UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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: 001-39778

Airbnb, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-3051428**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

888 Brannan Street
San Francisco, California 94103
(Address of Principal Executive Offices) (Zip Code)
(415) 510-4027
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A common stock, par value $0.0001 per share	ABNB	The Nasdaq Stock Market

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 ☒

As of July 18, 2022, 399,166,995 shares of the registrant's Class A common stock were outstanding, 240,331,603 shares of the registrant's Class B common stock were outstanding, no shares of the registrant’s Class C common stock were outstanding, and 9,200,000 shares of the registrant’s Class H common stock were outstanding.

AIRBNB, INC.
Form 10-Q

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "shall," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," "goal," "objective," "seeks," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the effects of the COVID-19 pandemic, including as a result of new strains or variants of the virus on our business, the travel industry, travel trends, and the global economy generally;
- the effects of certain global events, such as current or future military conflict, including between Russia and Ukraine, terrorism, sanctions, rising energy prices, inflation, interest rates, the depth and duration of any recession, and other geopolitical events globally, on our business, the travel industry, travel trends, and the global economy generally;
- our expectations regarding our financial performance, including our revenue, costs, Adjusted EBITDA, and Free Cash Flow;
- our expectations regarding future operating performance, including Nights and Experiences Booked, Gross Booking Value ("GBV"), and GBV per Night and Experience Booked;
- our ability to attract and retain Hosts and guests;
- our ability to compete in our industry;
- our expectations regarding the resilience of our model, including in areas such as domestic travel, short-distance travel, travel outside of top cities, and long-term stays;
- seasonality, including the return of pre-COVID-19 pandemic patterns of seasonality in 2022, and the effects of seasonal trends on our results of operations;
- our expectations regarding the impact of the reduction in performance marketing spend to focus on brand marketing, and our ability to continue to attract guests and Hosts to our platform through direct and unpaid channels;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates;
- anticipated trends, developments, and challenges in our industry, business, and the highly competitive markets in which we operate;
- our ability to anticipate market needs or develop new or enhanced offerings and services to meet those needs;
- our ability to manage expansion into international markets and new businesses;
- our ability to stay in compliance with laws and regulations, including tax laws, that currently apply or may become applicable to our business both in the United States and internationally and our expectations regarding various laws and restrictions that relate to our business;
- our expectations regarding our income tax liabilities, including anticipated increases in foreign taxes, and the adequacy of our reserves;
- our ability to effectively manage our growth and expand our infrastructure and maintain our corporate culture;
- our ability to identify, recruit, and retain skilled personnel, including key members of senior management;
- the safety, affordability, and convenience of our platform and our offerings;
- the sufficiency of our cash, cash equivalents, and investments to meet our liquidity needs;
- our ability to successfully defend litigation brought against us;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to make required payments under our credit agreement and to comply with the various requirements of our indebtedness; and
- the increased expenses associated with being a public company.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations, estimates, forecasts, and projections about future events and trends that we believe may affect our business, results of operations, financial condition, and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2021, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and any subsequent filings, as well as those identified in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made available. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Quarterly Report on Form 10-Q by these cautionary statements.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Airbnb, Inc.

Condensed Consolidated Balance Sheets
(in thousands, except par value)
(unaudited)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,067,438	$ 7,837,992
Marketable securities	2,255,038	2,057,487
Restricted cash	14,764	14,768
Funds receivable and amounts held on behalf of customers	3,715,471	7,465,510
Prepaids and other current assets (including customer receivables of $142,519 and $204,559 and allowances of $30,870 and $34,071, respectively)	333,669	449,892
Total current assets	12,386,380	17,825,649
Property and equipment, net	156,585	118,056
Operating lease right-of-use assets	272,036	164,633
Intangible assets, net	52,308	42,426
Goodwill	652,602	649,418
Other assets, noncurrent	188,563	258,944
Total assets	$ 13,708,474	$ 19,059,126
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 118,361	$ 139,248
Operating lease liabilities, current	63,479	61,702
Accrued expenses and other current liabilities	1,558,243	1,639,842
Funds payable and amounts payable to customers	3,715,471	7,465,510
Unearned fees	903,728	1,980,863
Total current liabilities	6,359,282	11,287,165
Long-term debt	1,982,537	1,984,618
Operating lease liabilities, noncurrent	372,483	334,989
Other liabilities, noncurrent	218,459	207,329
Total liabilities	8,932,761	13,814,101
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $0.0001 par value, 2,000,000 shares of Class A common stock authorized as of December 31, 2021 and June 30, 2022; 364,500 and 398,763 shares of Class A common stock issued and outstanding as of December 31, 2021 and June 30, 2022, respectively; 710,000 shares of Class B common stock authorized as of December 31, 2021 and June 30, 2022; 269,024 and 240,729 shares of Class B common stock issued and outstanding as of December 31, 2021 and June 30, 2022, respectively; 2,000,000 shares of Class C common stock authorized as of December 31, 2021 and June 30, 2022, respectively; zero shares of Class C common stock issued and outstanding as of December 31, 2021 and June 30, 2022; 26,000 shares of Class H common stock authorized as of December 31, 2021 and June 30, 2022; 9,200 shares issued and zero shares of Class H common stock outstanding as of December 31, 2021 and June 30, 2022	63	64
Additional paid-in capital	11,140,284	11,266,683
Accumulated other comprehensive loss	(6,893)	(24,030)
Accumulated deficit	(6,357,741)	(5,997,692)
Total stockholders' equity	4,775,713	5,245,025
Total liabilities and stockholders' equity	$ 13,708,474	$ 19,059,126

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Revenue	$ 1,335,196	$ 2,104,107	$ 2,222,132	$ 3,613,044
Costs and expenses:				
Cost of revenue	294,427	390,107	548,942	752,730
Operations and support	208,125	258,255	393,561	491,267
Product development	349,734	375,050	712,795	737,977
Sales and marketing	315,323	379,875	544,448	724,491
General and administrative	218,303	243,254	408,065	453,827
Restructuring charges	562	88,743	112,544	89,060
Total costs and expenses	1,386,474	1,735,284	2,720,355	3,249,352
Income (loss) from operations	(51,278)	368,823	(498,223)	363,692
Interest income	2,942	20,247	5,994	24,991
Interest expense	(6,520)	(7,483)	(428,431)	(13,247)
Other income (expense), net	(2,128)	1,524	(302,226)	(411)
Income (loss) before income taxes	(56,984)	383,111	(1,222,886)	375,025
Provision for income taxes	11,233	4,270	17,542	14,976
Net income (loss)	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049
Net income (loss) per share attributable to Class A and Class B common stockholders:				
Basic	$ (0.11)	$ 0.59	$ (2.05)	$ 0.57
Diluted	$ (0.11)	$ 0.56	$ (2.05)	$ 0.53
Weighted-average shares used in computing net income (loss) per share attributable to Class A and Class B common stockholders:				
Basic	611,739	638,407	606,380	636,869
Diluted	611,739	683,536	606,380	684,148

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Net income (loss)	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049
Other comprehensive income (loss):				
Net unrealized loss on available-for-sale marketable securities, net of tax	(165)	(2,108)	(1,121)	(6,662)
Foreign currency translation adjustments	2,372	(9,507)	(1,511)	(10,475)
Other comprehensive income (loss)	2,207	(11,615)	(2,632)	(17,137)
Comprehensive income (loss)	$ (66,010)	$ 367,226	$ (1,243,060)	$ 342,912

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of March 31, 2021	608,057	$ 61	$ 10,339,480	$ (2,200)	$ (7,177,918)	$ 3,159,423
Net loss	—	—	—	—	(68,217)	(68,217)
Other comprehensive income	—	—	—	2,207	—	2,207
Exercise of common stock options	5,848	1	36,061	—	—	36,062
Issuance of common stock upon settlement of RSUs, net of shares withheld	4,635	—	(7,738)	—	—	(7,738)
Issuance of common stock under employee stock purchase plan, net of shares withheld	466	—	25,464	—	—	25,464
Stock-based compensation	—	—	246,000	—	—	246,000
Balances as of June 30, 2021	619,006	$ 62	$ 10,639,267	$ 7	$ (7,246,135)	$ 3,393,201

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of March 31, 2022	636,422	$ 64	$ 11,126,300	$ (12,415)	$ (6,376,533)	$ 4,737,416
Net income	—	—	—	—	378,841	378,841
Other comprehensive loss	—	—	—	(11,615)	—	(11,615)
Exercise of common stock options	847	—	4,821	—	—	4,821
Issuance of common stock upon settlement of RSUs, net of shares withheld	2,026	—	(132,831)	—	—	(132,831)
Issuance of common stock under employee stock purchase plan, net of shares withheld	197	—	20,330	—	—	20,330
Stock-based compensation	—	—	248,063	—	—	248,063
Balances as of June 30, 2022	639,492	$ 64	$ 11,266,683	$ (24,030)	$ (5,997,692)	$ 5,245,025

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of December 31, 2020	599,197	$ 60	$ 8,904,791	$ 2,639	$ (6,005,707)	$ 2,901,783
Net loss	—	—	—	—	(1,240,428)	(1,240,428)
Other comprehensive loss	—	—	—	(2,632)	—	(2,632)
Exercise of common stock options	11,137	2	83,853	—	—	83,855
Issuance of common stock upon settlement of RSUs, net of shares withheld	8,206	—	(22,792)	—	—	(22,792)
Reclassification of derivative warrant liability to equity	—	—	1,277,168	—	—	1,277,168
Purchase of capped calls	—	—	(100,200)	—	—	(100,200)
Issuance of common stock under employee stock purchase plan, net of shares withheld	466	—	25,464	—	—	25,464
Stock-based compensation	—	—	470,983	—	—	470,983
Balances as of June 30, 2021	619,006	$ 62	$ 10,639,267	$ 7	$ (7,246,135)	$ 3,393,201

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of December 31, 2021	633,524	$ 63	$ 11,140,284	$ (6,893)	$ (6,357,741)	$ 4,775,713
Net income	—	—	—	—	360,049	360,049
Other comprehensive loss	—	—	—	(17,137)	—	(17,137)
Exercise of common stock options	1,631	—	16,473	—	—	16,473
Issuance of common stock upon settlement of RSUs, net of shares withheld	4,140	1	(357,190)	—	—	(357,189)
Issuance of common stock under employee stock purchase plan, net of shares withheld	197	—	20,330	—	—	20,330
Stock-based compensation	—	—	446,786	—	—	446,786
Balances as of June 30, 2022	639,492	$ 64	$ 11,266,683	$ (24,030)	$ (5,997,692)	$ 5,245,025

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2021	2022
Cash flows from operating activities:		
Net income (loss)	$ (1,240,428)	$ 360,049
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	73,788	55,237
Bad debt expense	9,622	20,270
Stock-based compensation expense	462,337	442,028
(Gain) loss on investments, net	(10,847)	2,852
Change in fair value of warrant liability	291,987	—
Amortization of debt discount and debt issuance costs	6,362	2,081
Noncash interest expense, net	4,879	4,979
Foreign exchange (gain) loss	(16,974)	38,241
Impairment of long-lived assets	112,545	88,749
Loss from extinguishment of debt	377,248	—
Other, net	4,417	9,904
Changes in operating assets and liabilities:		
Prepaids and other assets	(52,146)	(186,718)
Operating lease right-of-use assets	19,708	18,054
Accounts payable	18,109	23,266
Accrued expenses and other liabilities	281,607	71,237
Operating lease liabilities	(22,177)	(26,811)
Unearned fees	1,075,993	1,078,321
Net cash provided by operating activities	1,396,030	2,001,739
Cash flows from investing activities:		
Purchases of property and equipment	(15,358)	(11,007)
Purchases of marketable securities	(2,807,829)	(2,078,797)
Sales of marketable securities	1,172,953	581,436
Maturities of marketable securities	803,464	1,682,246
Other investing activities, net	—	(2,847)
Net cash provided by (used in) investing activities	(846,770)	171,031

The accompanying notes are an integral part of these condensed consolidated financial statements.

Airbnb, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2022
Cash flows from financing activities:		
Taxes paid related to net share settlement of equity awards	$ (138,924)	$ (344,559)
Principal repayment of long-term debt	(1,995,000)	—
Prepayment penalty on long-term debt	(212,883)	—
Proceeds from issuance of convertible senior notes, net of issuance costs	1,979,166	—
Purchases of capped calls related to convertible senior notes	(100,200)	—
Proceeds from exercise of stock options	83,855	16,473
Proceeds from the issuance of common stock under employee stock purchase plan	25,464	20,330
Change in funds payable and amounts payable to customers	4,141,754	3,957,242
Net cash provided by financing activities	3,783,232	3,649,486
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(55,754)	(307,885)
Net increase in cash, cash equivalents, and restricted cash	4,276,738	5,514,371
Cash, cash equivalents, and restricted cash, beginning of period	7,668,252	9,727,289
Cash, cash equivalents, and restricted cash, end of period	$ 11,944,990	$ 15,241,660
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net of refunds	$ 11,744	$ 27,523
Cash paid for interest	$ 45,047	$ 6,179

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1. Description of Business

Airbnb, Inc. (the "Company" or "Airbnb") was incorporated in Delaware in June 2008 and is headquartered in San Francisco, California. The Company operates a global platform for unique stays and experiences. The Company's marketplace model connects Hosts and guests (collectively referred to as "customers") online or through mobile devices to book spaces and experiences around the world.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements ("condensed consolidated financial statements") have been prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial information. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2021, included in our Annual Report on Form 10-K, filed with the SEC on February 25, 2022. There have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2021 that have had a material impact on our condensed consolidated financial statements and related notes. The results for the interim periods are not necessarily indicative of results for the full year.

In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and variable interest entities ("VIE") in which the Company is the primary beneficiary in accordance with consolidation accounting guidance. All intercompany transactions have been eliminated in consolidation.

