

Airbnb

Cross-currency transaction fee could help boost take rates

Reiterate Rating: NEUTRAL | PO: 155.00 USD | Price: 149.62 USD

Airbnb to raise cross-currency booking fees

Airbnb on Friday (01/26) announced an additional fee for cross-currency bookings i.e., for bookings where the guest pays using a different currency from the one set by the Host for their listing. The resulting guest service fee will be up to 16.5% of the booking subtotal, up from around 14.2% (though most guests don't pay this much), and will be applicable starting 1st Apr'24. According to Bloomberg, Sam Randall, an Airbnb spokesman said "The update to the service fee is an example of us enabling the ability to bring our platform in line with industry practices and is not anticipated to affect the majority of our guests as cross-currency transactions make up a smaller percentage of bookings." Airbnb stock jumped 5.3% on Friday (vs S&P down 0.07%), given the potential benefit to revenues and profits.

A potential for a 4-5% revenue boost

According to Airbnb's 3Q23 shareholder letter, cross-border represented around 45% of total gross nights booked vs 43% in 3Q22. Assuming 70% of these cross-border visits are cross-currency transactions (some customers may choose local currency conversion from their bank/card or book in same currency within EU) we estimate a potential revenue uplift of 4-5%. However, we don't know if all cross-border bookings will get a full 230bps fee increase as guest fees can vary, and growing transaction costs could offset some of the revenue bump as the company expands internationally.

AirDNA estimates suggest potential for 4Q upside

AirDNA's Nov/Dec. data for Airbnb suggests healthy travel demand during the holiday season. For 4Q, AirDNA estimates Airbnb's nights at 100.3mn, ADR at \$158 and revenue at \$2.23bn, above Street at 98.1mn/\$155/\$2.16bn. We see upside potential for all OTAs as 4Q estimates were generally set after a weak October for the sector.

Maintaining estimates, raising PO

Fee change supports the bullish Airbnb thesis that the company has the ability to raise take rates over time, driving faster revenue growth and higher margins. We expect to learn more on the potential impact on 2024/2025 revenue take rates on our 1/29/24 AirDNA call ([click here for call invite and registration link](#)). Given potential for revenue upside, and recent multiple expansion in Online travel sector, we are raising our PO to \$155 from \$148 based on 20x 2025 EV/EBITDA, up from 19x earlier. We reiterate our Neutral rating as we still see potential for bookings and ADR moderation in high growth areas (Europe and ROW) in 2024.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.86	3.51	4.83	5.55	6.28
GAAP EPS	(0.57)	2.84	8.41	4.14	4.76
EPS Change (YoY)	NM	308.1%	37.6%	14.9%	13.2%
Consensus EPS (Bloomberg)			8.31	4.65	5.22
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	174.0x	42.6x	31.0x	27.0x	23.8x
GAAP P/E	NM	52.7x	17.8x	36.1x	31.4x
EV / EBITDA*	60.1x	33.0x	26.9x	23.6x	20.6x
Free Cash Flow Yield*	2.1%	3.3%	4.1%	4.4%	4.9%

* For full definitions of *IQmethod*SM measures, see page 4.

29 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	148.00	155.00

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Stock Data

Price	149.62 USD
Price Objective	155.00 USD
Date Established	29-Jan-2024
Investment Opinion	C-2-9
52-Week Range	103.55 USD - 154.95 USD
Mkt Val (mn) / Shares Out (mn)	101,742 USD / 680.0
Free Float	86.8%
Average Daily Value (mn)	683.34 USD
BofA Ticker / Exchange	ABNB / NAS
Bloomberg / Reuters	ABNB US / ABNB.OQ
ROE (2023E)	42.3%
Net Dbt to Eqty (Dec-2022A)	-97.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

OTA: Online Travel Agency

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Timestamp: 29 January 2024 02:16AM EST

iQprofileSM Airbnb

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	20.6%	35.1%	37.5%	29.0%	27.8%
Return on Equity	14.5%	45.4%	42.3%	34.0%	31.5%
Operating Margin	24.0%	33.6%	35.2%	36.0%	36.3%
Free Cash Flow	2,164	3,405	4,182	4,440	4,969

