websites as well as transaction-based revenue from its hotel instant booking feature. For both the three and nine months ended September 30, 2018, 64% of TripAdvisor's Hotel revenue was derived from its TripAdvisor-branded click-based and transaction revenue. For the three and nine months ended September 30, 2017, 63% and 65%, respectively, of TripAdvisor's Hotel revenue was derived from its TripAdvisor-branded click-based and transaction revenue. TripAdvisor-branded click-based and transaction revenue during the three months ended September 30, 2018 was relatively flat and decreased $36 million during the nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to a 5% increase in revenue per hotel shopper, offset by a 5% decrease in average monthly unique hotel shoppers, during the three months ended September 30, 2018 and a 2% decrease in both revenue per hotel shopper and average monthly unique hotel shoppers during the nine months ended September 30, 2018, according to TripAdvisor's internal log files.

TripAdvisor's revenue per hotel shopper increased 5% during the three months ended September 30, 2018 primarily due to the success of its product improvements and marketing optimization efforts, which TripAdvisor believes has resulted in increased user awareness of TripAdvisor's price shopping tools, partially offset by a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and applications on mobile phones and a reduced mix of paid traffic, which tends to click with greater frequency than free traffic. TripAdvisor's revenue per hotel shopper decreased 2% during the nine months ended September 30, 2018 primarily due to difficult year-over-year growth comparisons during the first half of 2018, as beginning in the third quarter of 2017 TripAdvisor began significantly reducing its direct selling and marketing investments on its least-profitable paid online marketing campaigns, as well as a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and applications on mobile phones, partially offset by TripAdvisor's success in product improvements and marketing optimization efforts.

TripAdvisor's aggregate average monthly unique hotel shoppers on TripAdvisor-branded websites decreased by 5% and 2% during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017, according to TripAdvisor's internal log files. The decrease was primarily due to the continued optimization of TripAdvisor's marketing investment mix between online and offline channels, which TripAdvisor believes limits its ability to grow hotel shoppers in the near term, partially offset by the general trend of an increasing number of hotel shoppers visiting TripAdvisor's websites and applications on mobile phones, which TripAdvisor continued to experience during both the three and nine months ended September 30, 2018.

TripAdvisor-branded display-based advertising and subscription revenue primarily consists of revenue from display-based advertising and subscription-based hotel advertising revenue. TripAdvisor-branded display-based advertising and subscription revenue increased by $5 million or 7%, during the three months ended September 30, 2018, and increased by $16 million or 7%, during the nine months ended September 30, 2018, when compared to the same periods in 2017. The increases are primarily attributable to TripAdvisor's new media ad product which enables hotels to enhance their visibility on TripAdvisor's hotel pages, partially offset by the general trend of an increasing percentage of traffic visiting TripAdvisor's websites and applications on mobile phones.

TripAdvisor's other hotel revenue primarily includes revenue from non-TripAdvisor branded websites, such as www.bookingbuddy.com, www.cruisecritic.com, and www.onetime.com, including click-based advertising revenue and display-based advertising revenue generated through these websites. Other hotel revenue decreased $11 million and $15 million during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017, primarily due to TripAdvisor's increased marketing efficiency from paid online marketing channels within this revenue stream.

TripAdvisor's Non-Hotel revenue increased by $26 million or 20% and $69 million or 24% during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017, driven by TripAdvisor's Experiences and Restaurants businesses.

TripAdvisor's Experiences generated revenue growth due to increased growth in bookings, which was primarily driven by an increase in bookable supply and growth in demand from bookings sourced by TripAdvisor. Another contributing factor is the ongoing key feature improvements made to the shopping experience, which TripAdvisor believes have contributed to increased demand and revenue conversion.

Revenue growth in TripAdvisor's Restaurants was primarily due to seated diner growth, mobile bookings growth, user experience improvements, and increased bookable supply of restaurant listings as well as increased revenue from TripAdvisor websites.

Rentals' revenue during the three and nine months ended September 30, 2018 decreased when compared to the same periods in 2017, primarily due to increasing competition in the alternative accommodations marketplace and also the continued migration of TripAdvisor's subscription model to its free-to-list model, which TripAdvisor believes will have a longer term return.

Operating expense

The most significant driver of operating expense is technology and content costs, which increased $10 million and $16 million during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017. The increases were primarily due to increased personnel and overhead costs to support the business growth of TripAdvisor's Non-Hotel business.

Selling, general and administrative

The most significant driver of selling, general and administrative expense is selling and marking costs, which consist of direct selling and marketing costs and indirect costs, such as personnel and overhead. Selling and marketing costs decreased $41 million and $63 million during the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017, primarily due to decreased search engine marketing and online traffic acquisition costs in TripAdvisor's Hotel business, partially offset by the increase in TripAdvisor's Hotel business television advertising campaign spend of $34 million during the nine months ended September 30, 2018, and to a lesser extent, an increase in online and offline advertising costs in TripAdvisor's Non-Hotel business in the three and nine months ended September 30, 2018, when compared to the same periods in 2017. TripAdvisor's television advertising campaign spend during the three months ended September 30, 2018 in its Hotel business decreased by $7 million, when compared to the same period in 2017. In addition, personnel and overhead costs increased during the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to an increase in headcount in TripAdvisor's Non-Hotel business to support business growth.

Operating income (loss)

Operating income was impacted by the above explanations, combined with a decrease in amortization expense related to intangible assets acquired in the acquisition of TripAdvisor, resulting from the full amortization of such assets.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations by TripAdvisor in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We expect to manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We expect to achieve this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates, and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2018, our debt is comprised of the following amounts:

	Variable rate debt			Fixed rate debt	
	Principal amount		Weighted avg interest rate	Principal amount	Weighted avg interest rate
	amount in millions				
TripAdvisor	$	—	N/A	—	N/A
TripCo debt	$	217	4.7 %	267	1.3 %

TripCo is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of TripAdvisor's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations generally are translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, TripCo may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

Item 4. Controls and Procedures.

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of September 30, 2018 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

No shares of Liberty TripAdvisor Holdings, Inc. Series A common stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended September 30, 2018.

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit No.	Name
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Date: November 7, 2018	By:	/s/ GREGORY B. MAFFEI Gregory B. Maffei *Chairman, President and Chief Executive Officer*
Date: November 7, 2018	By:	/s/ BRIAN J. WENDLING Brian J. Wendling *Senior Vice President and Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*

Exhibit 31.1

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty TripAdvisor Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2018

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Brian J. Wendling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty TripAdvisor Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2018

/s/ BRIAN J. WENDLING

Brian J. Wendling
Senior Vice President and Chief Financial Officer

Exhibit 32

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty TripAdvisor Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2018	/s/ GREGORY B. MAFFEI Gregory B. Maffei *Chairman, President and Chief Executive Officer*
Date: November 7, 2018	/s/ BRIAN J. WENDLING Brian J. Wendling *Senior Vice President and Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.