The Company determines, at the inception of each arrangement, whether an entity in which it has made an investment or in which it has other variable interest in is considered a VIE. The Company consolidates a VIE when it is deemed to be the primary beneficiary. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to direct the activities that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Periodically, the Company determines whether any changes in its interest or relationship with the entity impact the determination of whether the entity is still a VIE and, if so, whether the Company is the primary beneficiary. If the Company is not deemed to be the primary beneficiary in a VIE, the Company accounts for the investment or other variable interest in a VIE in accordance with applicable U.S. GAAP. As of June 30, 2022, the Company's consolidated VIEs were not material to the condensed consolidated financial statements.

Use of Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Company regularly evaluates its estimates, including those related to bad debt reserves, fair value of investments, useful lives of long-lived assets and intangible assets, valuation of goodwill and intangible assets from acquisitions, contingent liabilities, insurance reserves, revenue recognition, valuation of common stock, stock-based compensation, and income and non-income taxes, among others. Actual results could differ materially from these estimates.

As the impact of the coronavirus disease ("COVID-19") pandemic continues to evolve, estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require increased judgment. These estimates and assumptions may change in future periods and will be recognized in the consolidated financial statements as new events occur and additional information becomes known. To the extent the Company's actual results differ materially from those estimates and assumptions, the Company's future consolidated financial statements could be affected.

Recently Adopted Accounting Standards

In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-04, *Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Topic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*, which clarifies existing guidance for freestanding written call options which are equity classified and remain so after they are modified or exchanged in order to reduce diversity in practice. The standard is effective for public entities in fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company adopted the standard during the first quarter of 2022, which did not have an impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional expedients and exceptions to contract modifications and hedging relationships that reference the London Interbank Offered Rate or another reference rate expected to be discontinued. The standard is effective upon issuance and may be applied at the beginning of the interim period that includes March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU 2021-01, which clarified the scope of Topic 848 to include derivatives that are affected by a change in the interest rate used for margining, discounting, or contract price alignment that do not also reference London Interbank Offered Rate or another reference rate that is expected to be discontinued as a result of the reference rate reform. The standard is effective upon issuance and may be applied retroactively as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively to any new modifications within an interim period including or subsequent to January 7, 2021. The Company is evaluating the impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815)*, which clarifies the guidance on fair value hedge accounting of interest rate risk for portfolios of financial assets. The standard is effective for public entities in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of ASU 2017-12. The Company is evaluating the impact on the Company's consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions,* which clarifies the guidance of equity securities that are subject to a contractual sale restriction as well as includes specific disclosure requirements for such equity securities. The standard is effective for public entities in fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and will be applied prospectively. Early adoption is permitted. The Company is evaluating the impact on the Company's consolidated financial statements.

There are other new accounting pronouncements issued by the FASB that the Company has adopted or will adopt, as applicable, and the Company does not believe any of these accounting pronouncements have had, or will have, a material impact on its consolidated financial statements or disclosures.

Revision of Previously Issued Financial Statements

The condensed consolidated statements of cash flows for the six months ended June 30, 2021 has been revised to correct for errors identified by management during the preparation of the financial statements for the three months ended March 31, 2022. The errors understated cash flows from operating activities by $110 million and overstated the cash flows from financing activities by $118 million for the six months ended June 30, 2021, and the ending balance of cash, cash equivalents, and restricted cash, by $8 million for the period ended June 30, 2021. Management has determined that these errors did not result in the previously issued financial statements being materially misstated. These errors primarily related to the timing of tax payments from the net settlement of equity awards at the initial public offering in December 2020. In particular, in 2020, the Company reported $1.7 billion of cash used in financing activities to cover taxes paid related to the net share settlement of its equity awards that vested upon the initial public offering. However, approximately $123 million of this amount was actually remitted to taxing authorities in foreign jurisdictions in 2021, of which $116 million was remitted during the six months ended June 30, 2021. This had no impact on the Company's condensed consolidated financial statements outside of the presentation in the condensed consolidated statements of cash flow and did not affect the condensed consolidated balance sheets, condensed consolidated statements of operations or condensed consolidated statements of stockholders' equity.

Note 3. Supplemental Financial Statement Information

Cash, Cash Equivalents, and Restricted Cash

The following table reconciles cash, cash equivalents, and restricted cash reported on the Company's condensed consolidated balance sheets to the total amount presented in the condensed consolidated statements of cash flows (in thousands):

	As of	
	December 31, 2021	**June 30, 2022**
Cash and cash equivalents	$ 6,067,438	$ 7,837,992
Cash and cash equivalents included in funds receivable and amounts held on behalf of customers	3,645,087	7,388,900
Restricted cash	14,764	14,768
Total cash, cash equivalents, and restricted cash presented in the condensed consolidated statements of cash flows	$ 9,727,289	$ 15,241,660

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	As of	
	December 31, 2021	June 30, 2022
Indirect taxes payable	$ 309,616	$ 473,894
Compensation and related benefits	415,626	307,126
Indirect tax reserves	182,796	190,198
Gift card liability	98,129	102,187
Other	552,076	566,437
Total accrued expenses and other current liabilities	$ 1,558,243	$ 1,639,842

Payments to Customers

The Company makes payments to customers as part of its incentive programs (composed of referral programs and marketing promotions) and refund activities. The payments are generally in the form of coupon credits to be applied toward future bookings or as cash refunds.

The following table summarizes total payments made to customers (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Reductions to revenue	$ 33,498	$ 67,341	$ 59,354	$ 112,293
Charges to operations and support	12,689	22,311	27,498	44,041
Charges to sales and marketing expense	12,342	14,635	22,117	25,108
Total payments made to customers	$ 58,529	$ 104,287	$ 108,969	$ 181,442

Note 4. Investments

Debt Securities

The following tables summarize the amortized cost, gross unrealized gains and losses, and fair value of the Company's available-for-sale debt securities aggregated by investment category (in thousands):

	As of December 31, 2021				Classification as of December 31, 2021		
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Estimated Fair Value	Cash and Cash Equivalents	Marketable Securities	Other Assets, Noncurrent
Certificates of deposit	$ 395,351	$ —	$ —	$ 395,351	$ 31,117	$ 364,234	$ —
Government bonds(1)	850	13	—	863	—	863	—
Commercial paper	1,156,963	—	—	1,156,963	163,959	993,004	—
Corporate debt securities	917,718	220	(3,147)	914,791	41,439	862,901	10,451
Mortgage-backed and asset-backed securities	34,019	338	(321)	34,036	—	34,036	—
Total	$ 2,504,901	$ 571	$ (3,468)	$ 2,502,004	$ 236,515	$ 2,255,038	$ 10,451

(1) Includes U.S. government and government agency debt securities

	As of June 30, 2022				Classification as of June 30, 2022		
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Estimated Fair Value	Cash and Cash Equivalents	Marketable Securities	Other Assets, Noncurrent
Certificates of deposit	$ 571,218	$ —	$ —	$ 571,218	$ 11,500	$ 559,718	$ —
Government bonds[1]	850	—	(24)	826	—	826	—
Commercial paper	1,057,708	—	(5)	1,057,703	288,510	769,193	—
Corporate debt securities	746,904	6	(7,195)	739,715	31,976	697,274	10,465
Mortgage-backed and asset-backed securities	32,803	1	(2,328)	30,476	—	30,476	—
Total	$ 2,409,483	$ 7	$ (9,552)	$ 2,399,938	$ 331,986	$ 2,057,487	$ 10,465

(1) Includes U.S. government and government agency debt securities

As of December 31, 2021 and June 30, 2022, the Company does not have any available-for-sale debt securities for which the Company has recorded credit related losses.

Before reclassifications of gains and losses from accumulated other comprehensive income (loss) on the condensed consolidated balance sheets to other income (expense), net in the condensed consolidated statements of operations, unrealized gains and losses, net of tax, for the three and six months ended June 30, 2021 and 2022, were not material. Realized gains and losses reclassified from accumulated other comprehensive income (loss) to other income (expense), net were not material for the three and six months ended June 30, 2021 and 2022.

Debt securities in an unrealized loss position had an estimated fair value of $801.5 million and unrealized losses of $3.5 million as of December 31, 2021, and an estimated fair value of $734.5 million and unrealized losses of $9.5 million as of June 30, 2022. An immaterial amount of securities were in a continuous unrealized loss position for more than twelve months as of December 31, 2021, and $46.2 million of securities were in a continuous unrealized loss position for more than twelve months as of June 30, 2022.

The following table summarizes the contractual maturities of the Company's available-for-sale debt securities (in thousands):

	As of June 30, 2022	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 2,248,257	$ 2,244,780
Due in one year to five years	138,551	134,770
Due within five to ten years	20,332	18,110
Due beyond ten years	2,343	2,278
Total	$ 2,409,483	$ 2,399,938

Equity Investments

Gains and Losses on Marketable Equity Investments

During the six months ended June 30, 2021, the marketable equity investments were sold, and the Company realized a net loss of $14.3 million in other income (expense), net on the condensed consolidated statements of operations.

Equity Investments Without Readily Determinable Fair Values

The Company holds investments in privately-held companies in the form of equity securities without readily determinable fair values and in which the Company does not have a controlling interest or significant influence. These investments had a net carrying value of $75.0 million as of both December 31, 2021 and June 30, 2022, and are classified within other assets, noncurrent on the condensed consolidated balance sheets. There were no upward or downward adjustments for observable price changes or impairment charges for the three and six months ended June 30, 2021 and 2022. As of December 31, 2021 and June 30, 2022, the cumulative downward adjustments for observable price changes and impairment were $56.2 million.

Investments Accounted for Under the Equity Method

As of December 31, 2021 and June 30, 2022, the carrying values of the Company's equity method investments were $17.4 million and $14.6 million, respectively. The Company recorded unrealized losses of $1.3 million and $0.9 million for the three and six months ended June 30, 2021, respectively, and $1.6 million and $2.8 million for the three and six months ended June 30, 2022, respectively, within other income (expense), net in the condensed consolidated statements of operations, representing its proportionate share of net income or loss based on the investee's financial results. The Company recorded no impairment charges related to the carrying value of equity method investments for the three and six months ended June 30, 2021 and 2022.

Note 5. Fair Value Measurements and Financial Instruments

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$ 1,923,184	$ —	$ —	$ 1,923,184
Certificates of deposit	31,117	—	—	31,117
Commercial paper	—	163,959	—	163,959
Corporate debt securities	—	41,439	—	41,439
	1,954,301	205,398	—	2,159,699
Marketable securities:				
Certificates of deposit	364,234	—	—	364,234
U.S. government and government agency debt securities	—	863	—	863
Commercial paper	—	993,004	—	993,004
Corporate debt securities	—	862,901	—	862,901
Mortgage-backed and asset-backed securities	—	34,036	—	34,036
	364,234	1,890,804	—	2,255,038
Funds receivable and amounts held on behalf of customers:				
Money market funds	466,319	—	—	466,319
Prepaids and other current assets:				
Foreign exchange derivative assets	—	25,918	—	25,918
Other assets, noncurrent:				
Corporate debt securities	—	—	10,451	10,451
Total assets at fair value	$ 2,784,854	$ 2,122,120	$ 10,451	$ 4,917,425
Liabilities				
Accrued expenses and other current liabilities:				
Foreign exchange derivative liabilities	$ —	$ 10,280	$ —	$ 10,280
Total liabilities at fair value	$ —	$ 10,280	$ —	$ 10,280

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$ 3,575,350	$ —	$ —	$ 3,575,350
Certificates of deposit	11,500	—	—	11,500
Commercial paper	—	288,510	—	288,510
Corporate debt securities	—	31,976	—	31,976
	3,586,850	320,486	—	3,907,336
Marketable securities:				
Certificates of deposit	559,718	—	—	559,718
U.S. government and government agency debt securities	—	826	—	826
Commercial paper	—	769,193	—	769,193
Corporate debt securities	—	697,274	—	697,274
Mortgage-backed and asset-backed securities	—	30,476	—	30,476
	559,718	1,497,769	—	2,057,487
Funds receivable and amounts held on behalf of customers:				
Money market funds	619,283	—	—	619,283
Prepaids and other current assets:				
Foreign exchange derivative assets	—	54,253	—	54,253
Other assets, noncurrent:				
Corporate debt securities	—	—	10,465	10,465
Total assets at fair value	$ 4,765,851	$ 1,872,508	$ 10,465	$ 6,648,824
Liabilities				
Accrued expenses and other current liabilities:				
Foreign exchange derivative liabilities	$ —	$ 13,457	$ —	$ 13,457
Total liabilities at fair value	$ —	$ 13,457	$ —	$ 13,457

The following table presents additional information about investments that are measured at fair value for which the Company has utilized Level 3 inputs to determine fair value (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Balance, beginning of period	$ 11,477	$ 10,511	$ 11,490	$ 10,451
Changes in unrealized gains or losses included in other comprehensive income (loss) related to investments held at the reporting date	—	(46)	(13)	14
Balance, end of period	$ 11,477	$ 10,465	$ 11,477	$ 10,465

There were no transfers of financial instruments into or out of Level 3 during the six months ended June 30, 2021 and 2022.

The Company amended the anti-dilution feature in the warrant agreements associated with the Second Lien Credit Agreement, as defined in Note 6, *Debt*, which resulted in a change in classification from liability to equity, on March 30, 2021 (the "Modification Date"). The Company recorded a marked-to-market charge of $292.0 million through the first quarter of 2021, which was recorded in other income (expense), net on the condensed consolidated statements of operations. Subsequent to the Modification Date, the warrants were no longer subject to marked-to-market charges. The balance of $1.3 billion was then reclassified from liability to equity as the amended warrants met the requirements for equity classification. Refer to Note 6, *Debt,* for additional information.

Derivatives Not Designated as Hedging Instruments

As of December 31, 2021, the fair value of foreign exchange derivative assets and liabilities totaled $25.9 million and $10.3 million, respectively, with the aggregate notional amount totaling $2.4 billion. As of June 30, 2022, the fair value of foreign exchange derivative assets and liabilities totaled $54.3 million and $13.5 million, respectively, with the aggregate notional amount totaling $2.1 billion. Derivative assets are included in prepaids and other current assets and derivative liabilities are included in accrued expenses and other current liabilities in the condensed consolidated balance sheets.

