

Airbnb

# 4Q preview: Expect modest 4Q upside, and raising 2024 estimates for fee changes

Reiterate Rating: NEUTRAL | PO: 155.00 USD | Price: 147.60 USD

## Expect 4Q upside as travel rebounded post October

Airbnb reports 4Q on 02/13. We saw a pickup in travel trends (with healthy ADRs), since Airbnb guided in early November, and AirDNA's estimates suggest some upside in 4Q. We increase our 4Q ADR estimates to \$155 from \$154, and are slightly above on room nights. We are now at 4Q bookings/rev. of \$15.4/\$2.18 vs Street at \$15.1bn/\$2.16. Our EBITDA is \$651mn vs Street at \$645mn and see upside potential on marketing savings as Vrbo competition was limited in 4Q and travel conditions were healthy.

## Raising full year estimates for new cross currency fee

For 1Q24, we are slightly above the Street for nights and ADRs, with bookings/rev at \$23.2bn/\$2.08bn vs \$22.9bn/\$2.06bn, but are in line on EBITDA as we think marketing spend will intensify in industry. Risk to our estimates is a slower start for bookings in January, but we think revenues (stays) will be solid given 4Q bookings. For 2Q-4Q 2024, we are raising revenue estimates by \$270mn for higher ADRs and changes to guest fee ([additional cross-currency transaction fee: see note](#)), assuming close to 30% booking are eligible for fee increase and that Airbnb doesn't apply the full 230bps potential fee increase to all bookings. We raise 2024 rev/EBITDA to \$11.4bn/\$4.2bn from \$11.1bn/\$4.06bn.

## Year-ahead: Positives and Negatives for 2024

We outline potential positives and negatives in this report, including: 1) AA growing share vs Hotels, 2) High direct traffic limits competitive risk, 3) ability to increase take-rates, 4) incremental demand from Asia & Olympics, and 5) Strong FCF and buybacks. Negatives include: 1) potential for decelerating travel spend in 2024, 2) ADR headwinds, 3) Strong competition from Booking & Expedia to promote Vrbo, 4) New urban regulations on AA listings, and 5) Valuation premium to OTA peers.

## Higher take rates a positive; reiterate Neutral on valuation

We like Airbnb's financial discipline (margin growth and buybacks) and potential upside from '24 take-rate changes, while strong 19% 3Q supply growth could be a positive leading indicator. However, we expect some deceleration in the industry in 2024 and, on our revised estimates, stock remains at a significant valuation premium to OTA peers. We reiterate our \$155 price objective based on 20x 2025E EBITDA (in line with our PO multiple for Uber, our top travel/transportation pick) and our Neutral rating.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.86	3.51	4.84	5.72	6.46
GAAP EPS	(0.57)	2.84	8.41	4.32	4.95
EPS Change (YoY)	NM	308.1%	37.9%	18.2%	12.9%
Consensus EPS (Bloomberg)			8.31	4.69	5.29
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	171.6x	42.0x	30.5x	25.8x	22.8x
GAAP P/E	NM	52.0x	17.5x	34.2x	29.8x
EV / EBITDA*	59.2x	32.5x	26.4x	22.4x	19.7x
Free Cash Flow Yield*	2.2%	3.4%	4.2%	4.6%	5.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 20.

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Timestamp: 12 February 2024 01:38AM EST

11 February 2024

Equity

### Key Changes

(US\$)	Previous	Current
2023E Rev (m)	9,864.0	9,874.7
2024E Rev (m)	11,103.4	11,373.1
2025E Rev (m)	12,634.7	12,925.6
2023E EPS	4.83	4.84
2024E EPS	5.55	5.72
2025E EPS	6.28	6.46

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### Stock Data

Price	147.60 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
Mrkt Val (mn) / Shares Out (mn)	100,365 USD / 680.0
Free Float	86.9%
Average Daily Value (mn)	606.88 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 <sup>TM</sup>	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"](#).

AA – Alternative Accommodation

ADR – Average Daily Rates

OTA – Online Travel Agency

# iQprofile<sup>SM</sup> Airbnb

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	20.6%	35.1%	37.5%	29.8%	28.3%
Return on Equity	14.5%	45.4%	42.3%	34.9%	32.0%
Operating Margin	24.0%	33.6%	35.2%	36.4%	36.6%
Free Cash Flow	2,164	3,405	4,200	4,586	5,094

## iQmethod<sup>SM</sup> – 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%	-65.8%	-75.8%	-83.0%
Interest Cover	3.3x	NM	NM	NM	NM

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5,992	8,399	9,875	11,373	12,926
% Change	77.4%	40.2%	17.6%	15.2%	13.6%
Gross Profit	4,836	6,901	8,173	9,426	10,723
% Change	93.3%	42.7%	18.4%	15.3%	13.8%
EBITDA	1,593	2,903	3,566	4,201	4,797
% Change	NM	82.2%	22.8%	17.8%	14.2%
Net Interest & Other Income	(730)	187	635	676	676
<b>Net Income (Adjusted)</b>	<b>555</b>	<b>2,347</b>	<b>3,209</b>	<b>3,754</b>	<b>4,215</b>
<b>% Change</b>	<b>NM</b>	<b>322.9%</b>	<b>36.8%</b>	<b>17.0%</b>	<b>12.3%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(352)	1,893	5,581	2,834	3,228
Depreciation & Amortization	138	81	38	42	46
Change in Working Capital	638	319	251	335	336
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)
<b>Free Cash Flow</b>	<b>2,164</b>	<b>3,405</b>	<b>4,200</b>	<b>4,586</b>	<b>5,094</b>
<b>% Change</b>	<b>NM</b>	<b>57.4%</b>	<b>23.3%</b>	<b>9.2%</b>	<b>11.1%</b>
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	8,211	10,926	13,848
Trade Receivables	3,715	4,783	6,084	6,815	7,640
Other Current Assets	2,589	2,700	3,363	3,402	3,484
Property, Plant & Equipment	157	121	185	185	185
Other Non-Current Assets	1,166	1,056	3,769	3,769	3,769
<b>Total Assets</b>	<b>13,708</b>	<b>16,038</b>	<b>21,612</b>	<b>25,097</b>	<b>28,926</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	6,359	7,978	9,605	10,782	12,117
Long-Term Debt	1,983	1,987	1,887	1,887	1,887
Other Non-Current Liabilities	218	218	240	240	240
<b>Total Liabilities</b>	<b>8,933</b>	<b>10,478</b>	<b>11,997</b>	<b>13,174</b>	<b>14,509</b>
<b>Total Equity</b>	<b>4,776</b>	<b>5,560</b>	<b>9,615</b>	<b>11,923</b>	<b>14,417</b>
<b>Total Equity &amp; Liabilities</b>	<b>13,709</b>	<b>16,038</b>	<b>21,612</b>	<b>25,097</b>	<b>28,926</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 20.

## 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 4,111,804

## Quarterly Earnings Estimates

	2022	2023
Q1	0.23A	0.43A
Q2	0.82A	1.15A
Q3	1.73A	2.32A
Q4	0.69A	0.95E

## 4Q preview: Estimates vs Street

Overall 4Q travel data seems to suggest improving trends vs expectations when OTAs guided in early November, see [our Travel data update](#) for a summary of 4Q trends and page 15 of this report for a summary of 4Q AirDNA data. We think Expedia's booking miss in 4Q/1Q was primarily company specific and US based due to lower air prices (Expedia has more air exposure than peers) and VRBO share loss. Expedia's lodging bookings growth held steady at 8% in 4Q, though we saw potential for acceleration on an easy comp given weather related issues in 4Q'22. Expedia's outlook for more marketing spend to support VRBO and International traction suggest more AA competition in 2024, though Expedia will likely be competing vs Airbnb in some of their strongest markets. Overall, we think added marketing spend by Vrbo could modestly impact margins in the sector, but we do not anticipate a material market share shift in 2024.

For 4Q increasing our Airbnb ADR estimates to \$155 from \$154 on continued resiliency in Europe ADR growth (AirDNA est. of +11% y/y in December). Our 4Q nights of 99.4mn is unchanged, and compares to the Street at 98.1mn. We raise bookings estimate to \$15.4bn vs Street at \$15.2bn. For 4Q23, we estimate revenue at \$2.18bn vs Street at \$2.16bn on better nights growth and are in line on EBITDA as we think marketing spend will intensify in the industry.

For 1Q24, we are slightly above the Street for nights and ADRs, with bookings/revenue at \$23.2bn/\$2.08bn vs \$22.9bn/\$2.06bn, but are in line on EBITDA as we think marketing spend will intensify in the industry. Risk to our estimates is a slower start for bookings in January, but we think revenues (stays) will be strong given 4Q bookings.

For 2024 we are above the Street for ADRs and bookings, and also above for revenues and EBITDA as we are raising estimates for Airbnb's cross currency fee increases (see below). Risk to our estimate increases is that Airbnb chooses to add lower cross-currency fees (as a percent of bookings) than we expect.

## BofA estimates vs Street (Visible Alpha)

### Exhibit 1: BofA estimates vs Street

We estimate a higher take-rate for 2024 (2Q onwards) and potential revenue uplift of about 2% for 2024 and 2025.

