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One- and two-sided network effects and a globally trusted, top-of-funnel, brand strongly position TripAdvisor to take an outsized share of the growing global online travel market. I have discussed my views on the TripAdvisor investment case in prior letters, so I won't repeat them here.

TRIP continues to strike me as a good example of investors' inappropriate application of linear projections to platform business models. TRIP's potential for potentially explosive low-cost growth emanates from its ability to tap into existing demand (travel and leisure visitors) and connecting it to acquired or developed supply (Viator, La Fourchette). Therefore, TRIP is strongly positioned to be the winner in two winner-take-all markets: restaurants and attractions.

For both restaurants and attractions, the number of reviewed items is multiples higher than the number of bookable items. These low penetration rates of bookable inventory (1% for restaurants, 8% for attractions) will provide a long volume growth runway.

Adjusting the company's trailing FCF for stock-based compensation, TV advertising and non-hotel investments (assuming OpenTable margins achievable on a normalised basis), I estimate the business is generating c. \$400mn of owner earnings, a 6% yield to the current cash-adjusted market cap, and c. 60% of invested capital. It's clear that the opportunity and capital allocation priority for the business will remain reinvestment for a long time.

If (1) for every \$100 we invest in TRIP it generates \$6 of owner earnings, and (2) that \$6 is all reinvested into projects which generate a recurring \$3.60 pa, then TRIP has generated \$36 of value, capitalised at our opportunity cost of 10%. Assuming average incremental returns on capital of 25% over the next decade and that three quarters of earnings are reinvested yields an IRR of c. 20%, and TRIP would be worth c. \$40bn over the next decade.

I have written in the past about the importance of being able to execute a long-term investment strategy. The portfolio management decisions that I have taken, and documented, relating to our ownership of TRIP shares since September 2016 are an example of the freedom that a sound investment process, appropriate working environment and philosophy aligned to manager temperament can afford in making decisions that are consistent with our stated investment philosophy.

TRIP's quoted share price at the end of 2018 was \$54, c.11% lower than our initial acquisition price in September 2016. Yet TRIP's positive contribution is responsible for c. 8% of the cumulative performance of the portfolio since inception, thanks to an environment and investor base that allow us to make investment decisions which are consistent with a long-term business owner investment philosophy; that is to average down in the face of short-term market pessimism and reduce exposure in response to excessive exuberance.

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