The Company recorded total net realized gains (losses) of $(8.3) million and $27.2 million for the three months ended June 30, 2021 and 2022, respectively, and $(23.6) million and $40.1 million for the six months ended June 30, 2021 and 2022, respectively, related to foreign exchange derivative assets and liabilities.

The Company recorded total net unrealized gains (losses) of $(4.5) million and $49.1 million for the three months ended June 30, 2021 and 2022, respectively, and $35.4 million and $25.2 million for the six months ended June 30, 2021 and 2022, respectively, related to foreign exchange derivative assets and liabilities.

The realized and unrealized gains and losses on non-designated derivatives are reported in other income (expense), net in the condensed consolidated statements of operations. The cash flows related to derivative instruments not designated as hedging instruments are classified within operating activities in the condensed consolidated statements of cash flows.

The Company has master netting arrangements with the respective counterparties to its derivative contracts, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. The Company presents its derivative assets and derivative liabilities at their gross fair values in its condensed consolidated balance sheets. As of December 31, 2021, the potential effect of these rights of set-off associated with the Company's derivative contracts would be a reduction to both assets and liabilities of $10.3 million, resulting in net derivative assets of $15.6 million. As of June 30, 2022, the potential effect of these rights of set-off associated with the Company's derivative contracts would be a reduction to both assets and liabilities of $13.5 million, resulting in net derivative assets of $40.8 million.

Note 6. Debt

The following table summarizes the Company's outstanding debt (in thousands):

	December 31, 2021		June 30, 2022	
	Balance	Effective Interest Rate	Balance	Effective Interest Rate
Convertible senior notes due March 2026	$ 2,000,000	0.2 %	$ 2,000,000	0.2 %
Less: Unamortized debt discount and debt issuance costs	(17,463)		(15,382)	
Total long-term debt	$ 1,982,537		$ 1,984,618	

Convertible Senior Notes

On March 8, 2021, the Company issued $2.0 billion aggregate principal amount of 0% convertible senior notes due 2026 (the "2026 Notes") pursuant to an indenture, dated March 8, 2021 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. The 2026 Notes were offered and sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2026 Notes are senior unsecured obligations of the Company and will not bear regular interest. The 2026 Notes mature on March 15, 2026, unless earlier converted, redeemed or repurchased. The proceeds, net of debt issuance costs, were $1,979.2 million.

The initial conversion rate for the 2026 Notes is 3.4645 shares of the Company's Class A common stock per $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately $288.64 per share of the Class A common stock. The conversion rate and conversion price are subject to customary adjustments under certain circumstances in accordance with the terms of the Indenture.

The 2026 Notes are convertible at the option of the holders before December 15, 2025 only upon the occurrence of certain events, and from and after December 15, 2025, at any time at their election until the close of business on the second scheduled trading day immediately preceding March 15, 2026, only under certain circumstances. Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as applicable, cash, shares of the Company's Class A common stock, or a combination of cash and shares of the Company's Class A common stock, at the Company's election, based on the applicable conversion rate. In addition, if certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. Additionally, in the event of a corporate event constituting a fundamental change (as defined in the Indenture), holders of the 2026 Notes may require the Company to repurchase all or a portion of their 2026 Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid special interest or additional interest, if any, to, but excluding, the date of the fundamental change repurchase.

Debt issuance costs related to the 2026 Notes totaled $20.8 million and were composed of commissions payable to the initial purchasers and third-party offering costs. Debt issuance costs are amortized to interest expense using the effective interest method over the contractual term. The Company recorded interest expense of $1.0 million and $1.1 million for the three months ended June 30, 2021 and 2022, respectively, and $1.3 million and $2.1 million for the six months ended June 30, 2021 and 2022, respectively, for the 2026 Notes relating to amortization of the debt discount and debt issuance costs.

As of June 30, 2022, the if-converted value of the 2026 Notes did not exceed the outstanding principal amount.

As of June 30, 2022, the total estimated fair value of the 2026 Notes was $1.7 billion and was determined based on a market approach using actual bids and offers of the 2026 Notes in an over-the-counter market on the last trading day of the period, or Level 2 inputs.

Capped Calls

On March 3, 2021, in connection with the pricing of the 2026 Notes, the Company entered into privately negotiated capped call transactions (the "Capped Calls") with certain of the initial purchasers and other financial institutions (the "option counterparties") at a cost of $100.2 million. The Capped Calls cover, subject to customary adjustments, the number of shares of Class A common stock initially underlying the 2026 Notes. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its Class A common stock (or, in the event a conversion of the 2026 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2026 Notes its common stock price exceeds the conversion price of the 2026 Notes. The cap price of the Capped Calls will initially be $360.80 per share of Class A common stock, which represents a premium of 100% over the last reported sale price of the Class A common stock of $180.40 per share on March 3, 2021, and is subject to certain customary adjustments under the terms of the Capped Calls.

The Capped Calls meet the criteria for classification in equity, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within stockholders' equity.

Term Loans

In April 2020, the Company entered into a $1.0 billion First Lien Credit and Guaranty Agreement (the "First Lien Credit Agreement," and the loans thereunder, the "First Lien Loan"), resulting in net proceeds of $961.4 million, net of debt discount and debt issuance costs of $38.6 million. The loan was due and payable in April 2025 and could be repaid in whole or in part at the Company's option, subject to applicable prepayment premiums and make-whole premiums. Beginning in September 2020, the Company was required to repay the First Lien Loan in quarterly installments equal to 0.25% of the $1.0 billion aggregate principal amount of the First Lien Loan, with the remaining principal amount payable on the maturity date.

Also in April 2020, the Company entered into a $1.0 billion Second Lien Credit and Guaranty Agreement (the "Second Lien Credit Agreement," and the loans thereunder, the "Second Lien Loan"), resulting in net proceeds of $967.5 million, net of debt discount and debt issuance costs of $32.5 million. The loan was due and payable in July 2025 and could be repaid in whole or in part, subject to applicable prepayment premiums, make-whole premiums, and the priority of lenders under the First Lien Credit Agreement over any proceeds the Company receives from the sale of collateral.

In March 2021, the Company repaid the principal amount outstanding of $1,995.0 million under the First Lien and Second Lien loans, which resulted in a loss of extinguishment of debt of $377.2 million, including early redemption premiums of $212.9 million and a write-off of $164.3 million of unamortized debt discount and debt issuance costs. The loss on extinguishment of debt was included in interest expense in the condensed consolidated statements of operations. Additionally, the Company incurred third-party costs, principally legal and administrative fees, of $0.1 million relating to the extinguishment of the loans.

The debt discount and debt issuance costs are amortized to interest expense using the effective interest rate method. For the three months ended March 31, 2021, interest expense of $17.0 million and $24.3 million, respectively, was recorded for the First Lien and Second Lien Loans relating to the contractual interest and amortization of the debt discount and debt issuance costs.

The First Lien Loan and the Second Lien Loan were unconditionally guaranteed by certain of the Company's domestic subsidiaries and were both secured by substantially all the assets of the Company and of these subsidiary guarantors.

In connection with the Second Lien Loan, the Company issued warrants to purchase 7,934,794 shares of Class A common stock with an initial exercise price of $28.355 per share, subject to adjustment upon the occurrence of certain specified events, to the Second Lien Loan lenders. The warrants expire on April 17, 2030 and the exercise price can be paid in cash or in net shares at the holder's option. The fair value of the warrants at issuance was $116.6 million and was recorded as a liability in accrued expenses and other current liabilities on the condensed consolidated balance sheet with a corresponding debt discount recorded against the Second Lien Loan. The warrant liability was remeasured to fair value at each reporting date as long as the warrants remained outstanding and unexercised with changes in fair value recorded in other income (expense), net in the condensed consolidated statements of operations. As of December 31, 2020, the fair value of the warrant totaled $985.2 million. The Company amended the anti-dilution feature in the warrant agreements on March 30, 2021, which resulted in a change in classification from liability to equity. Accordingly, the Company recorded $292.0 million in other income (expense), net during the first quarter of 2021. The liability balance of $1.3 billion was then reclassified to equity as the amended warrants met the requirements for equity classification.

2020 Credit Facility

On November 19, 2020, the Company entered into a five-year secured revolving Credit and Guarantee Agreement, which provides for initial commitments by a group of lenders led by Morgan Stanley Senior Funding, Inc. of $500.0 million ("2020 Credit Facility"). The 2020 Credit Facility provides a $200.0 million sub-limit for the issuance of letters of credit. The 2020 Credit Facility has a commitment fee of 0.15% per annum on any undrawn amounts, payable quarterly in arrears. Interest on borrowings is equal to (i) in the case of LIBOR borrowings, 1.5% plus LIBOR, subject to a floor of 0%, or (ii) in the case of base rate borrowings, 0.5% plus the greatest of (a) the federal funds effective rate plus 0.5%, (b) the rate of interest in effect for such day by Morgan Stanley Senior Funding, Inc. as its "prime rate", and (c) LIBOR for a one-month period plus 1.0%, in each case subject to a floor of 1.0%. Outstanding balances may be repaid prior to maturity without penalty. The 2020 Credit Facility contains customary affirmative and negative covenants, including restrictions on the Company's and certain of its subsidiaries' ability to incur debt and liens, undergo fundamental changes, and pay dividends or other distributions, as well as certain financial covenants. The Company was in compliance with all financial covenants as of June 30, 2022. No amounts have been drawn on the 2020 Credit Facility as of December 31, 2021 and June 30, 2022, and outstanding letters of credit totaled $15.9 million and $28.5 million as of December 31, 2021 and June 30, 2022, respectively.

Note 7. Stock-Based Compensation

Stock-Based Compensation Expense

The following table summarizes total stock-based compensation expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Operations and support	$ 14,236	$ 16,914	$ 25,648	$ 28,609
Product development	143,812	144,932	287,527	262,808
Sales and marketing	24,064	29,118	49,965	50,325
General and administrative	50,728	56,164	99,185	100,278
Restructuring charges	23	(23)	12	8
Stock-based compensation expense	$ 232,863	$ 247,105	$ 462,337	$ 442,028

Stock Option and Restricted Stock Unit Activity

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option-pricing model using the range of assumptions in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Expected dividend yield	—	—	—	—
Expected volatility	44.9%	48.6%	44.9%	48.6%
Expected term (years)	8.0	6.1	8.0	6.1
Risk-free interest rate	1.5 %	2.2%	1.5%	2.2%

A summary of stock option and restricted stock unit (“RSU”) activity under the Plans was as follows (in thousands, except per share amounts):

		Outstanding Stock Options		Outstanding Restricted Stock Units	
	Shares Available for Grant	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value
As of December 31, 2021	81,365	24,122	$ 19.69	36,789	$ 61.22
Granted	(7,346)	635	167.00	6,711	158.82
Increase in shares available for grant	31,675	—	—	—	—
Shares withheld for taxes	2,512	—	—	(2,512)	76.20
Exercised/Vested	—	(1,631)	10.10	(4,140)	77.52
Canceled	1,973	(240)	80.57	(1,733)	92.75
As of June 30, 2022	110,179	22,886	$ 23.82	35,115	$ 75.35

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Options outstanding as of June 30, 2022	22,886	$ 23.82	3.40	$ 1,591,785
Options exercisable as of June 30, 2022	20,081	$ 15.41	2.69	$ 1,499,461

Restricted Stock Awards

The Company has granted restricted stock awards to certain continuing employees, primarily in connection with acquisitions. Vesting of this stock is primarily dependent on a service-based vesting condition that generally becomes satisfied over a period of four years. The Company has the right to repurchase or cancel shares for which the vesting condition is not satisfied.

The following table summarizes the activity related to the Company's restricted stock awards (in thousands, except for per share amounts):

	Number of Shares		Weighted-Average Grant-Date Fair Value Per Share
Unvested restricted stock awards as of December 31, 2021	632	$	62.32
Issued	—		—
Vested	(77)		62.48
Unvested restricted stock awards as of June 30, 2022	555	$	62.30

Employee Stock Purchase Plan ("ESPP")

In December 2020, the Company's board of directors adopted the ESPP. The maximum number of shares of Class A common stock authorized for sale under the ESPP is equal to the sum of (i) 4,000,000 shares of Class A common stock and (ii) an annual increase on the first day of each year beginning in 2022 and ending in 2030, equal to the lesser of (a) 1% of shares of Class A common stock (on an as converted basis) on the last day immediately preceding year and (b) such number of shares of common stock as determined by the board of directors; provided, however, that no more than 89,785,394 shares may be issued under the ESPP. The Company estimates the fair value of shares to be issued under the ESPP based on a combination of options valued using the Black-Scholes option-pricing model. The Company recorded stock-based compensation expense related to the ESPP of $32.5 million and $8.5 million for the three months ended June 30, 2021 and 2022, respectively, and $64.8 million and $13.9 million for the six months ended June 30, 2021 and 2022, respectively.

During the three and six months ended June 30, 2021, 0.5 million shares of common stock were purchased under the ESPP at a weighted-average price of $57.80 per share, resulting in net cash proceeds of $25.5 million. During the three and six months ended June 30, 2022, 0.2 million shares of common stock were purchased under the ESPP at a weighted-average price of $103.23 per share, resulting in net cash proceeds of $20.3 million.

Note 8. Commitments and Contingencies

Commitments

The Company has commitments including purchase obligations for web-hosting services and other commitments for brand marketing. As of June 30, 2022, there were no material changes outside the ordinary course of business to the Company's commitments, as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2021.

Extenuating Circumstances Policy

In March 2020, the Company applied its extenuating circumstances policy to cancellations resulting from COVID-19. That policy provides customers with greater flexibility to cancel reservations that are disrupted by epidemics, natural disasters, and other emergencies. Specifically, accommodation bookings made by guests on or before March 14, 2020, have so far been covered by the policy and may be canceled before check-in. To support Hosts impacted by elevated guest cancellations under that policy, the Company committed up to $250 million for Hosts, and had a remaining reserve balance of $45.8 million as of June 30, 2022. The reservations eligible for this $250.0 million Host program were defined as reservations made on or before March 14, 2020 with a check-in date between March 14, 2020 and May 31, 2020. For these reservations, eligible Hosts are entitled to receive 25% of the amount they would have received from guests under the Host's cancellation policies. These payments are accounted for as consideration paid to a customer and as such, primarily result in a reduction to revenue. Under this policy, the Company recorded payments, primarily to Hosts, that were not material for the three and six months ended June 30, 2021 and 2022, in its condensed consolidated statement of operations.