	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Total Nights (mn)	99	98.1	1.3%	137	134.3	1.9%	504	501.3	0.6%	560	561.1	-0.2%
ADR (\$)	155	154.6	0.3%	169	167.7	0.9%	163	161.2	1.3%	165	160.5	2.8%
Gross Bookings Value (\$mn)	15,417	15,160	1.7%	23,164	22,489	3.0%	82,384	80,716	2.1%	92,360	90,007	2.6%
Take-rate (%)	14.1%	14.2%	(13)	9.0%	9.0%	(7)	13.8%	13.7%	15	14.0%	13.8%	24
Total Revenue	<b>2,176</b>	<b>2,161</b>	<b>0.7%</b>	<b>2,079</b>	<b>2,036</b>	<b>2.1%</b>	<b>11,373</b>	<b>11,022</b>	<b>3.2%</b>	<b>12,926</b>	<b>12,373</b>	<b>4.5%</b>
Cost of Revenue	383	380	0.8%	487	469	3.8%	1,947	1,870	4.1%	2,203	2,069	6.5%
Gross profit	<b>1,793</b>	<b>1,781</b>	<b>0.7%</b>	<b>1,592</b>	<b>1,567</b>	<b>1.6%</b>	<b>9,426</b>	<b>9,151</b>	<b>3.0%</b>	<b>10,723</b>	<b>10,303</b>	<b>4.1%</b>
Sales & Marketing (Non-GAAP)	392	387	1.2%	478	456	4.9%	1,854	1,823	1.7%	2,116	2,025	4.5%
G&A (Non-GAAP)	224	231	-3.1%	220	225	-2.2%	959	965	-0.6%	1,062	1,049	1.2%
Product Dev. (Non-GAAP)	268	265	1.1%	287	286	0.3%	1,188	1,146	3.6%	1,360	1,266	7.4%
Ops & Support (Non-GAAP)	274	270	1.5%	301	297	1.5%	1,288	1,257	2.4%	1,457	1,395	4.4%
Net Income GAAP (mn)	440	392	12.1%	157	159	-1.3%	2,834	2,873	-1.3%	3,228	3,246	-0.6%
EPS Diluted GAAP	0.67	0.59	13.5%	0.24	0.24	-2.0%	4.32	4.33	-0.2%	4.95	4.87	1.5%
EBITDA (mn)	651	645	-1.0%	320	319	-0.3%	4,201	4,030	-4.2%	4,797	4,646	3.3%
EBITDA margin	<b>29.9%</b>	<b>29.8%</b>	<b>9</b>	<b>15.4%</b>	<b>15.7%</b>	<b>(27)</b>	<b>36.9%</b>	<b>36.6%</b>	<b>37</b>	<b>37.1%</b>	<b>37.5%</b>	<b>(43)</b>

Source: BofA Global Research estimates, Visible Alpha

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## Raising 2Q-4Q24 estimates for fee changes

For 2024, we don't think Street estimates have incorporated changes to guest fees that will start on April 1<sup>st</sup> (additional cross-currency transaction fee). Per Airbnb's service fee page, guest service fees will be up to 16.5% of the booking subtotal, up from around 14.2% (though most guests do not pay fees this high).



According to Airbnb's 3Q23 shareholder letter, cross-border represented around 45% of total gross nights booked vs 43% in 3Q22. We assume 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). Additionally, we assume on average 1% take-rate fee increase for cross-currency transactions (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). With these assumptions, we estimate a potential revenue uplift of about 2% for 2024 and 2025.

For 2024, our room nights growth remains unchanged at 12% y/y. We increase our ADR estimates and take-rates (2Q onwards), and raise our Bookings estimate to \$82.4bn (13%) from \$81.6bn, and our rev. to \$11.4bn (15%) from \$11.1bn. Our 2024 EBITDA margins increases to 36.9% from 36.6%.

## Exhibit 2: BofA Estimate changes

We see some upside to current 4Q Street estimates on better Nov/Dec travel trends

	Q4-2023			2023E			Q1-2024			2024E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Nights and Experiences booked	99.4	99.4	0.0	448.8	448.8	0.0	136.8	136.8	0.0	504.4	504.4	0.0
Y/Y Growth	13%	13%	0%	14%	14.0%	0.0%	13%	13%	0%	12%	12%	0%
GBV/Night & Experiences booked	\$155.1	\$153.6	\$1.5	\$163.1	\$162.7	0.34	\$169.3	\$167.6	\$1.7	\$163.3	\$161.7	1.63
Y/Y Growth	2%	1%	1%	2%	1.3%	0.2%	1%	-1%	1%	0%	-1%	1%
GBV	\$15,417	\$15,265	\$152	\$73,190	\$73,038	\$152	\$23,164	\$22,933	\$230	\$82,384	\$81,563	\$820
Y/Y Growth	14%	13%	1%	16%	16%	0%	14%	12%	1%	13%	12%	1%
Take rate	14.1%	14.2%	-0.1%	13.7%	13.7%	0.0%	9.0%	9.0%	0.0%	14.0%	13.8%	0.2%
<b>Net Revenue</b>	<b>\$2,176</b>	<b>\$2,165</b>	<b>\$11</b>	<b>\$9,875</b>	<b>\$9,864</b>	<b>\$11</b>	<b>\$2,079</b>	<b>\$2,058</b>	<b>\$21</b>	<b>\$11,373</b>	<b>\$11,103</b>	<b>\$270</b>
Y/Y Growth	14%	14%	1%	18%	17%	0%	14%	13%	1%	15%	13%	3%
Cost of Revenue (Payment processing, servers and outside services)	\$382.9	\$381.0	\$1.9	\$1,701.9	\$1,700.0	\$1.9	\$487.4	\$480.5	\$6.9	\$1,947.1	\$1,892.3	\$54.8
Y/Y Growth	17.6%	17.6%	0.0%	17.2%	17.2%	0.0%	23.4%	23.3%	0.1%	17.1%	17.0%	0.1%
Gross Profit	\$1,792.8	\$1,784.0	\$8.8	\$8,172.8	\$8,164.0	\$8.8	\$1,591.7	\$1,577.9	\$13.8	\$9,426.1	\$9,211.0	\$215.0
Y/Y Growth	82.4%	82.4%	0.0%	82.8%	82.8%	0.0%	76.6%	76.7%	-0.1%	82.9%	83.0%	-0.1%
			0%			0%			0%			0%
<b>Operating expenses (Ex SBC):</b>												
Ops & Support	\$274.1	\$272.8	\$1.3	\$1,138.1	\$1,136.8	\$1.3	\$301.5	\$298.5	\$3.0	\$1,287.7	\$1,271.1	\$16.6
as a % of net Rev	12.6%	12.6%	0.0%	11.5%	11.5%	0.0%	14.5%	14.5%	0.0%	11.3%	11.4%	-0.1%
G&A	\$224.1	\$223.0	\$1.1	\$879.1	\$878.0	\$1.1	\$220.4	\$218.2	\$2.2	\$959.0	\$942.6	\$16.4
as a % of net Rev	10.3%	10.3%	0.0%	8.9%	8.9%	0.0%	10.6%	10.6%	0.0%	8.4%	8.5%	-0.1%
S&M	\$391.6	\$389.7	\$1.9	\$1,633.6	\$1,631.7	\$1.9	\$478.2	\$475.5	\$2.7	\$1,853.6	\$1,829.6	\$24.0
as a % of net Rev	18.0%	18.0%	0.0%	16.5%	16.5%	0.0%	23.0%	23.1%	-0.1%	16.3%	16.5%	-0.2%
Product Development	\$267.6	\$266.3	\$1.3	\$1,042.6	\$1,041.3	\$1.3	\$286.9	\$284.1	\$2.9	\$1,188.2	\$1,170.5	\$17.7
as a % of net Rev	12.3%	12.3%	0.0%	10.6%	10.6%	0.0%	13.8%	13.8%	0.0%	10.4%	10.5%	-0.1%
<b>Expenses (Ex SBC)</b>	<b>\$1,540</b>	<b>\$1,533</b>	<b>\$8</b>	<b>\$6,395</b>	<b>\$6,388</b>	<b>\$8</b>	<b>\$1,774</b>	<b>\$1,757</b>	<b>\$18</b>	<b>\$7,235</b>	<b>\$7,106</b>	<b>\$129</b>
<b>EBITDA</b>	<b>\$651</b>	<b>\$648</b>	<b>\$3</b>	<b>\$3,566</b>	<b>\$3,563</b>	<b>\$3</b>	<b>\$320</b>	<b>\$317</b>	<b>\$3</b>	<b>\$4,201</b>	<b>\$4,060</b>	<b>\$140</b>
Margin	30%	30%	0%	36%	36.1%	0.0%	15%	15%	0%	36.9%	36.6%	0.4%
Other Income	\$164.0	\$164.0	\$0.0	\$635.0	\$635.0	\$0.0	\$168.9	\$168.9	\$0.0	\$675.5	\$675.5	\$0.0
Earnings Before Taxes (GAAP)	\$517.3	\$514.2	\$3.1	\$3,002.3	\$2,999.2	\$3.1	\$193.6	\$190.6	\$3.0	\$3,499.1	\$3,358.8	\$140.4
Income Tax Expense	(\$77.6)	(\$77.1)	(\$0.5)	\$2,578.4	\$2,578.9	(\$0.5)	(\$36.8)	(\$36.2)	(\$0.6)	(\$664.8)	(\$638.2)	(\$26.7)
Tax Rate	-15%	-15%	0%	86%	86%	0%	-19%	-19%	0%	-19%	-19%	0%
<b>Net Income GAAP (reported)</b>	<b>\$439.7</b>	<b>\$437.1</b>	<b>\$2.6</b>	<b>\$5,580.7</b>	<b>\$5,578.1</b>	<b>\$2.6</b>	<b>\$156.8</b>	<b>\$154.4</b>	<b>\$2.5</b>	<b>\$2,834.3</b>	<b>\$2,720.6</b>	<b>\$113.7</b>
Margin	20.2%	20.2%	0.0%	56.5%	56.5%	0.0%	7.5%	7.5%	0.0%	24.9%	24.5%	0.4%
GAAP Diluted EPS	\$0.67	\$0.66	\$0.00	\$8.41	\$8.41	\$0.00	\$0.24	\$0.23	\$0.00	\$4.32	\$4.14	\$0.17