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	3.9x	1.5x	1.3x	1.2x	1.2x
Asset Replacement Ratio	0.2x	0.3x	1.0x	0.9x	1.0x
Tax Rate	NM	4.8%	NM	19.0%	19.0%
Net Debt-to-Equity Ratio	-85.8%	-97.0%	-65.6%	-75.2%	-82.3%
Interest Cover	3.3x	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5,992	8,399	9,864	11,103	12,635
% Change	77.4%	40.2%	17.4%	12.6%	13.8%
Gross Profit	4,836	6,901	8,164	9,211	10,494
% Change	93.3%	42.7%	18.3%	12.8%	13.9%
EBITDA	1,593	2,903	3,563	4,060	4,649
% Change	NM	82.2%	22.7%	13.9%	14.5%
Net Interest & Other Income	(730)	187	635	676	676
Net Income (Adjusted)	555	2,347	3,207	3,645	4,100
% Change	NM	322.9%	36.7%	13.7%	12.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(352)	1,893	5,578	2,721	3,109
Depreciation & Amortization	138	81	38	42	46
Change in Working Capital	638	319	236	302	330
Deferred Taxation Charge	11	(1)	(2,759)	0	0
Other Adjustments, Net	1,755	1,138	1,127	1,413	1,528
Capital Expenditure	(25)	(25)	(38)	(38)	(44)
Free Cash Flow	2,164	3,405	4,182	4,440	4,969
% Change	NM	57.4%	22.8%	6.2%	11.9%
Share / Issue Repurchase	2,017	88	145	290	290
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(2,208)	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	6,082	7,378	8,193	10,762	13,559
Trade Receivables	3,715	4,783	6,024	6,747	7,565
Other Current Assets	2,589	2,700	3,362	3,391	3,472
Property, Plant & Equipment	157	121	185	185	185
Other Non-Current Assets	1,166	1,056	3,769	3,769	3,769
Total Assets	13,708	16,038	21,533	24,855	28,550
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	6,359	7,978	9,529	10,656	11,976
Long-Term Debt	1,983	1,987	1,887	1,887	1,887
Other Non-Current Liabilities	218	218	240	240	240
Total Liabilities	8,933	10,478	11,921	13,048	14,368
Total Equity	4,776	5,560	9,613	11,807	14,181
Total Equity & Liabilities	13,709	16,038	21,533	24,855	28,550

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Internet/e-Commerce

Company Description

Airbnb is a two sided online marketplace for accommodations, boutique hotels, activities and experiences. Airbnb is available in close to 100k cities spanning 220 Countries. There are over 4 million hosts, of which 85% are outside of the U.S., generating close to 6mn active listings. Airbnb is headquartered in San Francisco, CA and has close to 5,000 employees.

Investment Rationale

Airbnb is well positioned within alternative accommodations given: 1) established host base with 4mn hosts on the platform (90% individual hosts), 2) enhanced travel experience offered by alternative accommodations (AA), 3) established brand with 90% of traffic direct to Airbnb, and 4) opportunity for higher take rates and new services on the platform. Our Neutral rating reflects premium valuation with strong long-term growth discounted in the stock.

Stock Data

Average Daily Volume 4,567,183

Quarterly Earnings Estimates

	2022	2023
Q1	0.23A	0.43A
Q2	0.82A	1.15A
Q3	1.73A	2.32A
Q4	0.69A	0.94E

Price objective basis & risk

Airbnb (ABNB)

Our \$155 price objective is based on 20x 2025E EBITDA (representing 7x 2025E revenue). This multiple is at the higher end of our Marketplace comp group range reflecting still early alternative accommodation market penetration, category leadership, and significantly higher margins and FCF generation than most peers.

Risks are: 1) multiple compression given high relative valuation, 2) potential for increased competition from direct competitors driving up marketing spend, 3) growth or margin improvement below expectations on declining ADRs, and 4) slowing growth as post-pandemic travel surge stalls.

Analyst Certification

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US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Airbnb (ABNB) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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