Lodging Tax Obligations and Other Non-Income Tax Matters

Some states and localities in the United States and elsewhere in the world impose transient occupancy or lodging accommodations taxes ("Lodging Taxes") on the use or occupancy of lodging accommodations or other traveler services. As of June 30, 2022, the Company collects and remits Lodging Taxes in approximately 31,300 jurisdictions on behalf of its Hosts. Such Lodging Taxes are generally remitted to tax jurisdictions within a 30 to 90-day period following the end of each month.

As of December 31, 2021 and June 30, 2022, the Company had an obligation to remit Lodging Taxes collected from guests on bookings in these jurisdictions totaling $180.8 million and $268.6 million, respectively. These payables were recorded in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

In jurisdictions where the Company does not collect and remit Lodging Taxes, the responsibility for collecting and remitting these taxes primarily rests with Hosts. The Company has estimated liabilities in a certain number of jurisdictions with respect to state, city, and local taxes related to lodging where management believes it is probable that the Company can be held jointly liable with Hosts for taxes and the related amounts can be reasonably estimated. As of December 31, 2021 and June 30, 2022, accrued obligations related to these estimated taxes, including estimated penalties and interest, totaled $57.3 million and $59.4 million, respectively. With respect to lodging and related taxes for which a loss is probable or reasonably possible, the Company is unable to determine an estimate of the possible loss or range of loss beyond the amounts already accrued.

The Company's potential obligations with respect to Lodging Taxes could be affected by various factors, which include, but are not limited to, whether the Company determines, or any tax authority asserts, that the Company has a responsibility to collect lodging and related taxes on either historical or future transactions or by the introduction of new ordinances and taxes which subject the Company's operations to such taxes. Accordingly, the ultimate resolution of Lodging Taxes may be greater or less than reserve amounts that the Company has recorded.

The Company is currently involved in lawsuits brought by certain states and localities involving the payment of Lodging Taxes. These jurisdictions are asserting that the Company is liable or jointly liable with Hosts to collect and remit Lodging Taxes. These lawsuits are in various stages and the Company continues to vigorously defend these claims. The Company believes that the statutes at issue impose a Lodging Tax obligation on the person exercising the taxable privilege of providing accommodations, or the Company's Hosts.

The imposition of such taxes on the Company could increase the cost of a guest booking and potentially cause a reduction in the volume of bookings on the Company's platform, which would adversely impact the Company's results of operations. The Company will continue to monitor the application and interpretation of lodging and related taxes and ordinances and will adjust accruals based on any new information or further developments.

The Company is under audit and inquiry by various domestic and foreign tax authorities with regard to non-income tax matters. The subject matter of these contingent liabilities primarily arises from the Company's transactions with its customers, as well as the tax treatment of certain employee benefits and related employment taxes. In jurisdictions with disputes connected to transactions with customers , disputes involve the applicability of transactional taxes (such as sales, value-added, and similar taxes) to services provided, as well as the applicability of withholding tax on payments made to such Hosts. Due to the inherent complexity and uncertainty of these matters and judicial processes in certain jurisdictions, the final outcomes may exceed the estimated liabilities recorded.

As of December 31, 2021 and June 30, 2022, the Company accrued a total of $124.2 million and $129.6 million of estimated tax liabilities, including interest, related to Hosts' withholding tax obligations, respectively.

The Company has identified reasonably possible exposures related to withholding income taxes and transactional taxes, and has not accrued for these amounts since the likelihood of the contingent liability is less than probable. The Company estimates that the reasonably possible loss related to these matters in excess of the amounts accrued is between $140.0 million to $160.0 million; however, no assurance can be given as to the outcomes and the Company could be subject to significant additional tax liabilities.

With respect to all other withholding tax on payments made to Hosts and transactional taxes for which a loss is probable or reasonably possible, the Company is unable to determine an estimate of the possible loss or range of loss beyond the amounts already accrued.

In addition, as of December 31, 2021 and June 30, 2022, the Company accrued a total of $33.6 million and $34.1 million of estimated tax liabilities related to employment taxes on certain employee benefits, respectively.

The Company is subject to regular payroll tax examinations by various state and local jurisdictions. Although management believes its tax withholding remittance practices are appropriate, the Company may be subject to additional tax liabilities, including interest and penalties, if any tax authority disagrees with the Company's withholding and remittance practices, or if there are changes in laws, regulations, administrative practices, principles or interpretations related to payroll tax withholding in the various state and local jurisdictions.

Legal and Regulatory Matters

The Company has been and is currently a party to various legal and regulatory matters arising in the normal course of business. Such proceedings and claims, even if not meritorious, can require significant financial and operational resources, including the diversion of management's attention from the Company's business objectives.

Regulatory Matters

The Company operates in a complex legal and regulatory environment and its operations are subject to various U.S. and foreign laws, rules, and regulations, including those related to: Internet activities; short-term rentals, long-term rentals and home sharing; real estate, property rights, housing and land use; travel and hospitality; privacy and data protection; intellectual property; competition; health and safety; protection of minors; consumer protection; employment; payments, money transmission, economic and trade sanctions, anti-corruption and anti-bribery; taxation; and others. In addition, the nature of the Company's business exposes it to inquiries and potential claims related to the compliance of the business with applicable law and regulations. In some instances, applicable laws and regulations do not yet exist or are being applied, interpreted or implemented to address aspects of the Company's business, and such adoption or interpretation could further alter or impact the Company's business.

In certain instances, the Company has been party to litigation with municipalities relating to or arising out of certain regulations. In addition, the implementation and enforcement of regulation can have an impact on the Company's business.

Intellectual Property

The Company has been and is currently subject to claims relating to intellectual property, including alleged patent infringement. Adverse results in such lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or orders preventing the Company from offering certain features, functionalities, products, or services, and may also cause the Company to change its business practices or require development of non-infringing products or technologies, which could result in a loss of revenue or otherwise harm its business. To date, the Company has not incurred any material costs as a result of such cases and has not recorded any material liabilities in its condensed consolidated financial statements related to such matters.

Litigation and Other Legal Proceedings

The Company is currently involved in, and may in the future be involved in, legal proceedings, claims, and government investigations in the ordinary course of business. These include proceedings, claims, and investigations relating to, among other things, regulatory matters, commercial matters, intellectual property, competition, tax, employment, pricing, discrimination, consumer rights, personal injury, and property rights.

Depending on the nature of the proceeding, claim, or investigation, the Company may be subject to monetary damage awards, fines, penalties, or injunctive orders. Furthermore, the outcome of these matters could materially adversely affect the Company's business, results of operations, and financial condition. The outcomes of legal proceedings, claims, and government investigations are inherently unpredictable and subject to significant judgment to determine the likelihood and amount of loss related to such matters. While it is not possible to determine the outcomes, the Company believes based on its current knowledge that the resolution of all such pending matters will not, either individually or in the aggregate, have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows.

The Company establishes an accrued liability for loss contingencies related to legal matters when a loss is both probable and reasonably estimable. These accruals represent management's best estimate of probable losses. Such currently accrued amounts are not material to the Company's condensed consolidated financial statements. However, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop. Until the final resolution of legal matters, there may be an exposure to losses in excess of the amounts accrued. With respect to outstanding legal matters, based on current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows. Legal fees are expensed as incurred.

Host Protections

The Company offers AirCover coverage, which includes but is not limited to, the Company's Host Damage Protection program that provides protection of up to $1.0 million for direct physical loss or damage to a Host's covered property caused by guests during a confirmed booking and when the Host and guest are unable to resolve the dispute. The Company retains risk and also maintains insurance from third parties on a per claim basis to protect the Company's financial exposure under this program. In addition, through third-party insurers and self-insurance mechanisms, including a wholly-owned captive insurance subsidiary created during the year ended December 31, 2019, the Company provides insurance coverage for third-party bodily injury or property damage liability claims that occur during a stay. The Company's Host Liability Insurance and Experiences Liability Insurance consists of a commercial general liability policy, with Hosts and the Company as named insureds and landlords of Hosts as additional insureds. The Host Liability Insurance and Experiences Liability Insurance provides primary coverage for up to $1.0 million per occurrence, subject to a $1.0 million cap per listing location, and includes various market standard conditions, limitations, and exclusions.

Indemnifications

The Company has entered into indemnification agreements with certain of its officers and directors. The indemnification agreements and the Company's Amended and Restated Bylaws (the "Bylaws") require the Company to indemnify these individuals to the fullest extent not prohibited by Delaware law. Subject to certain limitations, the indemnification agreements and Bylaws also require the Company to advance expenses incurred by its directors and officers. No demands have been made upon the Company to provide indemnification under the indemnification agreements or the Bylaws, and thus, there are no claims that the Company is aware of that could have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows.

In the ordinary course of business, the Company has included limited indemnification provisions under certain agreements with parties with whom the Company has commercial relations of varying scope and terms with respect to certain matters, including losses arising out of its breach of such agreements or out of intellectual property infringement claims made by third parties. It is not possible to determine the maximum potential loss under these indemnification provisions due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, no significant costs have been incurred, either individually or collectively, in connection with the Company's indemnification provisions.

Note 9. Income Taxes

The Company's tax provision for interim periods is determined by using an estimated annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates the estimated annual effective tax rate and makes a year-to-date adjustment to the provision. The estimated annual effective tax rate is subject to significant volatility due to several factors, including accurately predicting the Company's pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, intercompany transactions, audit-related developments, and changes in statutes, regulations, case law, and administrative actions.

The Company recorded income tax expense of $11.2 million and $4.3 million for the three months ended June 30, 2021 and 2022, respectively, and $17.5 million and $15.0 million for the six months ended June 30, 2021 and 2022, respectively. Tax expense for all periods was primarily driven by current tax on foreign earnings.

The Company's significant tax jurisdictions include the United States, California, and Ireland. The Company is currently under examination for income taxes by the Internal Revenue Service ("IRS") for the 2013, 2016, 2017, and 2018 tax years. The primary issue under examination in the 2013 audit is the valuation of the Company's international intellectual property which was sold to a subsidiary in 2013. In the year ended December 31, 2019, new information became available which required the Company to remeasure its reserve for unrecognized tax benefits. The Company recorded additional tax expense of $196.4 million during the year ended December 31, 2019. In December 2020, the Company received a Notice of Proposed Adjustment (“NOPA”) from the IRS which proposed an increase to the Company’s U.S. taxable income that could result in additional income tax expense and cash liability of $1.3 billion, plus penalties and interest, which exceeds its current reserve recorded in its consolidated financial statements by more than $1.0 billion. The Company disagrees with the proposed adjustment and intends to vigorously contest it. In February 2021, the Company submitted a protest to the IRS describing its disagreement with the proposed agreement and requesting the case to be transferred to IRS Independent Office of Appeals (“IRS Appeals”). In December 2021, the Company received a rebuttal from the IRS with the same proposed adjustments that were in the NOPA. In January 2022, the Company entered into an administrative dispute process with IRS Appeals. The Company will continue to pursue all available remedies to resolve this dispute, including petitioning the U.S. Tax Court (“Tax Court”) for redetermination if an acceptable outcome cannot be reached with IRS Appeals, and if necessary, appealing the Tax Court’s decision to the appropriate appellate court.

Note 10. Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders for the periods indicated (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Net income (loss) attributable to Class A and Class B common stockholders	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049
Weighted-average shares in computing net income (loss) per share attributable to Class A and Class B common stockholders:				
Basic	611,739	638,407	606,380	636,869
Diluted	611,739	683,536	606,380	684,148
Net income (loss) per share attributable to Class A and Class B common stockholders:				
Basic	$ (0.11)	$ 0.59	$ (2.05)	$ 0.57
Diluted	$ (0.11)	$ 0.56	$ (2.05)	$ 0.53

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 20 votes per share. Each share of Class B common stock is convertible into a share of Class A common stock voluntarily at any time by the holder, and automatically upon certain events. The Class A common stock has no conversion rights. As the liquidation and dividend rights are identical for Class A and Class B common stock, the undistributed earnings are allocated on a proportional basis and the resulting net income (loss) per share attributable to common stockholders is the same for both Class A and Class B common stock on an individual or combined basis.

There were no preferred dividends declared or accumulated for the three and six months ended June 30, 2021 and 2022. As of June 30, 2021, RSUs to be settled in 12.0 million shares of Class A common stock were excluded from the table below because they are subject to market conditions that were not achieved as of such date. As of June 30, 2021, 0.5 million shares of restricted stock awards were excluded from the table below because they are subject to performance conditions that were not achieved as of such date. As of June 30, 2022, RSUs to be settled in 9.6 million shares of Class A common stock were excluded from the table below because they are subject to market conditions that were not achieved as of such date. As of June 30, 2022, 0.5 million shares of restricted stock awards were excluded from the table below because they are subject to performance conditions that were not achieved as of such date.

Additionally, the following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
2026 Notes[(1)]	11,086	—	11,086	—
Warrants	7,935	—	7,935	—
Escrow shares	74	74	74	74
Stock options	30,764	1,129	30,764	707
RSUs	44,103	10,396	44,103	7,424
Restricted stock awards	170	—	170	—
ESPP	538	—	538	—
Total	94,670	11,599	94,670	8,205

(1) Holders of the 2026 Notes who convert their 2026 Notes in connection with certain corporate events that constitute a make-whole fundamental change are entitled to an increase in the conversion rate. The 11.1 million shares represents the maximum number of shares that can be issued upon conversion after considering the make-whole fundamental change adjustment on an unweighted basis.

Note 11. Geographic Information

The following table sets forth the breakdown of revenue by geography, determined based on the location of the Host's listing (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
United States	$ 769,100	$ 1,023,657	$ 1,279,886	$ 1,795,796
International (1)	566,096	1,080,450	942,246	1,817,248
Total revenue	$ 1,335,196	$ 2,104,107	$ 2,222,132	$ 3,613,044

(1) No individual international country represented 10% or more of the Company's total revenue for three and six months ended June 30, 2021 and 2022.