Source: BofA Global Research estimates

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## Positives for 2024

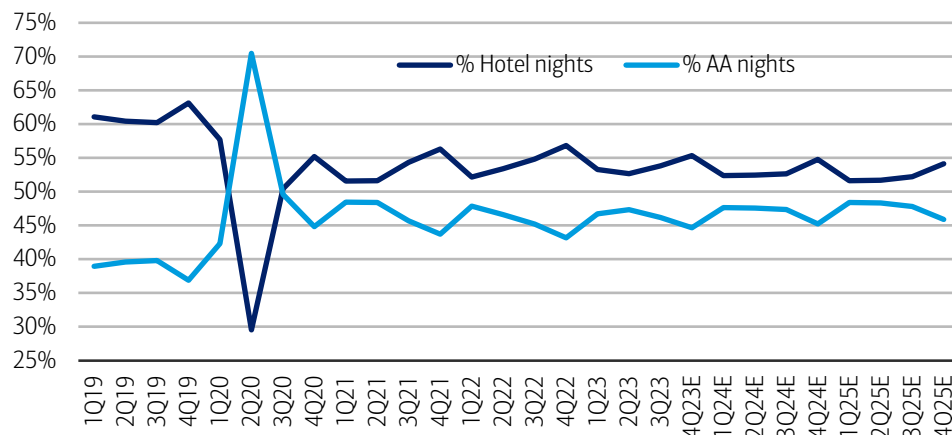
### AA growing share vs OTAs/hotels

Over the past few years, Alternative Accommodations (AAs) have been gaining popularity among travelers, with AAs growing vs hotel room nights and Airbnb nights growing faster than OTA peers. Airbnb has strong market share for Alternative Accommodations (50%+), which should enable better network effects for travelers and hosts.

Within the larger Online travel platform industry (as measured by the top-3 Western market Online travel booking platforms), AA bookings have grown to 46% of total nights booked in 3Q23, up from 39% pre-pandemic in 2019. On a 12-month basis AA rooms booked share has improved 1 point vs 45% in 3Q22, and our estimates have AA gaining share vs hotel nights in 2024.

#### Exhibit 3: Room nights booked share: Hotels vs AA

Share of AA room nights booked (as % of total nights booked) has gone up since 2019



Source: BofA Global Research estimates

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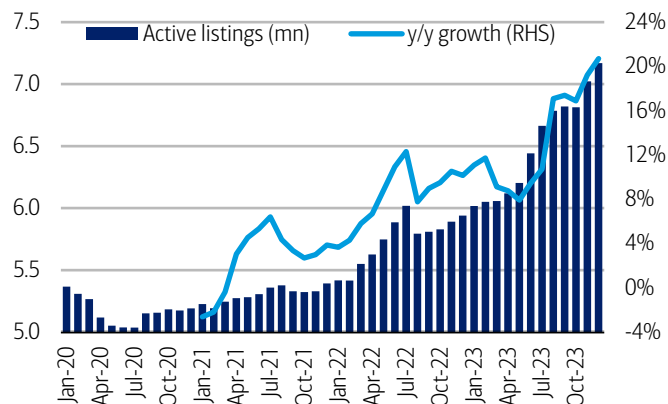
### Strong supply growth, lots of TAM expansion ahead

Airbnb's 3Q23 supply grew 19% y/y (ex-China), with growth across all regions and market types. With supply growth exceeding room nights growth, there is potential for room night growth acceleration. In December, AirDNA data indicated that available listings supply growth accelerated 1pt to 30% y/y. Airbnb is present in 220 countries across the world, but the company sees room for expansion in markets like Germany, Brazil and Korea.

During the IPO meetings with investors, Airbnb estimated its total addressable market ("TAM") by 2030 to be \$3.4 trillion, including \$1.8 trillion for short-term stays, \$210 billion for long-term stays, and \$1.4 trillion for experiences.

**Exhibit 4: Global Active listings estimate**

Active listings growth is accelerating

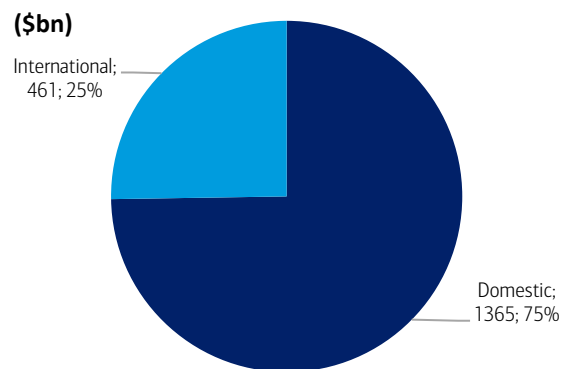


Source: AirDNA

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**Exhibit 5: Airbnb estimated total addressable market (TAM) during IPO**

Short-term rental TAM estimated at around \$1.8tn



Source: Airbnb company report

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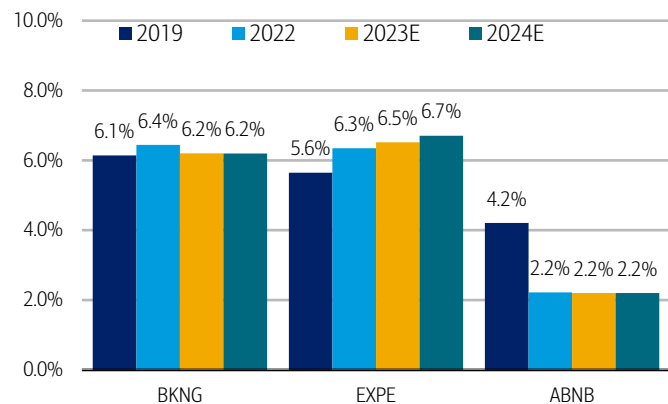
**High direct traffic = less competitive risk**

“90% of our traffic comes direct, and that’s because we have something that’s unique.”

–Brian Chesky. Similarweb estimates only 5% of Airbnb’s traffic from paid search, which compares to 17% for Booking and 20% for Expedia. A higher percent of direct traffic helps reduce the disintermediation & competition risk and should keep supply sticky. For Airbnb we estimate S&M to Bookings y/y efficiency to remain flat in 24 at 2.2%, which is much lower vs estimates for Booking at 6.2% and Expedia at 6.7%.

**Exhibit 6: Sales and Marketing (S&M) to Bookings ratios**

For Airbnb we estimate S&amp;M to Bookings y/y efficiency to remain flat.

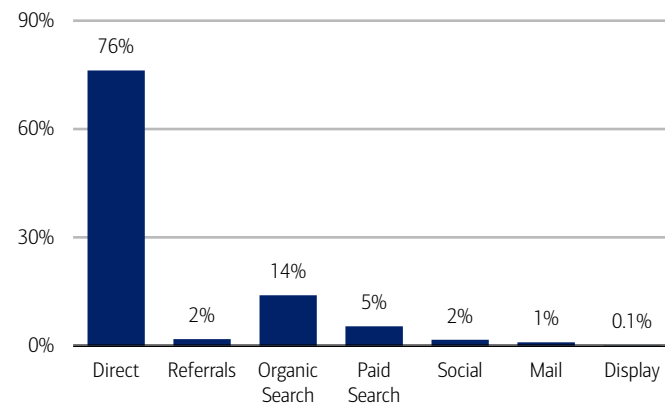


Source: BofA Global Research estimates, company reports

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**Exhibit 7: Airbnb’s estimated traffic from various marketing channels**