Note 12. Restructuring

During the year ended December 31, 2020, the Company experienced significant economic challenges associated with a severe decline in bookings, resulting primarily from COVID-19 and overall global travel restrictions. To address these impacts, in May 2020, the Company's management approved a restructuring plan to realign the Company's business and strategic priorities based on the current market and economic conditions as a result of COVID-19. This worldwide restructuring plan included a 25% reduction in the number of full-time employees, or approximately 1,800 employees, as well as a reduction in the contingent workforce and amendments to certain commercial agreements. These restructuring expenses are included in the Company's condensed consolidated statements of operations, and unpaid amounts are included in accrued expenses and other current liabilities on its condensed consolidated balance sheets. Cumulative restructuring charges as of June 30, 2022 were $353.2 million. As of June 30, 2022, the remaining liability for restructuring costs was not material.

In the second quarter of 2022, the Company announced it would shift to a remote work model, allowing its employees to work from anywhere in the country they currently work. The shift to a remote work model was in direct response to the change in how employees work due to the impact of COVID-19. As a result, the Company recorded a restructuring charge of $88.7 million during the three months ended June 30, 2022, which includes $80.3 million relating to an impairment of both domestic and international operating lease right-of-use assets, and $8.4 million of related leasehold improvements. Restructuring charges for the six months ended June 30, 2022, were $89.1 million.

For the three and six months ended June 30, 2021, the Company incurred $0.6 million and $112.5 million in restructuring charges, which primarily includes $75.3 million related to impairments of operating lease right-of-use assets and $37.2 million related to impairments of leasehold improvements.

Note 13. Subsequent Events

On August 1, 2022, the Company's board of directors approved a share repurchase program with authorization to purchase up to $2.0 billion of the Company's Class A common stock at management's discretion (the "Share Repurchase Program"). Share repurchases under the Share Repurchase Program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions or by any combination of such methods. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The Share Repurchase Program does not obligate the Company to repurchase any specific number of shares and may be modified, suspended or terminated at any time at the Company's discretion.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report"). This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors" of our 2021 Annual Report, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and any subsequent filings, as well as those identified in this Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Revision of Previously Issued Financial Statements

As described in Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, we have revised previously issued financial statements to correct immaterial misstatements.

Overview

We are a community based on connection and belonging—a community that was born in 2007 when two Hosts welcomed three guests to their San Francisco home, and has since grown to over 4 million Hosts who have welcomed over 1 billion guest arrivals to over 100,000 cities and towns in almost every country and region across the globe. Hosts on Airbnb are everyday people who share their worlds to provide guests with the feeling of connection and being at home. We have five stakeholders and are designed with all of them in mind. Along with employees and shareholders, we serve Hosts, guests, and the communities in which they live. We intend to make long-term decisions considering all of our stakeholders because their collective success is key for our business to thrive.

We operate a global marketplace, where Hosts offer guests stays and experiences on our platform. Our business model relies on the success of Hosts and guests (collectively referred to as "customers") who join our community and generate consistent bookings over time. As Hosts become more successful on our platform and as guests return over time, we benefit from the recurring activity of our community.

Impact of COVID-19 and Macroeconomic Conditions on our Business

In response to the outbreak of the novel strain of the coronavirus disease ("COVID-19") in the first half of 2020, as well as subsequent outbreaks driven by new variants of COVID-19, governments around the world have implemented, and continue to implement, a variety of measures to reduce the spread of COVID-19, including travel restrictions, social distancing, shelter-in-place orders, vaccination mandates or requirements for businesses to confirm employees' vaccination status, and other restrictions.

Throughout 2021, we continued to face lower demand for long distance travel and overall depressed Nights and Experiences Booked compared to 2019. However, in 2022, we have seen significant growth with Nights and Experiences Booked exceeding 2019 levels for the same period. While COVID-19 still plagues the world, for the three months ended June 30, 2022, Gross Booking Value ("GBV") and revenue were $17.0 billion and $2.1 billion, respectively, which were both higher compared to the same periods in 2021, 2020 and 2019 (pre-COVID-19 pandemic).The trends in our recovery continue to vary by region due to a variety of factors, including the emergence of COVID-19 variants, vaccination rates, COVID-19 caseloads and associated travel restrictions, as well as historical cross-border compared to domestic travel dependence. In the second quarter of 2022, we saw strength in all regions relative to the same period in 2021 and growth in nights booked in EMEA and Asia Pacific compared to the first quarter of 2022.

The extent and duration of the impact of the COVID-19 pandemic over the longer term remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of COVID-19, the introduction and spread of new variants of the virus that may be resistant to currently approved vaccines and the continuation of existing or implementation of new government travel restrictions, the extent and effectiveness of containment actions taken, including mobility restrictions, the timing, availability, and effectiveness of vaccines, and the impact of these and other factors on travel behavior in general, and on our business in particular, which may result in a reduction in bookings and an increase in booking cancellations.

As we look forward, we recognize the challenging macroeconomic conditions, including inflation, depressed consumer spending and the strengthening of the U.S. dollar. To date, these conditions have not had a material impact on our business, results of operations, cash flows, or financial condition; however, the impact in the future of these macroeconomic events on our business, results of operations, cash flows, and financial condition is uncertain and will depend on future developments that we may not be able to accurately predict.

Key Business Metrics and Non-GAAP Financial Measures

We track the following key business metrics and financial measures that are not calculated and presented in accordance with GAAP ("non-GAAP financial measures") to evaluate our operating performance, identify trends, formulate financial projections, and make strategic decisions. Accordingly, we believe that these key business metrics and non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance, and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results.

These key business metrics and non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly titled metrics or measures presented by other companies. A reconciliation of each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP is provided under the subsection titled "— Adjusted EBITDA" and "— Free Cash Flow" below. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Nights and Experiences Booked

Nights and Experiences Booked is a key measure of the scale of our platform, which in turn drives our financial performance. Nights and Experiences Booked on our platform in a period represents the sum of the total number of nights booked for stays and the total number of seats booked for experiences, net of cancellations and alterations that occurred in that period. For example, a booking made on February 15 would be reflected in Nights and Experiences Booked for our quarter ended March 31. If, in the example, the booking were canceled on May 15, Nights and Experiences Booked would be reduced by the cancellation for our quarter ended June 30. A night can include one or more guests and can be for a listing with one or more bedrooms. A seat is booked for each participant in an experience. Substantially all of the bookings on our platform to date have come from nights. We believe Nights and Experiences Booked is a key business metric to help investors and others understand and evaluate our results of operations in the same manner as our management team, as it represents a single unit of transaction on our platform.

In the second quarter of 2022, we had 103.7 million Nights and Experiences Booked, a 25% increase from 83.1 million in the same prior year period, and a 24% increase compared to the second quarter of 2019 (pre-COVID-19 pandemic). For the six months ended June 30, 2022, we had 205.8 million Nights and Experiences Booked, a 40% increase from 147.5 million in the same prior year period, and a 25% increase compared to the same period of 2019 (pre-COVID-19 pandemic). Nights and Experiences Booked grows as we attract new customers to our platform and as repeat guests increase their activity on our platform. Our Nights and Experiences Booked increased from prior year levels largely driven by stronger results in North America, EMEA and Latin America, where we continued to see resilience in domestic and short-distance travel, as well as improvement in both longer-distance and cross border travel during the first half of 2022.

Gross Booking Value

GBV represents the dollar value of bookings on our platform in a period and is inclusive of Host earnings, service fees, cleaning fees, and taxes, net of cancellations and alterations that occurred during that period. The timing of recording GBV and any related cancellations is similar to that described in the subsection titled "— Key Business Metrics and Non-GAAP Financial Measures — Nights and Experiences Booked" above. Revenue from the booking is recognized upon check-in; accordingly, GBV is a leading indicator of revenue. The entire amount of a booking is reflected in GBV during the quarter in which booking occurs, whether the guest pays the entire amount of the booking upfront or elects to use our Pay Less Upfront program. Growth in GBV reflects our ability to attract and retain customers and reflects growth in Nights and Experiences Booked.

In the second quarter of 2022, our GBV was $17.0 billion, a 27% increase from $13.4 billion in the same prior year period. For the six months ended June 30, 2022, our GBV was $34.1 billion, a 44% increase from $23.7 billion in the same prior year period. The increase in our GBV was primarily due to an increase in Nights and Experiences Booked. The travel recovery we are experiencing has been dominated by our higher average daily rate ("ADR") regions—North America and Europe, in particular, whereas Asia Pacific, one of our lowest ADR regions, remains depressed. Similar to Nights and Experiences Booked, our GBV improvement was largely driven by stronger bookings in North America, EMEA and Latin America, in particular with resilience in domestic and short-distance travel. On a constant currency basis, the increase in GBV was 34% and 50% for the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance, and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly titled non-GAAP measures used by other companies. A reconciliation of each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP is provided below. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

The following table summarizes our non-GAAP financial measures, along with the most directly comparable GAAP measure, for each period presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Net income (loss)	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049
Adjusted EBITDA	$ 217,394	$ 711,124	$ 158,756	$ 940,270
Net cash provided by operating activities	$ 789,654	$ 799,747	$ 1,396,030	$ 2,001,739
Free Cash Flow	$ 782,002	$ 794,699	$ 1,380,672	$ 1,990,732

Adjusted EBITDA

We define Adjusted EBITDA as net income or loss adjusted for (i) provision for (benefit from) income taxes; (ii) interest income, interest expense, and other income (expense), net; (iii) depreciation and amortization; (iv) stock-based compensation expense and stock-settlement obligations related to the IPO; (v) acquisition-related impacts consisting of gains (losses) recognized on changes in the fair value of contingent consideration arrangements; (vi) net changes to the reserves for lodging taxes for which management believes it is probable that we may be held jointly liable with Hosts for collecting and remitting such taxes; and (vii) restructuring charges.
The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature, or because the amount and timing of these items is unpredictable, not driven by core results of operations and renders comparisons with prior periods and competitors less meaningful. We believe Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our results of operations, as well as provides a useful measure for period-to-period comparisons of our business performance. Moreover, we have included Adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measurement used by our management internally to make operating decisions, including those related to operating expenses, evaluating performance, and performing strategic planning and annual budgeting.

Adjusted EBITDA also excludes certain items related to transactional tax matters, for which management believes it is probable that we may be held jointly liable with Hosts in certain jurisdictions, and we urge investors to review the detailed disclosure regarding these matters included in the subsection titled "—Critical Accounting Policies and Estimates—Lodging Tax Obligations," as well as the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Adjusted EBITDA has limitations as a financial measure, should be considered as supplemental in nature, and is not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- Adjusted EBITDA does not reflect interest income (expense) and other income (expense), net, which include loss on extinguishment of debt and unrealized and realized gains and losses on foreign currency exchange, investments, and financial instruments, including the warrants issued in connection with a term loan agreement entered into in April 2020. We amended the anti-dilution feature in the warrant agreements in March 2021. The balance of the warrants of $1.3 billion was reclassified from liability to equity as the amended warrants met the requirements for equity classification and are no longer remeasured at each reporting period;

- Adjusted EBITDA excludes certain recurring, non-cash charges, such as depreciation of property and equipment and amortization of intangible assets, and although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect all cash requirements for such replacements or for new capital expenditure requirements;

- Adjusted EBITDA excludes stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy as well as stock-settlement obligations, which represent employer and related taxes related to the IPO;

- Adjusted EBITDA excludes acquisition-related impacts consisting of gains (losses) recognized on changes in the fair value of contingent consideration arrangements. The contingent consideration, which was in the form of equity, was valued as of the acquisition date and is marked-to-market at each reporting period based on factors including our stock price;

- Adjusted EBITDA does not reflect net changes to reserves for lodging taxes for which management believes it is probable that we may be held jointly liable with Hosts for collecting and remitting such taxes; and

- Adjusted EBITDA does not reflect restructuring charges, which include severance and other employee costs, lease impairments, and contract amendments and terminations.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net loss and our other GAAP results.

For the three months ended June 30, 2022, Adjusted EBITDA was $711.1 million compared to $217.4 million in the same prior year period. This favorable change was due to our record high revenue combined with continued cost management.

Adjusted EBITDA Reconciliation

The following is a reconciliation of Adjusted EBITDA to the most comparable GAAP measure, net income (loss) (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Revenue	$ 1,335,196	$ 2,104,107	$ 2,222,132	$ 3,613,044
Net income (loss)	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049
Adjusted to exclude the following:				
Provision for income taxes	11,233	4,270	17,542	14,976
Other income (expense), net	2,128	(1,524)	302,226	411
Interest expense	6,520	7,483	428,431	13,247
Interest income	(2,942)	(20,247)	(5,994)	(24,991)
Depreciation and amortization	35,536	26,005	73,788	55,237
Stock-based compensation expense[(1)]	232,840	247,128	462,325	442,020
Acquisition-related impacts	(741)	(22,800)	7,248	(11,400)
Net changes in lodging tax reserves	475	3,225	1,074	1,661
Restructuring charges	562	88,743	112,544	89,060
Adjusted EBITDA	$ 217,394	$ 711,124	$ 158,756	$ 940,270
Adjusted EBITDA as a percentage of revenue	16 %	34 %	7 %	26 %

(1) Excludes stock-based compensation related to restructuring, which is included in restructuring charges in the table above.

Free Cash Flow

We define Free Cash Flow as net cash provided by (used in) operating activities less purchases of property and equipment. We believe that Free Cash Flow is a meaningful indicator of liquidity that provides information to our management and investors about the amount of cash generated from operations, after purchases of property and equipment, that can be used for strategic initiatives, including continuous investment in our business, growth through acquisitions, and strengthening our balance sheet. Our Free Cash Flow is impacted by the timing of GBV because we collect our service fees at the time of booking, which is generally before a stay or experience occurs. Funds held on behalf of our customers and amounts payable to our customers do not impact Free Cash Flow, except interest earned on these funds. Free Cash Flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by (used in) operating activities. Free Cash Flow does not reflect our ability to meet future contractual commitments and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.