Similarweb estimates only 5% of Airbnb’s traffic from paid search



Source: Similarweb

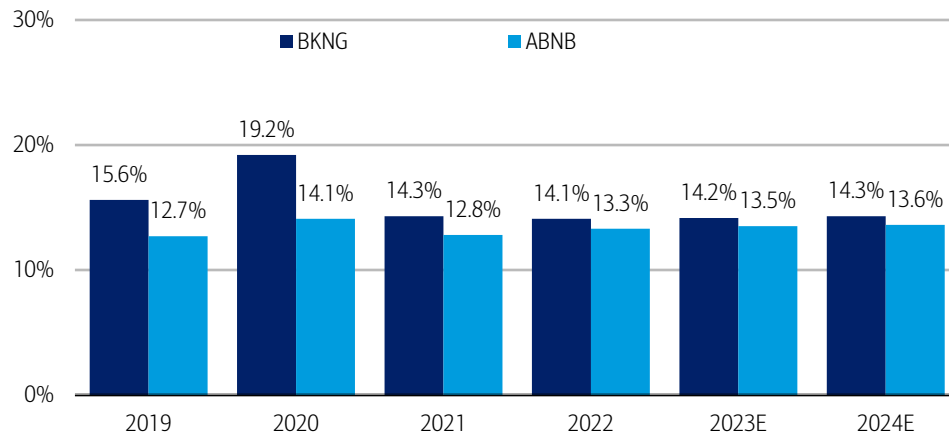
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**Pricing power: Ability to raise fees (or take-rates)**

Airbnb’s revenue take rates in 2023 are expected at around 13.5%, still below Booking’s at around 15% (estimated, excluding air and advertising). Airbnb’s take rate is much lower than Booking for hosts (as Airbnb also charges guest fees) and the company has been increasing services for hosts (such as insurance), which opens the potential for higher fees over time. Airbnb could also introduce sponsored listings on the platform (though not expected until 2025 at the earliest), which could further boost take rates. A 1% increase in take-rates could add 4 pts to margin if costs were flattish.

**Exhibit 8: Airbnb vs Booking's take-rates**

Airbnb take-rates remain below Booking's



Source: BofA Global Research estimates, company report

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**An additional fee for cross-currency bookings**

Airbnb announced (on 01/26) 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."

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 expect all cross-border bookings to 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. We estimate that the new fee could generate \$200-400mn in additional annualized revenues.

**Incremental demand opportunities (APAC recovery, Olympics)**

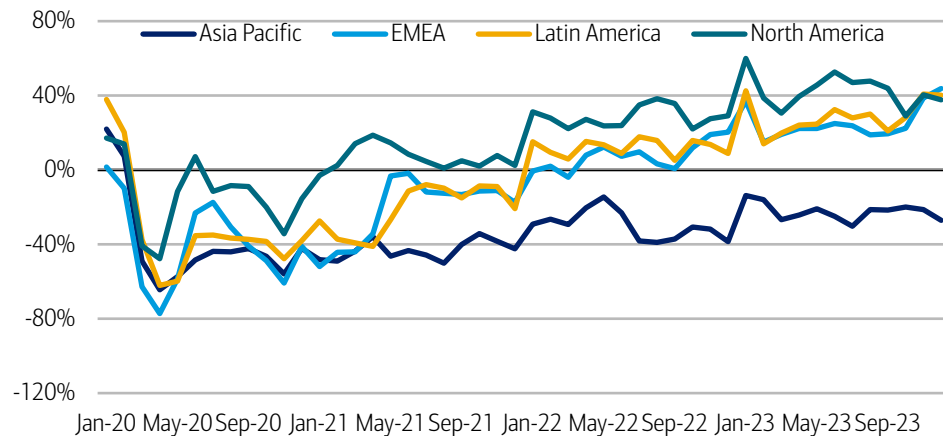
According to Airbnb's 3Q'23 shareholder letter, APAC nights booked grew 27% y/y in 3Q, vs 24% y/y in 2Q. Management also highlighted increased penetration and focus on some Asian countries, including Korea. Korea has become one of Airbnb's fastest growing countries compared to 2019, with gross nights booked up 54% vs 3Q'19 on an origin basis per Airbnb's 3Q shareholder letter.

According to AirDNA's monthly estimates, in Dec'23 nights booked in APAC were still 27% below vs Dec'19. We think there is still scope for additional demand creation for Airbnb, especially with growing focus on supply penetration.



**Exhibit 9: AirDNA: Nights booked growth vs 2019**

For Dec'23 nights booked in APAC were still 27% below vs Dec'19



Source: AirDNA

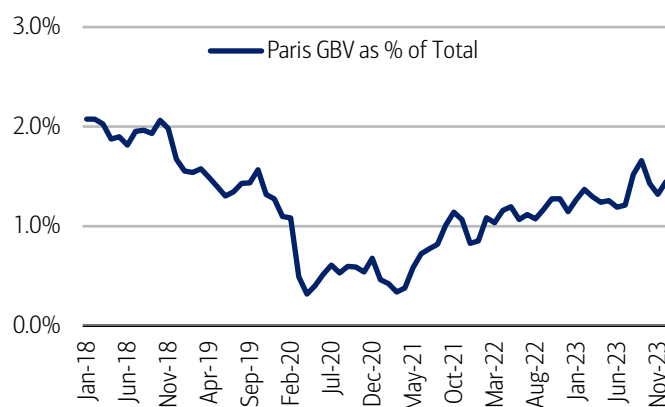
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**Paris Olympics:** With the Paris 2024 Olympic Games coming in July/Aug'24, Airbnb is expected to see increased interest in stays in the Paris Region. According to an Airbnb press release, searches for stays in the Paris Region increased by over 30% in the second trimester 2023, compared with the first trimester 2023. The Paris suburbs appear to have high interest, with searches almost doubling.

In total, Hosts on Airbnb are expected to collectively earn almost \$275mn USD (just under €257 million) over the course of the Olympic and Paralympic Games (per Airbnb release of 6<sup>th</sup> Jun'23). At an assumed average take-rate of 14%, this \$275mn in GBV could translate to \$38.5mn in incremental Airbnb revenue.

**Exhibit 10: Estimated Paris GBV as % of Airbnb's total GBV**

Paris is one of the biggest markets for Airbnb already, contributing around 1.5% of GBV

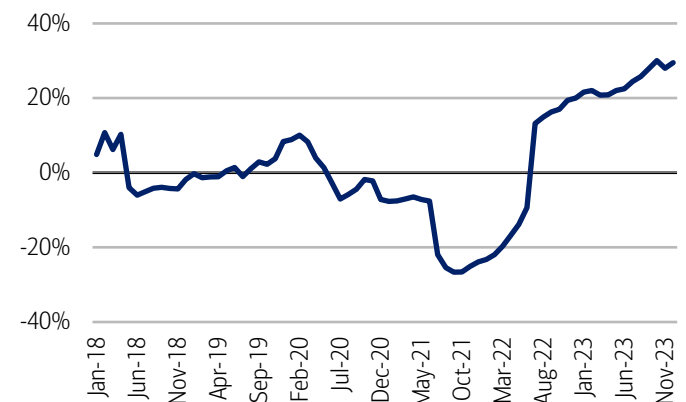


Source: AirDNA

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**Exhibit 11: Paris: Airbnb active listings (y/y growth)**

Active listings growth in Paris has been accelerating rapidly



Source: AirDNA

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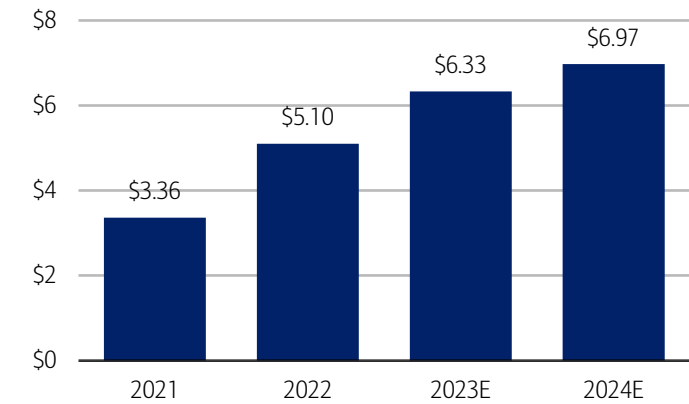
**Strong FCF and ability to reduce share count**

We estimate Airbnb will generate \$4.2bn in FCF in 2023 (around \$6.3/share), and company is more than offsetting SBC related share count dilution through buybacks. The stock valuation is at 21x 2024 FCF, we think it is attractive vs larger cap peers. In 3Q, Airbnb bought back \$500mn in stock and we estimate that fully diluted shares outstanding will fall by 2% in 2023 to 685mn shares.





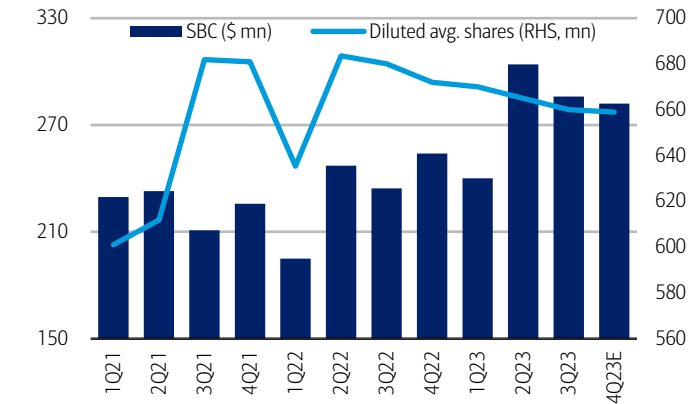
**Exhibit 12: Free cash flow/share**  
We expect 2024 FCF/share of \$6.97



Source: BofA Global Research estimates, company report

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**Exhibit 13: Airbnb SBC and share count**  
Expect buybacks to more than offset SBC dilution



Source: BofA Global Research estimates, company report

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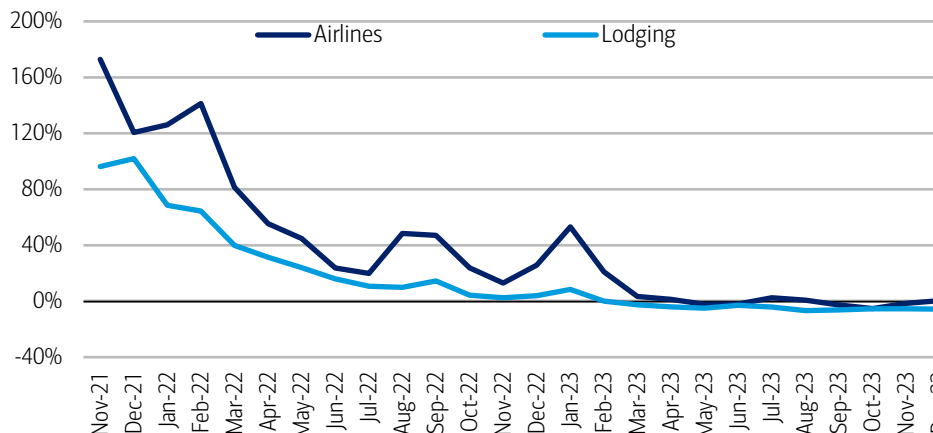
# Risks and concerns for 2024

## 2023 may have been peak for international travel

Post the pandemic, the US was first market to reopen and recover, followed by Europe in 2H22/23 (Asia is yet to fully recover and data suggests that bookings remain below 2019 levels). Most US travel indicators that we track (BAC aggregated debit and credit card spending on airlines & lodging, TSA travel throughput, airline bookings) seem to have normalized for y/y growth, and domestic trends have been muted vs international in 2023.

### Exhibit 14: BAC aggregated debit and credit card spending data for Airlines and Lodging y/y (monthly up to Dec'23)

Airline and hotel y/y spend per our card data has slowed significantly in 2023



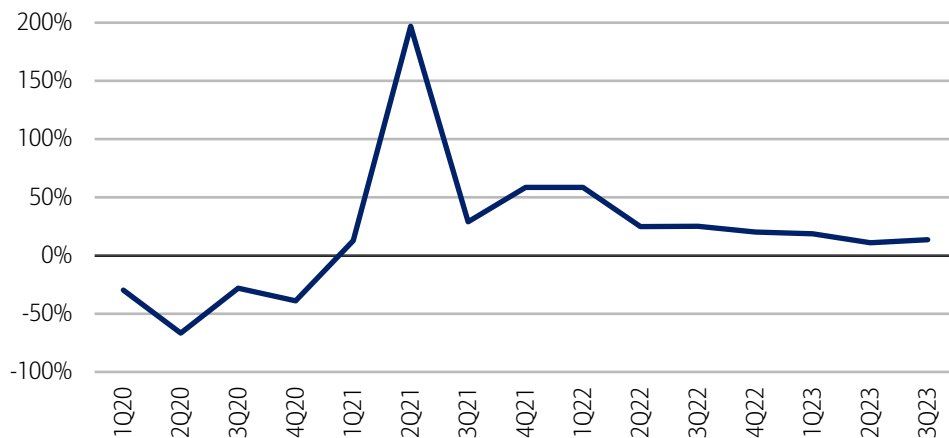
Source: BAC internal data

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While not disclosed quarterly, we think Airbnb US nights likely grew single-digits in 2023 (pressuring total nights growth), and we think there is risk that Airbnb's International nights growth could slow toward the US.

### Exhibit 15: Airbnb nights growth y/y

Growth has normalized post-pandemic led peak



Source: Airbnb company report

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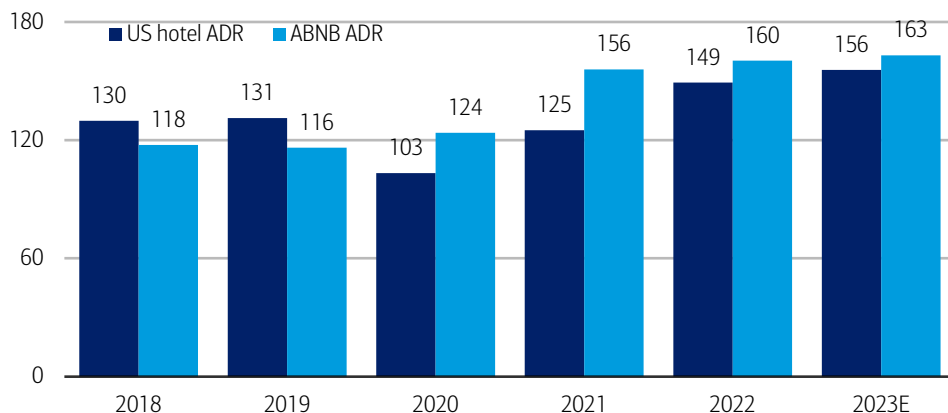
## Potential for ADR pressure

Since 2019, US hotel ADRs for 2023 are up about 19% (str.com), while Airbnb ADRs are up +40%. To help with affordability, Airbnb introduced some new host pricing tools in 2023 and increased focus on single room rentals. While risks of like-for-like ADR

declines in the US have moderated since last year, in our view, there is still risk of some ADR pressure from supply growth, mix shift in nights to Urban and international markets, and deceleration in European y/y ADR growth.

#### Exhibit 16: US hotel ADR vs Airbnb ADR

Since 2019, US hotel ADRs for 2023 are up about 19% (str.com), while Airbnb ADRs are up +40%.



Source: STR.com, Airbnb company reports

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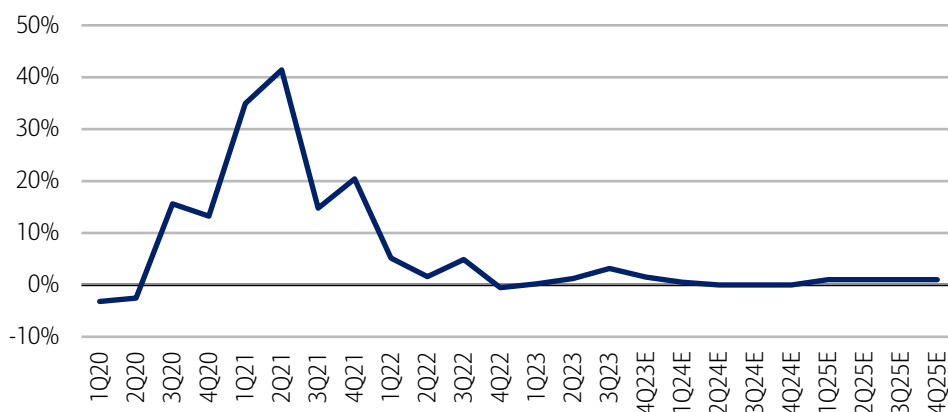
In 3Q23, US ADRs were down 1% and like-for-like ADRs in 3Q were down 3% as pricing tools helped balance the marketplace. ADRs in Europe still grew at 6% y/y in 3Q, but decelerated from 8% y/y in 2Q and seem likely to decelerate further in 2024.

Possible drivers of ADR moderation are:

- Supply growth exceeding demand
- Geo mix shift to lower ADR regions (December AirDNA data suggests US ADRs are 60% higher than EU, 80% higher vs Asia)
- AA affordability push with new host pricing tools and more transparent pricing
- Mix shift back to smaller urban rentals from whole home rentals

#### Exhibit 17: ADR expected to be flattish y/y in 2024

We expect flattish y/y ADRs of around \$163 in 2024



Source: BofA Global Research estimates, company report

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## Competition from Booking/Expedia

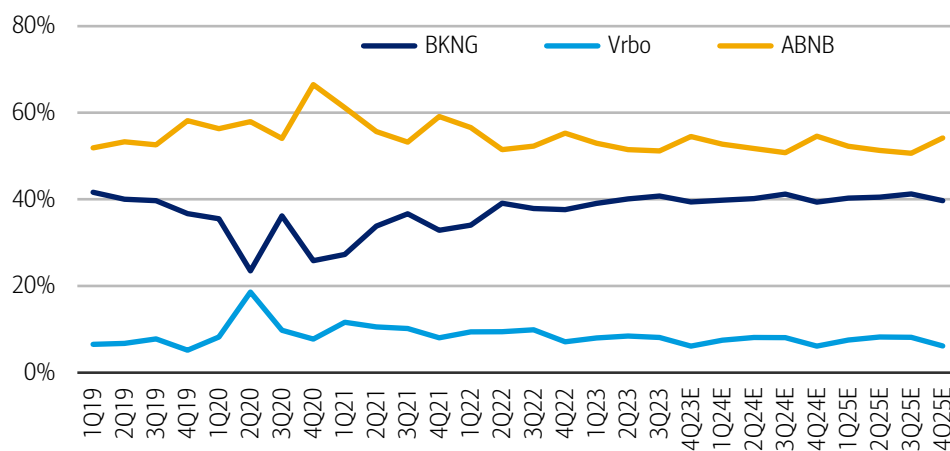
Looking back at the top-3 platforms in 1H'19, our estimates suggest, Airbnb captured 52.6% of AA nights booked, vs 40.8% for Booking and 6.6% for Vrbo. After the onset of

COVID, Vrbo appears to have gained share in the category due to its US and whole home centric inventory. By 4Q20, Airbnb's estimated AA room nights booked share jumped to 66%, mostly at the expense of Booking which was seeing more pressure on travel in its stronger Europe and Asia markets. Since early 2021, Booking's AA volumes have recovered with the rebound in Europe & ROW.