For the three months ended June 30, 2022, Free Cash Flow was $794.7 million, representing 38% of revenue, compared to $782.0 million, representing 59% of revenue, for the three months ended June 30, 2021. The increase was primarily driven by revenue growth, margin expansion and significant growth in unearned fees. Due to seasonality, the first half of the year typically benefits from working capital as unearned fees are generated by bookings, but not recognized as revenue until future periods when guests check-in.

Free Cash Flow Reconciliation

The following is a reconciliation of Free Cash Flow to the most comparable GAAP cash flow measure, net cash provided by operating activities (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Revenue	$ 1,335,196	$ 2,104,107	$ 2,222,132	$ 3,613,044
Net cash provided by operating activities	$ 789,654	$ 799,747	$ 1,396,030	$ 2,001,739
Purchases of property and equipment	(7,652)	(5,048)	(15,358)	(11,007)
Free Cash Flow	$ 782,002	$ 794,699	$ 1,380,672	$ 1,990,732
Free Cash Flow as a percentage of revenue	59 %	38 %	62 %	55 %
Other cash flow components:				
Net cash provided by (used in) investing activities	$ 325,516	$ 368,001	$ (846,770)	$ 171,031
Net cash provided by financing activities	$ 2,327,706	$ 1,445,967	$ 3,783,232	$ 3,649,486

Seasonality

Our business is seasonal, reflecting typical travel behavior patterns over the course of the calendar year. In a typical year, the first, second, and third quarters have higher Nights and Experiences Booked than the fourth quarter, as guests plan for travel during the peak travel season, which is in the third quarter for North America and EMEA. Our business metrics, including GBV and Adjusted EBITDA, can also be impacted by the timing of holidays and other events. We experience seasonality in our GBV that is generally consistent with the seasonality of Nights and Experiences Booked. Revenue and Adjusted EBITDA have historically been, and are expected to continue to be, highest in the third quarter when we have the most check-ins, which is the point at which we recognize revenue. Seasonal trends in our GBV impact Free Cash Flow for any given quarter. Our costs are relatively fixed across quarters or vary in line with the volume of transactions, and we historically achieve our highest GBV in the first and second quarters of the year with comparatively lower check-ins. As a result, increases in unearned fees make our Free Cash Flow and Free Cash Flow as a percentage of revenue the highest in the first two quarters of the year. We typically see a slight decline in GBV and a peak in check-ins in the third quarter, which results in a decrease in unearned fees and lower sequential level of Free Cash Flow, and a greater decline in GBV in the fourth quarter, where Free Cash Flow is typically lower. As our business matures, other seasonal trends may develop, or these existing seasonal trends may become more extreme.

We have seen COVID-19 overwhelm the historical patterns of seasonality in our GBV, revenue, Adjusted EBITDA, and Free Cash Flow as a result of travel restrictions and changing travel preferences relating to the COVID-19 pandemic. While we have seen COVID-19 distort the historical patterns of seasonality in 2020 and to a lesser extent, the first half of 2021 as a result of travel restrictions and changing travel preferences relating to the pandemic, we are seeing pre-pandemic patterns of seasonality return in 2022.

Results of Operations

The following table sets forth our results of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Revenue	$ 1,335,196	$ 2,104,107	$ 2,222,132	$ 3,613,044
Costs and expenses:				
Cost of revenue	294,427	390,107	548,942	752,730
Operations and support[(1)]	208,125	258,255	393,561	491,267
Product development[(1)]	349,734	375,050	712,795	737,977
Sales and marketing[(1)]	315,323	379,875	544,448	724,491
General and administrative[(1)]	218,303	243,254	408,065	453,827
Restructuring charges[(1)]	562	88,743	112,544	89,060
Total costs and expenses	1,386,474	1,735,284	2,720,355	3,249,352
Income (loss) from operations	(51,278)	368,823	(498,223)	363,692
Interest income	2,942	20,247	5,994	24,991
Interest expense	(6,520)	(7,483)	(428,431)	(13,247)
Other income (expense), net	(2,128)	1,524	(302,226)	(411)
Income (loss) before income taxes	(56,984)	383,111	(1,222,886)	375,025
Provision for income taxes	11,233	4,270	17,542	14,976
Net income (loss)	$ (68,217)	$ 378,841	$ (1,240,428)	$ 360,049

(1) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Operations and support	$ 14,236	$ 16,914	$ 25,648	$ 28,609
Product development	143,812	144,932	287,527	262,808
Sales and marketing	24,064	29,118	49,965	50,325
General and administrative	50,728	56,164	99,185	100,278
Restructuring charges	23	(23)	12	8
Stock-based compensation expense	$ 232,863	$ 247,105	$ 462,337	$ 442,028

The following table sets forth the components of our condensed consolidated statements of operations for each of the periods presented as a percentage of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2022	2021	2022
Revenue	100 %	100 %	100 %	100 %
Costs and expenses:				
Cost of revenue	22	19	25	21
Operations and support	16	12	18	14
Product development	26	18	32	20
Sales and marketing	24	18	25	20
General and administrative	16	12	18	13
Restructuring charges	—	3	4	2
Total costs and expenses	104	82	122	90
Income (loss) from operations	(4)	18	(22)	10
Interest income	—	—	—	—
Interest expense	—	—	(19)	—
Other income (expense), net	—	—	(14)	—
Income (loss) before income taxes	(4)	18	(55)	10
Provision for income taxes	1	—	1	—
Net income (loss)	(5)%	18 %	(56)%	10 %

Comparison of the Three and Six Months Ended June 30, 2022 with the Same Periods in 2021

Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2022	% Change	2021	2022	% Change
	(in thousands, except percentages)					
Revenue	$ 1,335,196	$ 2,104,107	58 %	$ 2,222,132	$ 3,613,044	63 %

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Revenue increased $768.9 million, or 58%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to a 25% increase in Nights and Experiences Booked combined with higher ADRs. On a constant currency basis, revenue increased 64% compared to the three months ended June 30, 2021.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Revenue increased $1.4 billion, or 63%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to a 40% increase in Nights and Experiences Booked combined with higher ADRs. On a constant currency basis, revenue increased 68% compared to the six months ended June 30, 2021.

Cost of Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2022	% Change	2021	2022	% Change
	(in thousands, except percentages)					
Cost of revenue	$ 294,427	$ 390,107	32 %	$ 548,942	$ 752,730	37 %
Percentage of revenue	22 %	19 %		25 %	21 %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Cost of revenue increased $95.7 million, or 32%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to an increase in merchant fees of $87.2 million largely due to an increase in pay-in volumes, an increase in data hosting service costs of $7.2 million, and $5.8 million in chargebacks, partially offset by a decrease of $7.3 million in amortization expense for internally developed software and acquired technology. Cost of revenue as a percent of revenue decreased to 19% for the three months ended June 30, 2022, compared to 22% in the same period in the prior year, primarily due to growth in revenue outpacing growth in cost of revenue as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Cost of revenue increased $203.8 million, or 37%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to an increase in merchant fees of $180.0 million largely due to an increase in pay-in volumes, an increase in data hosting service costs of $16.2 million due to an increase in on-demand costs and reserved instances, and $13.9 million in chargebacks, partially offset by a decrease of $16.7 million in amortization expense for internally developed software and acquired technology. Cost of revenue as a percent of revenue decreased to 21% for the six months ended June 30, 2022, compared to 25% in the same period in the prior year, primarily due to growth in revenue outpacing growth in cost of revenue as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Operations and Support

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2022	% Change	2021	2022	% Change
			(in thousands, except percentages)			
Operations and support	$ 208,125	$ 258,255	24 %	$ 393,561	$ 491,267	25 %
Percentage of revenue	16 %	12 %		18 %	14 %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Operations and support expense increased $50.1 million, or 24%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $37.5 million increase in third-party community support personnel and customer relations costs, and an $8.2 million increase in insurance costs due to a higher Host Liability Insurance ("HLI") premium resulting from higher overall nights and a higher premium rate. Operations and support expense as a percent of revenue decreased to 12% for the three months ended June 30, 2022, compared to 16% in the same period in the prior year, primarily due to growth in revenue outpacing growth in operations and support expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Operations and support expense increased $97.7 million, or 25%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $68.5 million increase in third-party community support personnel and customer relations costs, a $16.9 million increase in insurance costs due to a higher HLI premium resulting from higher overall nights and a higher premium rate, and a $8.0 million increase in payroll-related expenses due to growth in headcount and increase in compensation. Operations and support expense as a percent of revenue decreased to 14% for the six months ended June 30, 2022, compared to 18% in the same period in the prior year, primarily due to growth in revenue outpacing growth in operations and support expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Product Development

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2022	% Change	2021	2022	% Change
			(in thousands, except percentages)			
Product development	$ 349,734	$ 375,050	7 %	$ 712,795	$ 737,977	4 %
Percentage of revenue	26 %	18 %		32 %	20 %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Product development expense increased $25.3 million, or 7%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $20.9 million increase in payroll-related expenses due to growth in headcount and increase in compensation, and a $4.1 million increase in third-party service providers. Product development expense as a percent of revenue decreased to 18% for the three months ended June 30, 2022, from 26% for the same period in the prior year, primarily due to growth in revenue outpacing growth in product development expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Product development expense increased $25.2 million, or 4%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $13.2 million increase in third-party service providers for contingent worker and consultant support for infrastructure projects, quality assurance services and support of new product rollouts, including AirCover, a $4.8 million increase in payroll-related expenses (which reflects a large offsetting decrease of $24.7 million from stock-based compensation and associated employer taxes due to a lower employee stock purchase plan expense), and a $1.7 million increase in outside services. Product development expense as a percent of revenue decreased to 20% for the six months ended June 30, 2022, from 32% for the same period in the prior year, primarily due to growth in revenue outpacing growth in product development expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Sales and Marketing

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
			(in thousands, except percentages)			
Brand and performance marketing	$ 208,900	$ 282,621	35 %	$ 328,109	$ 513,060	56 %
Field operations and policy	106,423	97,254	(9) %	216,339	211,431	(2) %
Total sales and marketing	$ 315,323	$ 379,875	20 %	$ 544,448	$ 724,491	33 %
Percentage of revenue	24 %	18 %		25 %	20 %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Sales and marketing expense increased $64.6 million, or 20%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $32.1 million increase in search engine marketing and advertising spend, and a $26.6 million increase in marketing activities associated with our Made Possible by Hosts, Strangers, AirCover, and Categories marketing campaigns and launches, an $8.6 million increase in payroll-related expenses, and a $7.5 million increase in third-party service provider expenses. Total field operations and policy expense decreased $9.2 million, primarily driven by a decrease of $22.8 million related to the changes in the fair value of contingent consideration arrangements related to an acquisition completed in 2019, partially offset by increases in third-party service provider expenses and payroll-related expenses due to growth in headcount and increase in compensation. Sales and marketing expense as a percent of revenue decreased to 18% for the three months ended June 30, 2022, from 24% for the same period in the prior year, primarily due to growth in revenue outpacing growth in sales and marketing expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Sales and marketing expense increased $180.0 million, or 33%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to a $88.7 million increase in marketing activities associated with our Made Possible by Hosts, Strangers, AirCover, and Categories marketing campaigns and launches, a $68.4 million increase in search engine marketing and advertising spend, and a $14.4 million increase in third-party service provider expenses. Total field operations and policy expense decreased $4.9 million, primarily driven by a decrease of $11.4 million related to the changes in the fair value of contingent consideration arrangements related to an acquisition completed in 2019, partially offset by an increase in payroll-related expenses due to growth in headcount and increase in compensation. Sales and marketing expense as a percent of revenue decreased to 20% for the six months ended June 30, 2022, from 25% for the same period in the prior year, primarily due to growth in revenue outpacing growth in sales and marketing expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

General and Administrative

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
			(in thousands, except percentages)			
General and administrative	$ 218,303	$ 243,254	11 %	$ 408,065	$ 453,827	11 %
Percentage of revenue	16 %	12 %		18 %	13 %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

General and administrative expense increased $25.0 million, or 11%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to an increase in other business and operational taxes of $14.8 million, largely related to the increase in revenue, an $8.9 million increase in payroll related expenses, an $8.7 million increase in bad debt expense, and an increase of $1.4 million in expensed software and equipment maintenance. These increases were partially offset by an $18.2 million decrease in legal contingency and payout expense. General and administrative expense as a percent of revenue decreased to 12% for the three months ended June 30, 2022, from 16% for the same period in the prior year, primarily due to growth in revenue outpacing growth in general and administrative expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

General and administrative expense increased $45.8 million, or 11%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to an increase in other business and operational taxes of $23.8 million, largely related to the increase in revenue, a $14.3 million increase in professional services expenses, primarily due to audit and tax fees, a $10.7 million increase in bad debt expenses, and a $10.0 million charitable contribution to Airbnb.org to support Ukrainian refugees. These increases were partially offset by an $18.6 million decrease in legal contingency and payout expense. General and administrative expense as a percent of revenue decreased to 13% for the six months ended June 30, 2022, from 18% for the same period in the prior year, primarily due to growth in revenue outpacing growth in general and administrative expense as a result of the significant increase in Nights and Experiences Booked combined with higher ADRs and cost saving initiatives.

Restructuring Charges

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
			(in thousands, except percentages)			
Restructuring charges	$ 562	$ 88,743	*	$ 112,544	$ 89,060	(21) %
Percentage of revenue	— %	3 %		4 %	2 %	

* Not meaningful

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Restructuring charges totaled $0.6 million and $88.7 million for the three months ended June 30, 2021 and 2022, respectively. In the second quarter of 2022, we announced our shift to a remote work model, allowing our employees to work from anywhere in the country they currently work. The shift to a remote work model was in direct response to the change in how employees work due to the impact of COVID-19. As a result, we recorded a restructuring charge of $88.7 million during the three months ended June 30, 2022, which includes $80.3 million relating to an impairment of both domestic and international operating lease right-of-use assets, and $8.4 million of related leasehold improvements.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Restructuring charges totaled $112.5 million and $89.1 million for the six months ended June 30, 2021 and 2022, respectively, which resulted from our May 2020 restructuring announcement that included a reduction in workforce resulting in restructuring charges that primarily included severance and other employee-related costs, lease impairments, and contract amendments and terminations. In March 2021, we ceased use of a leased office and made the office available for sublease resulting in an additional lease impairment. In the second quarter of 2022, we announced our shift to a remote work model, allowing our employees to work from anywhere in the country they currently work. As a result, we recorded a restructuring charge of $88.7 million during the second quarter of 2022, which includes $80.3 million relating to an impairment of both domestic and international operating lease right-of-use assets, and $8.4 million of related leasehold improvements.