The biggest recent change in Global share has been room night share gains by Booking at the expense of Vrbo and Airbnb, reflecting better inventory, marketing spend and execution, and an acceleration in travel to the rest of the world (Europe/APAC) vs US. In 3Q **Booking's AA nights grew 24% vs 14% for Airbnb**, and Booking added more y/y nights in total. For 2023 we estimate ABNB/BKNG/EXPE night share vs each other at 52.4%/39.8%/7.7%, compared to 53.8%/37.2%/9.0% in 2022. Looking forward, we expect Booking to remain aggressive with its Global supply initiatives to increase AA selection on its platform, while Vrbo has indicated that the company will accelerate marketing spend post platform improvements.

#### Exhibit 18: AA room nights booked market share

Booking has gained share since 2021 while VRBO has lost share



Source: BofA Global Research estimates

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## Local regulations targeting Alternative Accommodations

Regulatory changes are not new for Airbnb, but there have been several initiatives in urban areas that face challenges around housing affordability and inadequate supply.

Some recent regulatory news for the company include:

- New EU rules aim to bring more transparency to short-term rentals in the EU and promote more sustainable tourism. Parliament and Council reached a deal on the proposal in November 2023 with measures including: a) registration of hosts, b) more security for guests, and c) data sharing. Parliament's internal market committee voted on the provisional agreement in January 2024.
- On September 5, New York City implemented a new law restricting short-term vacation rentals, defined as stays lasting less than 30 days. Thousands of Airbnbs and other short-term rentals have been removed from rental platforms in New York City, and some have converted to long-term rentals.
- Starting May 1, 2024, British Columbia (Canada) will have regulations which restrict short-term rentals to principal residences and either a secondary suite or an accessory dwelling unit (ADU) in many B.C. communities.

- On 28th Nov'23, the Los Angeles City Council approved a law that will require hosts of short-term rentals, including Airbnbs, and hotels to obtain a police permit. Many permits require criminal background checks and fees can be hundreds of dollars.
- On 16<sup>th</sup> Nov'23, the mayor of Mexico City proposed regulations seeking to require short-term rental hosts to register their listings on an online database, in a bid to limit the proliferation of rentals in the capital and relieve local residents' concerns over affordable housing shortages and surging house prices.
- In Oct'23, Florence banned new short-term in its city center.
- In June'23, the City of Dallas approved regulations blocking STRs from single-family neighborhoods. STR operators must also register listings with the city, obtain a property inspection and certificate of occupancy and pay fees.

## Valuation premium to OTAs

Airbnb's valuation has contracted since its IPO, but it still remains at a premium to OTAs. At the current \$148 stock price (9<sup>th</sup> Feb), the stock is trading at 19x Street '25 EBITDA, a premium to Booking at 14.1x and Expedia at 6.3x '25 EBITDA. With room night growth potentially converging toward peers, we reiterate our Neutral rating.

### Exhibit 19: Travel companies valuation comp table

Airbnb stock is currently trading at 19x Street '25 EBITDA, above peer average

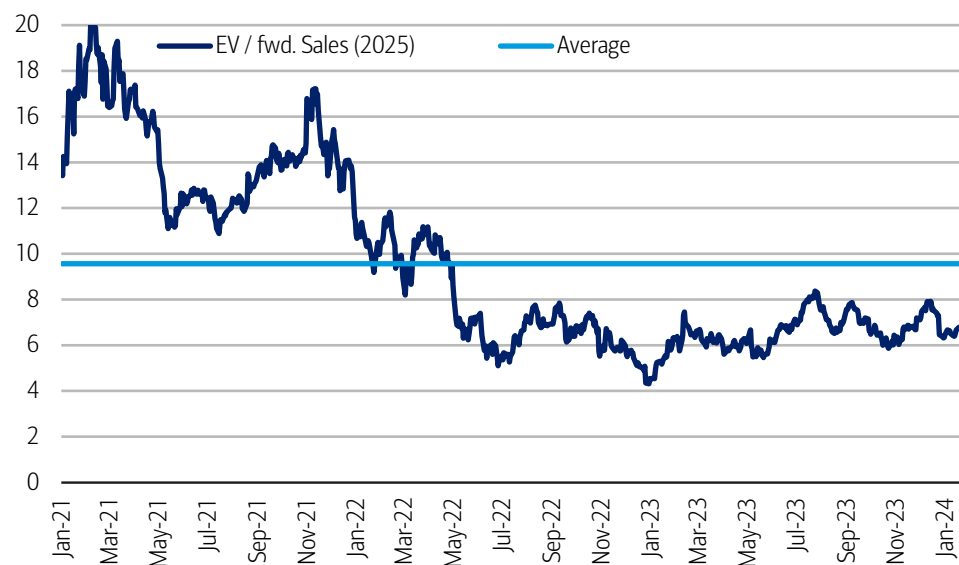
Company	Price 2/9/2024	Mkt Cap. (Bn)	EV (Bn)	EBITDA		Enterprise Value			Enterprise Value			P/E	
				Margin 2024E	Margin 2025E	Sales 2024E	EBITDA 2024E	FCF 2024E	Sales 2025E	EBITDA 2025E	FCF 2025E	2024E	2025E
<b>Hotels</b>													
Marriott	\$247.02	\$80	\$91	19%	19%	4x	18x	32x	3x	17x	30x	26x	23x
Hilton	\$192.16	\$51	\$60	30%	30%	5x	18x	31x	5x	17x	NM	27x	24x
Hyatt	\$130.48	\$15	\$17	16%	17%	2x	15x	25x	2x	14x	21x	40x	32x
Wynn	\$105.60	\$12	\$22	30%	30%	3x	10x	31x	3x	10x	27x	21x	19x
Playa	\$8.52	\$1	\$2	28%	28%	2x	8x	20x	2x	8x	NM	18x	13x
LV Sands	\$53.62	\$41	\$50	39%	39%	4x	11x	20x	4x	10x	18x	20x	17x
Caesars	\$44.50	\$10	\$35	34%	34%	3x	9x	25x	3x	8x	20x	36x	20x
MGM Resorts	\$46.74	\$19	\$47	27%	27%	3x	11x	36x	3x	11x	30x	21x	18x
<b>Median</b>				<b>29%</b>	<b>29%</b>	<b>3x</b>	<b>11x</b>	<b>28x</b>	<b>3x</b>	<b>10x</b>	<b>24x</b>	<b>23x</b>	<b>19x</b>
Average				28%	28%	3x	13x	28x	3x	12x	24x	26x	21x
<b>Online Travel</b>													
Booking	\$3,758.18	\$131	\$129	35%	35%	5x	16x	19x	5x	14x	17x	21x	18x
Expedia	\$131.11	\$18	\$20	22%	22%	1x	7x	9x	1x	6x	8x	15x	11x
Airbnb	\$147.60	\$96	\$88	36%	37%	8x	22x	20x	7x	19x	18x	31x	28x
Tripadvisor	\$21.71	\$3	\$3	20%	21%	2x	8x	10x	1x	7x	10x	16x	14x
<b>Median</b>				<b>28%</b>	<b>29%</b>	<b>4x</b>	<b>12x</b>	<b>15x</b>	<b>3x</b>	<b>11x</b>	<b>13x</b>	<b>18x</b>	<b>16x</b>
Average				28%	29%	4x	13x	15x	4x	12x	13x	21x	18x

Source: BofA Global Research estimates, Bloomberg

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**Exhibit 20: ABNB: forward consensus EV/Sales**

Forward year P/S valuation have declined since IPO, with average now close to 10x