Interest Income and Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
			(in thousands, except percentages)			
Interest income	$ 2,942	$ 20,247	588 %	$ 5,994	$ 24,991	317 %
Percentage of revenue	— %	— %		— %	— %	
Interest expense	$ (6,520)	$ (7,483)	15 %	$ (428,431)	$ (13,247)	(97) %
Percentage of revenue	— %	— %		(19)%	— %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Interest income increased $17.3 million, or 588%, for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to higher interest rates. Our investment portfolio was largely invested in money market funds and short-term, high-quality bonds. Interest expense increased $1.0 million for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to higher fees, which includes letter of credit and revolving credit facility fees.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Interest income increased $19.0 million, or 317%, for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to higher interest rates. Our investment portfolio was largely invested in money market funds and short-term, high-quality bonds. Interest expense decreased $415.2 million for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to the $377.2 million loss on extinguishment of debt resulting from retirement of two term loans in March 2021. Refer to Note 6, *Debt*, to our condensed consolidated financial statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q, for additional information.

Other Income (Expense), Net

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
			(in thousands, except percentages)			
Other income (expense), net	$ (2,128)	$ 1,524	172 %	$ (302,226)	$ (411)	100 %
Percentage of revenue	— %	— %		(14)%	— %	

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

Other income (expense), net increased $3.7 million for the three months ended June 30, 2022, compared to the same period in the prior year, primarily driven by a change from a foreign exchange loss to a gain.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

Other income (expense), net increased $301.8 million for the six months ended June 30, 2022, compared to the same period in the prior year, primarily driven by $292.0 million of fair value remeasurement on our warrants issued in connection with our second lien loan in the prior year, which were reclassified to equity and no longer require fair value remeasurement.

Provision for Income Taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	**2022**	**% Change**	**2021**	**2022**	**% Change**
	(in thousands, except percentages)					
Provision for income taxes	$ 11,233	$ 4,270	(62) %	$ 17,542	$ 14,976	(15) %

Three Months Ended June 30, 2022 Compared with the Same Period in 2021

The provision for income taxes decreased $7.0 million for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to the inclusion of the U.S. jurisdictions in the annualized effective tax rate ("AETR"). Due to available U.S. tax attributes, the U.S. tax rate is significantly lower than the expected tax rate, and thus reduces the global estimated tax rate applied to consolidated year-to-date income. We anticipate that our foreign taxes will increase year over year.

Six Months Ended June 30, 2022 Compared with the Same Period in 2021

The provision for income taxes decreased $2.6 million for the six months ended June 30, 2022, compared to the same period in the prior year, primarily due to the inclusion of the U.S. jurisdictions in the AETR. Due to available U.S. tax attributes, the U.S. tax rate is significantly lower than the expected tax rate, and thus reduces the global estimated tax rate applied to consolidated year-to-date income. We anticipate that our foreign taxes will increase year over year.

Liquidity and Capital Resources

As of June 30, 2022, our principal sources of liquidity were cash and cash equivalents and marketable securities totaling $9.9 billion. As of June 30, 2022, cash and cash equivalents totaled $7.8 billion, which included $1.6 billion held by our foreign subsidiaries. Cash and cash equivalents consist of checking and interest-bearing accounts and highly-liquid securities with an original maturity of 90 days or less. As of June 30, 2022, marketable securities totaled $2.1 billion. Marketable securities primarily consist of commercial paper, highly-liquid investment grade corporate debt securities, and certificates of deposit. These amounts do not include funds of $7.5 billion as of June 30, 2022 that we held for bookings in advance of guests completing check-ins that we record separately on our balance sheet in funds receivable and amounts held on behalf of customers with a corresponding liability in funds payable and amounts payable to customers.

Cash, cash equivalents, and marketable securities held outside the United States may be repatriated, subject to certain limitations, and would be available to be used to fund our domestic operations. However, repatriation of such funds may result in additional tax liabilities. We believe that our existing cash, cash equivalents, and marketable securities balances in the United States are sufficient to fund our working capital needs in the United States.

On August 1, 2022, our board of directors approved a share repurchase program with authorization to purchase up to $2.0 billion of our Class A common stock at management's discretion (the "Share Repurchase Program"). Share repurchases under the Share Repurchase Program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions or by any combination of such methods. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The Share Repurchase Program does not obligate us to repurchase any specific number of shares and may be modified, suspended or terminated at any time at our discretion.

We assess our liquidity in terms of our ability to generate cash to fund our short- and long-term cash requirements. As such, we believe that the cash flows generated from operating activities will meet our anticipated cash requirements. In addition to normal working capital requirements, we anticipate that our short- and long-term cash requirements will include funding capital expenditures, debt repayments, share repurchases, and platform and systems transformation initiatives. We anticipate long-term cash uses may also include strategic acquisitions. On a long-term basis, we would rely on either our access to the capital markets or our credit facility for any long-term funding not provided by operating cash flows.

Convertible Senior Notes

On March 8, 2021, we issued $2.0 billion aggregate principal amount of 0% convertible senior notes due 2026 (the "2026 Notes") pursuant to an indenture, dated March 8, 2021 (the "Indenture"), between us and U.S. Bank National Association, as trustee. The 2026 Notes were offered and sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act").

The 2026 Notes are senior unsecured obligations and will not bear regular interest. The 2026 Notes mature on March 15, 2026, unless earlier converted, redeemed or repurchased. The net proceeds from the 2026 Notes were $1,979.2 million, after deducting the initial purchasers' commissions and debt issuance costs.

The initial conversion rate for the 2026 Notes is 3.4645 shares of our Class A common stock per $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately $288.64 per share of the Class A common stock. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture.

The 2026 Notes are convertible at the option of the holders prior to the close of business on the business day immediately preceding March 15, 2026 only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter) commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of our common stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") if the trading price per $1,000 principal amount of notes for each trading day of the measurement period is less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on our common stock, as described in the offering memorandum in connection with the 2026 Notes;
- or if we call such notes for redemption; and
- at any time from, and including, December 15, 2025 until the close of business on the second scheduled trading day immediately before the maturity date.

Upon conversion, we may satisfy our conversion obligation by paying or delivering, as applicable, cash, shares of our Class A common stock or a combination of cash and shares of our Class A common stock, at our election, based on the applicable conversion rate. Holders of the 2026 Notes who convert their 2026 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally in the event of a corporate event constituting a fundamental change (as defined in the Indenture), holders of the 2026 Notes may require us to repurchase all or a portion of their 2026 Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased.

Capped Calls

On March 3, 2021, in connection with the pricing of the 2026 Notes, we entered into privately negotiated capped call transactions (the "Capped Calls") with certain of the initial purchasers and other financial institutions (the "option counterparties") at a cost of approximately $100.2 million. The Capped Calls cover, subject to anti-dilution adjustments, the number of shares of Class A common stock initially underlying the 2026 Notes sold in the offering. By entering into the Capped Calls, we expect to reduce the potential dilution to our common stock (or, in the event a conversion of the 2026 Notes is settled in cash, to reduce our cash payment obligation) in the event that at the time of conversion of the 2026 Notes our common stock price exceeds the conversion price of the 2026 Notes. The cap price of the Capped Calls will initially be $360.80 per share of Class A common stock, which represents a premium of 100% over the last reported sale price of the Class A common stock of $180.40 per share on March 3, 2021, and is subject to certain customary adjustments under the terms of the Capped Call Transactions. The Capped Calls meet the criteria for classification in equity, are not remeasured each reporting period and are included as a reduction to additional paid-in-capital within stockholders' equity.

See Note 6, *Debt,* to our condensed consolidated financial statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q, for additional information on our outstanding debt.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2021	**2022**
Net cash provided by operating activities	$ 1,396,030	$ 2,001,739
Net cash provided by (used in) investing activities	(846,770)	171,031
Net cash provided by financing activities	3,783,232	3,649,486
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(55,754)	(307,885)
Net increase in cash, cash equivalents, and restricted cash	$ 4,276,738	$ 5,514,371

Net cash provided by operating activities

Net cash provided by operating activities for the six months ended June 30, 2022 was $2.0 billion. Our net income for the six months ended June 30, 2022 was $360.0 million, adjusted for non-cash charges, primarily consisting of $442.0 million of stock-based compensation expense and impairment of long-lived assets of $88.7 million. Additional cash was provided by changes in working capital, including a $1.1 billion increase in unearned fees resulting from significantly higher bookings.

Net cash provided by (used in) investing activities

Net cash provided by investing activities for the six months ended June 30, 2022 was $171.0 million, which was primarily from the proceeds from maturities and sales of marketable securities of $1.7 billion and $581.4 million, respectively, partially offset by the purchases of marketable securities of $2.1 billion.

Net cash provided by financing activities

Net cash provided by financing activities for the six months ended June 30, 2022 was $3.6 billion, primarily reflecting the increase in funds payable and amounts payable to customers of $4.0 billion resulting from significantly higher bookings, partially offset by an increase in the taxes paid related to net share settlement of equity awards of $344.6 million.

Effect of Exchange Rates

The effect of exchange rate changes on cash, cash equivalents, and restricted cash on our condensed consolidated statements of cash flows relates to certain of our assets, principally cash balances held on behalf of customers, that are denominated in currencies other than the functional currency of certain of our subsidiaries. For the six months ended June 30, 2021, and 2022, we recorded reductions of $55.8 million and $307.9 million, respectively in cash, cash equivalents, and restricted cash, primarily due to the strengthening of the U.S. dollar. The impact of exchange rate changes on cash balances can serve as a natural hedge for the effect of exchange rates on our liabilities to our guests and Hosts.

Contractual Obligations and Commitments

As of June 30, 2022, there were no material changes outside the ordinary course of business to the contractual obligations, as disclosed in our 2021 Annual Report.

We have various contractual obligations and commitments, such as long-term leases, purchase commitments, long-term debt, and other executory contracts, that are disclosed in the footnotes to the condensed consolidated financial statements. See Note 6, *Debt,* and Note 8, *Commitments and Contingencies*, to our condensed consolidated financial statements, included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q, for further information regarding these commitments.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements included in our 2021 Annual Report, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition, results of operations, and cash flows.

Revenue Recognition

We generate substantially all of our revenue from facilitating guest stays at accommodations offered by Hosts on the Airbnb platform. We consider both Hosts and guests to be our customers. Our revenue is composed of service fees from our customers. Our single performance obligation is identified as the facilitation of a stay, which occurs upon the completion of a check-in event. Revenue is recognized at a point in time when the performance obligation is satisfied upon check-in.

Revenue is presented net of certain payments we make to customers as part of our referral programs and marketing promotions, collectively referred to as our incentive programs, and refund activities. The payments are generally in the form of coupon credits to be applied toward future bookings or as cash refunds. We encourage the use of our platform and attract new customers through our incentive programs. Under the referral program, the referring party ("referrer") earns a coupon when the new customer completes their first stay on our platform. We record the incentive as a liability at the time the incentive is earned by the referrer with the corresponding charge recorded to sales and marketing expense. Any amounts paid in excess of the fair value of the referral service received are recorded as a reduction of revenue. Through marketing promotions, we issue customer coupon credits to encourage the use of our platform. After a customer redeems such incentives, we record a reduction to revenue at the date we record the corresponding revenue transaction. From time to time, we issue refunds to customers in the form of cash or credits to be applied toward a future booking. We reduce the transaction price by the estimated amount of the payments by applying the most likely outcome method based on known facts and circumstances and historical experience. These refunds are recorded as a reduction to revenue.

We evaluate whether the cumulative amount of payments made to customers that are not in exchange for a distinct good or service received from a customer exceeds the cumulative revenue earned since inception of the customer relationship. Any cumulative payments in excess of cumulative revenue are presented as operating expenses in our consolidated statements of operations.

Stock-Based Compensation

We have granted stock-based awards consisting primarily of stock options, restricted stock awards, and restricted stock units ("RSUs") to employees, members of our board of directors, and non-employees. We estimate the fair value of stock options granted using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires certain subjective inputs and assumptions, including the fair value of our common stock, exercise price, the expected term, risk-free interest rates, expected stock price volatility, and expected dividend yield of our common stock. The fair value of stock options is recognized as stock-based compensation expense on a straight-line basis over the requisite service period. We account for forfeitures as they occur.

The assumptions used in the Black-Scholes option-pricing model are as follows:

- *Expected term.* We estimate the expected term based on the simplified method.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.
- *Expected volatility.* We estimate the volatility of our common stock on the date of grant based on the average historical stock price volatility of comparable publicly-traded companies.
- *Expected dividend yield.* Expected dividend yield is zero, as we have not paid and do not anticipate paying dividends on our common stock.

We continue to use judgment in evaluating the expected volatility and expected term utilized in our stock-based compensation expense calculation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimates of expected volatility and expected term, which could materially impact our future stock-based compensation expense.

Lodging Tax Obligations

Some states, cities, and localities in the United States and elsewhere in the world impose transient occupancy or lodging accommodations taxes ("lodging taxes") on the use or occupancy of lodging accommodations or other traveler services. As of June 30, 2022, we collect and remit lodging taxes in approximately 31,300 jurisdictions on behalf of our Hosts, and lodging taxes are primarily collected in the United States and France. Such lodging taxes are generally remitted to tax jurisdictions within a 30 to 90-day period following the end of each month.

In jurisdictions where we do not collect and remit lodging taxes, the responsibility for collecting and remitting these taxes, if applicable, generally rests with Hosts. We estimate liabilities for a certain number of jurisdictions with respect to state, city, and local taxes related to lodging where we believe it is probable that Airbnb could be held jointly liable with Hosts for collecting and remitting such taxes and the related amounts can be reasonably estimated. Our accrued obligations related to lodging taxes, including estimated penalties and taxes, totaled $57.3 million and $59.4 million as of December 31, 2021 and June 30, 2022, respectively, and changes to this reserve are recorded in general and administrative expense in our condensed consolidated statements of operations.