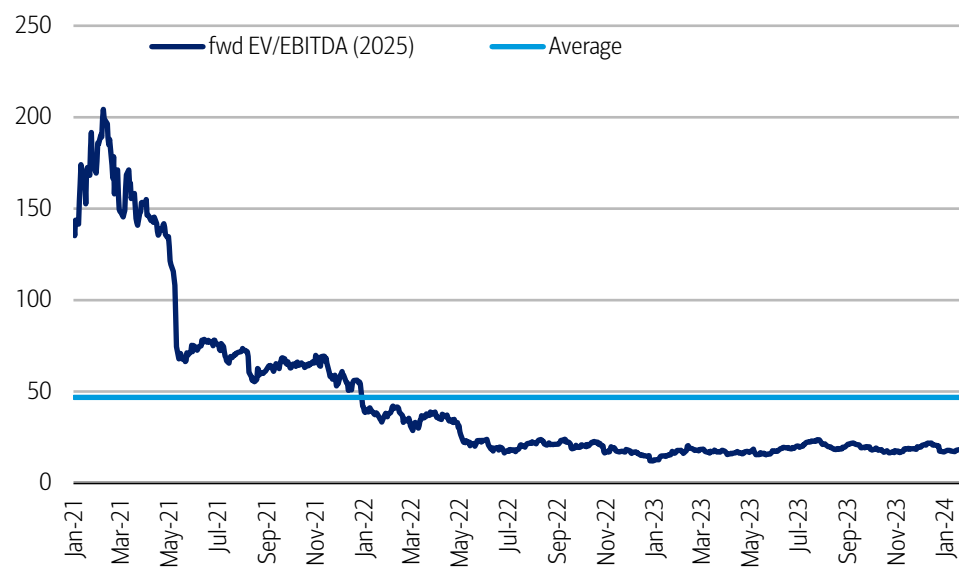


Source: BofA Global Research, Bloomberg

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**Exhibit 21: ABNB: forward consensus EV/EBITDA**

Forward valuations have declined since the IPO, 2025 EV/EBITDA near 19x



Source: BofA Global Research, Bloomberg

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# AirDNA December travel data update

## Airbnb

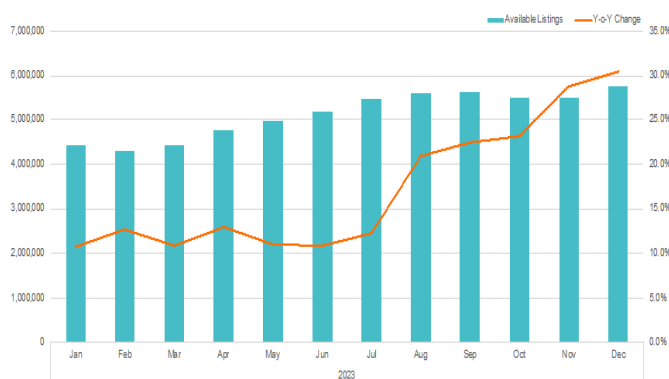
AirDNA data suggests Airbnb active listings in December were 7.2mn, growth of 21% y/y (vs 19% y/y in Nov); while available listings grew 30% y/y to 5.7mn (accelerating vs Nov growth of 29% y/y). Booked listings grew 22% y/y to 4.4mn units.

AirDNA estimates Airbnb nights booked (based on date of booking) accelerated in December to 17% y/y, vs 16% y/y in November, with December bookings growth at 24% y/y vs 20% in Nov, on accelerated booked ADR growth of +6.4% y/y vs +3.4% y/y in November.

Demand nights (total number of reserved nights during the reporting period, based on date of stay) y/y growth accelerated to 16% in December vs 12% in Nov'23.

### Exhibit 1: Global Available listings & Y/Y change trailing 12 months

Listings y/y growth accelerated to 30% y/y in December vs 29% in Nov

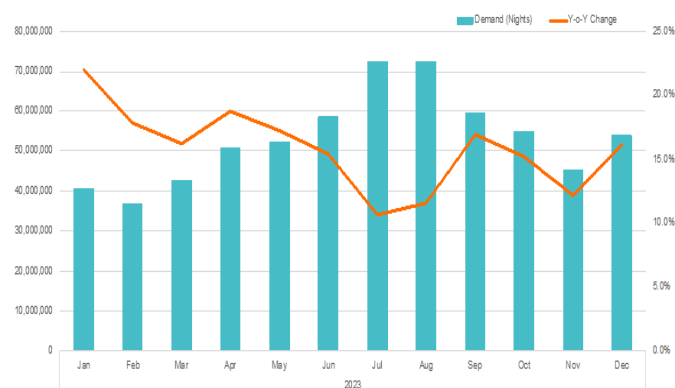


Source: AirDNA

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### Exhibit 2: Global Demand (Nights) & Y/Y change trailing 12 months

Demand y/y growth accelerated to 16% in December vs 12% in Nov



Source: AirDNA

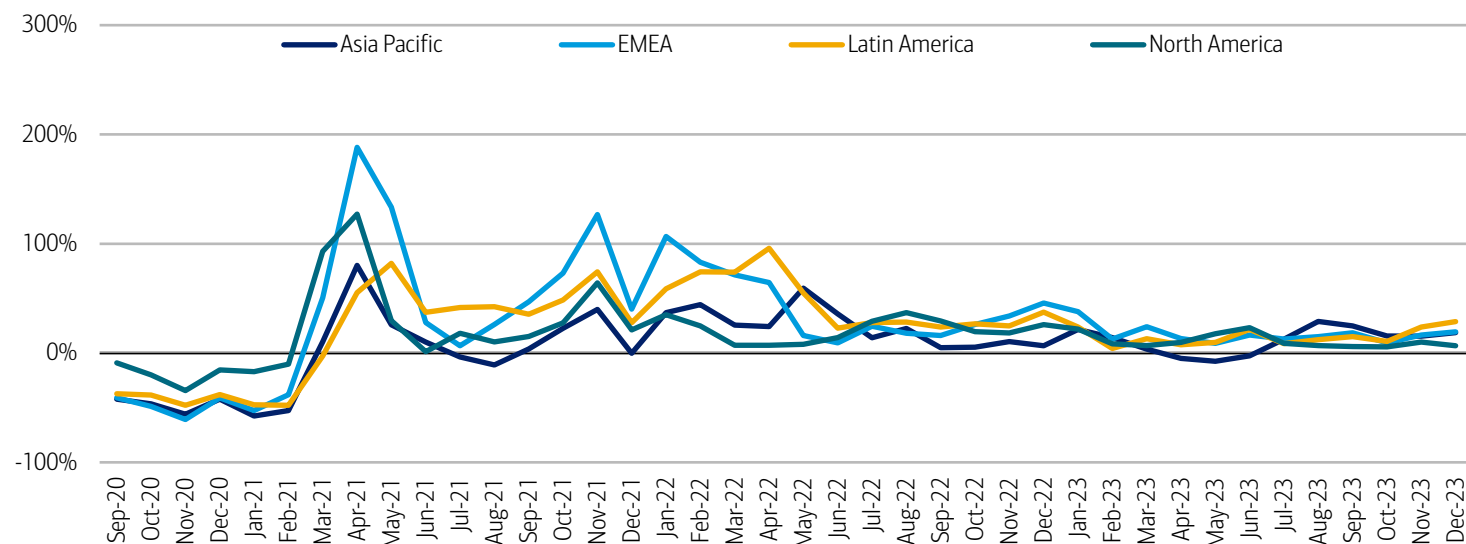
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Airbnb's nights booked (based on date of booking) y/y growth accelerated across all regions except North America (NA) in December. Nights booked in LatAm grew fastest at 29% vs 24% in Nov, North America nights grew 7% y/y in Dec vs 10% in November, and EMEA grew 19% vs 17% in Nov. APAC grew 19% y/y vs 15% in Nov., but vs 2019 were still 27% below Dec'19 (vs down 21% in Nov).



**Exhibit 24: Airbnb: Nights Booked by region (y/y growth)**

Nights Booked y/y growth decelerated for NA, but accelerated across other regions



Source: AirDNA

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**4Q estimates above the Street on both ADR and nights**

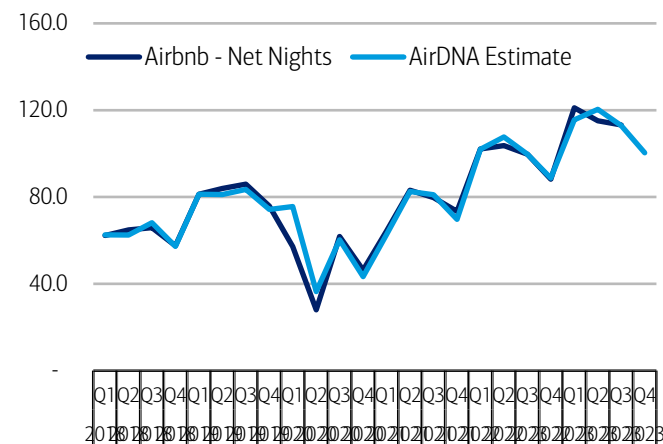
*\*Note: AirDNA recently changed their methodology of calculating quarterly nights/GBV/revenue. They now Index y/y estimates to Airbnb actuals for the adjusted quarterly estimate vs previously indexing q/q.*

AirDNA's estimates 4Q Airbnb Revenue at \$2.23bn, above the Street estimate of \$2.16bn (per Visible Alpha), suggesting growth of 17% y/y (compared to Airbnb's outlook of 12%-14% growth). For Booked nights and total bookings, using the quarterly indexing methodology, AirDNA estimates 100.3mn nights and \$15.9bn in booking value, above Street for nights at 98.1mn and for bookings at \$15.2bn (per Visible Alpha). The implied 4Q ADR of \$158 (+3.3% y/y) is above Street at \$155 (+1.2% y/y) per Visible Alpha.

Using AirDNA's other methodology of Booking value = Nights booked \* Booked ADR, AirDNA estimates Airbnb's 4Q booking value at \$17bn with booked ADR estimate of \$169 (+11% y/y), vs. Street at \$155 (+1% y/y). This methodology has estimated higher ADRs than reported for several quarters.

**Exhibit 25: AirDNA estimates (nights booked) vs. Airbnb historical**

Nights booked in 4Q are expected at 100.3mn

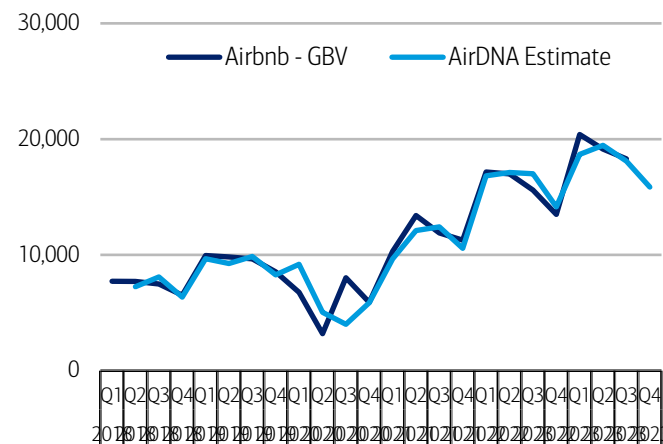


Source: AirDNA

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**Exhibit 26: AirDNA estimates (booking value) vs. Airbnb historical**

Booking value in 4Q are expected at \$15.9bn



Source: AirDNA

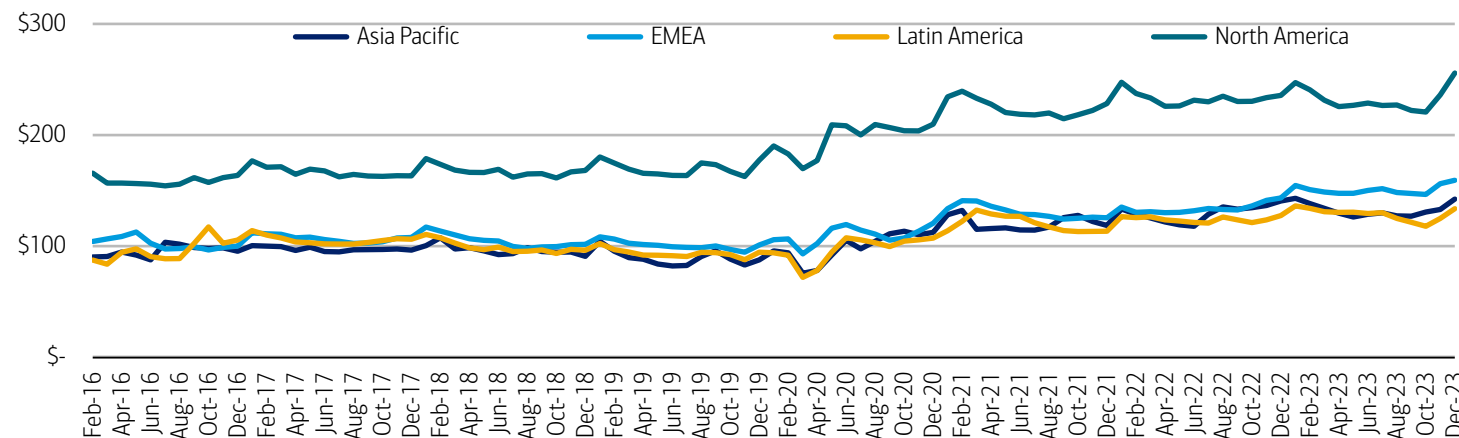
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AirDNA December data suggests average booked ADR of \$178 vs \$169 in November, and were up 6% y/y in December vs. up 3% y/y in November. On a regional basis, ADRs growth accelerated across regions. In EMEA ADRs grew a strong 11% y/y (vs 10.6% growth in Nov), and ADRs in NA were up 9% vs up 1% in November. These ADRs are based on Booked Nights.  $ADR = \text{Booking Value} / \text{Booked Nights}$

\*ADR is the Average Daily Rate charged per listings. ADR includes the nightly rate and excludes service fees or taxes and cleaning fees.

**Exhibit 27: Airbnb: Booked ADR by region**

Airbnb ADR by region showing North America leading vs. ROW. In December, ADR growth accelerated across geos



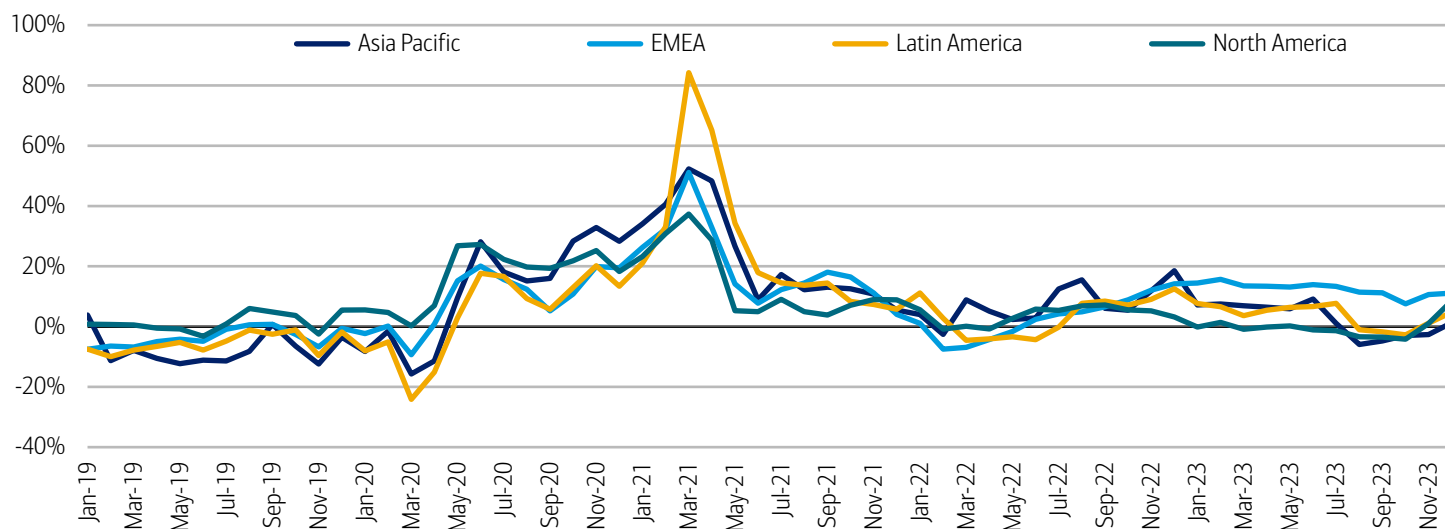
Source: AirDNA

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AirDNA estimates suggest that Airbnb's December ADRs are growing y/y in all regions. This is a notable improvement from declining y/y ADRs in NA, LatAm and APAC since Aug'23.

**Exhibit 28: Airbnb: Booked ADRs by region ( y/y growth)**

ADR y/y growth accelerated across geos, with most acceleration in NA (8pts)



Source: AirDNA

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See [BofA on USA](#) report for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data.

## 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

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alphabet	GOOGL	GOOGL US	Justin Post
	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
	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
<b>NEUTRAL</b>				
	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
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA



## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**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

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

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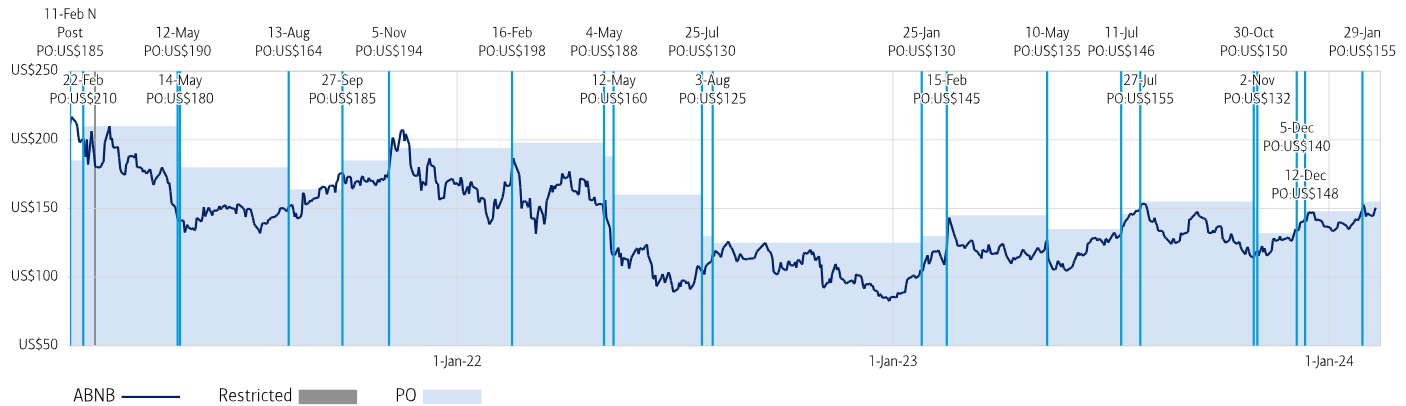
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### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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