We are currently involved in lawsuits brought by certain states and localities involving the payment of lodging taxes. These jurisdictions are asserting that we are liable or jointly liable with Hosts to collect and remit lodging taxes. These lawsuits are in various stages and we continue to vigorously defend these claims. We believe that the statutes at issue impose a lodging tax obligation on the person exercising the taxable privilege of providing accommodations, our Hosts. The ultimate resolution of these lawsuits cannot be determined at this time.

Evaluating potential outcomes for lodging taxes is inherently uncertain and requires us to utilize various judgments, assumptions and estimates in determining our reserves. A variety of factors could affect our potential obligation for collecting and remitting such taxes which include, but are not limited to, whether we determine, or any tax authority asserts, that we have a responsibility to collect lodging and related taxes on either historic or future transactions; the introduction of new ordinances and taxes which subject our operations to such taxes; or the ultimate resolution of any historic claims that may be settled through negotiation. Accordingly, the ultimate resolution of lodging taxes may be greater or less than reserve amounts we have established.

Income Taxes

We are subject to income taxes in the United States and foreign jurisdictions. We account for income taxes using the asset and liability method. We account for uncertainty in tax positions by recognizing a tax benefit from uncertain tax positions when it is more likely than not that the position will be sustained upon examination. Evaluating our uncertain tax positions, determining our provision for income taxes, and evaluating the impact of the Tax Cuts and Jobs Act, are inherently uncertain and require making judgments, assumptions, and estimates.

While we believe that we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes and the effective tax rate in the period in which such determination is made.

The provision for income taxes includes the impact of reserve provisions and changes to reserves as well as the related net interest and penalties. In addition, we are subject to the continuous examination of our income tax returns by the United States Internal Revenue Service and other tax authorities that may assert assessments against us. We regularly assess the likelihood of adverse outcomes resulting from these examinations and assessments to determine the adequacy of our provision for income taxes.

Goodwill and Impairment of Long-Lived Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We have one reporting unit. We test goodwill for impairment at least annually, in the fourth quarter, and whenever events or changes in circumstances indicate that goodwill might be impaired. As a result of the goodwill impairment assessment, management concluded goodwill was not impaired as of December 31, 2021 and does not believe that its reporting unit is at risk of failing the impairment test since the fair value of the reporting unit substantially exceeded the carrying value.

Long-lived assets that are held and used by us are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted cash flows resulting from the use of the asset group and its eventual disposition. If the carrying value of the long-lived asset group is not recoverable on an undiscounted cash flow basis, we recognize impairment to the extent that the carrying value exceeds its fair value. We determine fair value through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals.

Any impairments to right-of-use ("ROU") assets, leasehold improvements, or other assets as a result of a sublease, abandonment, or other similar factor are initially recognized when a decision to do so is made and recorded as an operating expense. Similar to other long-lived assets, management tests ROU assets for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. For lease assets, such circumstances would include subleases that do not fully recover the costs of the associated leases or a decision to abandon the use of all or part of an asset.

For the six months ended June 30, 2021, we recorded a restructuring charge of $112.5 million, which included $75.3 million of ROU asset impairment charges and $37.2 million leasehold improvements impairment charges within restructuring charges in the condensed consolidated statement of operations. In the second quarter of 2022, we announced our shift to a remote work model, allowing our employees to work from anywhere in the country they currently work. The shift to a remote work model was in direct response to the change in how employees work due to the impact of COVID-19. As a result, we recorded a restructuring charge of $88.7 million during the three months ended June 30, 2022, which includes $80.3 million relating to an impairment of both domestic and international operating lease ROU assets, and $8.4 million of related leasehold improvements. Restructuring charges for the six months ended June 30, 2022 were $89.1 million.

Significant judgment and estimates are required in assessing impairment of goodwill and long-lived assets, including identifying whether events or changes in circumstances require an impairment assessment, estimating future cash flows, and determining appropriate discount rates. Our estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q for a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our substantial operations around the world expose us to various market risks. These risks primarily include foreign currency risk and investment risk.

Foreign Currency Exchange Risk

We offer the ability to transact on our platform in over 40 currencies, of which the most significant foreign currencies to our operations in the second quarter of 2022 were the Euro, British Pound, Canadian Dollar, Australian Dollar, Mexican Peso, and Brazilian Real. Our international revenue, as well as costs and expenses denominated in foreign currencies, expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. Accordingly, we are subject to foreign currency risk, which may adversely impact our financial results.

We have foreign currency exchange risks related primarily to:

- revenue and cost of revenue associated with bookings on our platform denominated in currencies other than the U.S. dollar;
- balances held as funds receivable and amounts held on behalf of customers and funds payable and amounts payable to customers;
- unbilled amounts for confirmed bookings under the terms of our Pay Less Upfront program; and
- intercompany balances primarily related to our payment entities that process customer payments.

For revenue and cost of revenue associated with bookings on our platform outside of the United States, we generally receive net foreign currency amounts and therefore benefit from a weakening of the U.S. dollar and are adversely affected by a strengthening of the U.S. dollar. Movements in foreign exchange rates are recorded in other income (expense), net in our condensed consolidated statements of operations. Furthermore, our platform generally enables guests to make payments in the currency of their choice to the extent that the currency is supported by Airbnb, which may not match the currency in which the Host elects to be paid. As a result, in those cases, we bear the currency risk of both the guest payment as well as the Host payment due to timing differences in such payments.

We enter into foreign currency derivative contracts to protect against foreign exchange risks. Presently, these hedges are primarily designed to manage foreign exchange risk associated with balances held as funds payable and amounts payable to customers and unbilled amounts for confirmed bookings under the terms of our Pay Less Upfront program. These contracts reduce, but do not entirely eliminate, the impact of currency exchange rate movements on our assets and liabilities.

We may choose not to hedge the risk associated with our foreign currency exposures, primarily if such exposure acts as a natural hedge for offsetting amounts denominated in the same currency or if the currency is too difficult or too expensive to hedge.

We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in exchange rates. If our foreign-currency denominated assets, liabilities, revenues, or expenses increase, our results of operations may be more significantly impacted by fluctuations in the exchange rates of the currencies in which we do business.

If an adverse 10% foreign currency exchange rate change was applied to total net monetary assets and liabilities denominated in currencies other than the local currencies as of June 30, 2022, it would have resulted in a loss of approximately $9.9 million.

Investment and Interest Rate Risk

We are exposed to interest rate risk related primarily to our investment portfolio. Changes in interest rates affect the interest earned on our total cash, cash equivalents, and marketable securities and the fair value of those securities.

We had cash and cash equivalents of $7.8 billion and marketable securities of $2.1 billion as of June 30, 2022, which primarily consisted of commercial paper, highly-liquid investment grade corporate debt securities, and certificates of deposit. As of June 30, 2022, we had an additional $7.5 billion that we held for bookings in advance of guests completing check-ins, which we record separately on our condensed consolidated balance sheets as funds receivable and amounts held on behalf of customers. The primary objective of our investment activities is to preserve capital and meet liquidity requirements without significantly increasing risk. We invest primarily in highly-liquid, investment grade debt securities, and we limit the amount of credit exposure to any one issuer. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Because our cash equivalents and marketable securities generally have short maturities, the fair value of our portfolio is relatively insensitive to interest rate fluctuations. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease of $16.7 million to our investment portfolio as of June 30, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their desired objectives. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are currently involved in, and may in the future be involved in, legal proceedings, claims, and government investigations in the ordinary course of business. These include proceedings, claims, and investigations relating to, among other things, regulatory matters, commercial matters, intellectual property, competition, tax, employment, pricing, discrimination, consumer rights, personal injury, and property rights. See Note 8, *Commitments and Contingencies,* to our condensed consolidated financial statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q.

Depending on the nature of the proceeding, claim, or investigation, we may be subject to monetary damage awards, fines, penalties, or injunctive orders. Furthermore, the outcome of these matters could materially adversely affect our business, results of operations, and financial condition. The outcomes of legal proceedings, claims, and government investigations are inherently unpredictable and subject to significant judgment to determine the likelihood and amount of loss related to such matters. While it is not possible to determine the outcomes, we believe based on our current knowledge that the resolution of all such pending matters will not, either individually or in the aggregate, have a material adverse effect on our business, results of operations, cash flows, or financial condition.

Item 1A. Risk Factors

There have been no material changes from the risk factors set forth in Part I, Item IA of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and Part II, Item IA of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, except for the following risk factors which supplement the risk factors disclosed in the reports referenced above. Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could materially adversely affect our business, results of operations, financial condition, and the trading price of our Class A common stock. You should carefully read and consider the risks and uncertainties included in the reports referenced above in conjunction with the risks and uncertainties described below, together with all of the other information in such reports and this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, and other documents that we file with the U.S. Securities and Exchange Commission. The risks and uncertainties described in these reports may not be the only ones we face. The factors discussed in these reports, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors, and oral statements.

Changes in tax laws or tax rulings could materially affect our business, results of operations, and financial condition.

The tax regimes we are subject to or operate under, including income and non-income (including indirect) taxes, are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially adversely affect our results of operations and financial condition. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act contains certain tax provisions, including provisions that retroactively and/or temporarily suspend or relax in certain respects the application of certain provisions of the Tax Cuts and Jobs Act, such as limitations on the deduction of net operating losses and interest. The United States government may enact further significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income or significant changes to the taxation of income derived from international operations. The likelihood of these changes being enacted or implemented is unclear. In addition, many countries in Europe, as well as a number of other countries and states, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries and states where we do business or require us to change the manner in which we operate our business. For example, in Italy, a 2017 law requires short-term rental platforms that process payments to collect and remit Host income tax and tourist tax, amongst other obligations. Airbnb has challenged this law before the Italian courts and the Court of Justice of the EU (the "CJEU"), but if we are unsuccessful this will lead to further compliance and potentially significant prior and future tax obligations. In July 2022, the Advocate General for the CJEU issued an advisory opinion finding that European law does not prohibit member states from passing legislation requiring short term rental platforms to withhold income taxes from their hosts, however a requirement to appoint a tax representative (on which the 2017 law and the withholding obligations are based) is contrary to EU law. However, the Advocate General's opinion is advisory and non-binding on the CJEU, which has not yet issued a decision on this matter. Airbnb is subject to tax audits in Italy including in relation to permanent establishment, transfer pricing and withholding obligations and such audits could result in the imposition of potentially significant prior and future tax obligations.

The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project, and issued a report in 2015 and an interim report in 2018, and in 2021, more than 140 countries tentatively signed on to a framework that imposes a minimum tax rate of 15%, among other provisions. As this framework is subject to further negotiation and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain. Similarly, the European Commission and several countries have issued proposals that would change various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non-income (including indirect) taxes, including taxes based on a percentage of revenue. For example, France, Italy, Spain, and the United Kingdom, among others, have each proposed or enacted taxes applicable to digital services, which includes business activities on digital platforms and would likely apply to our business.

The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax law provide preferential tax treatment that violates European Union state aid rules and concluded that certain countries, including Ireland, have provided illegal state aid in certain cases. These investigations may result in changes to the tax treatment of our foreign operations. Due to the large and increasing scale of our international business activities, many of these types of changes to the taxation of our activities described above and in our risk factor titled "- Uncertainty in the application of taxes to our Hosts, guests, or platform could increase our tax liabilities and may discourage Hosts and guests from conducting business on our platform" could increase our worldwide effective tax rate, increase the amount of non-income (including indirect) taxes imposed on our business, and materially adversely affect our business, results of operations, and financial condition. Such changes may also apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our financial statements.

Any escalation or unexpected change in circumstances in the ongoing military action between Russia and Ukraine, or sanctions, export controls, and similar measures in response to the conflict, could materially adversely affect our business, results of operations, and financial condition.

We are actively monitoring the situation in Ukraine and assessing its impact on our business. We have suspended all operations in Russia and Belarus and certain regions of Ukraine, which is not expected to have a material impact on our operating results. However, any escalation in the conflict or unexpected change in circumstances could adversely impact the demand for travel in the region or beyond and could have a material adverse impact on our business, results of operations, and financial condition.

In addition, as a result of Russia's military action in Ukraine, governmental authorities in the United States, the European Union, and the United Kingdom, among others, launched an expansion of coordinated sanctions and export control measures, including sanctions against certain individuals and entities and prohibiting or limiting certain financial and commercial transactions. We have identified certain transactions that may potentially implicate the U.S., UK and EU sanctions that were imposed following Russia's invasion of Ukraine in February 2022. We have notified the appropriate regulators about these developments, and the U.S. Treasury Department's Office of Foreign Assets Control has initiated a civil investigation of certain payment instructions involving attempted payouts to Hosts' bank accounts at sanctioned Russian banks. We do not anticipate that resolution of this matter will be material to our business, results of operations, financial position, and cash flows. Our business must be conducted in compliance with applicable economic and trade sanctions laws and regulations, including those administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Kingdom, the European Council and the EU Member States, the United Nations Security Council and other relevant governmental authorities. There is a risk that, despite the internal controls that we have in place, we may have inadvertently engaged in or could in the future engage in transactions inconsistent with applicable sanctions laws and that our internal controls could be less than fully effective at implementing the new and any possible future sanctions that relate to Russia's military action in Ukraine. Any non-compliance with economic and trade sanctions laws and regulations or related investigations could result in claims or actions against us and materially adversely affect our business, results of operations, and financial condition.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are herein incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated herein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Date	Number	
3.1	Restated Certificate of Incorporation of the Registrant	8-K	001-39778	12/14/2020	3.1	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-39778	12/14/2020	3.2	
10.1#	Form of Change in Control and Severance Agreement between the Registrant and its Executive Officers	10-Q	001-39778	05/09/2022	10.1	
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

# Indicates management contract or compensatory plan.

* The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Airbnb, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

AIRBNB, INC.

Date: August 3, 2022

By: /s/ Brian Chesky
Brian Chesky
Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2022

By: /s/ David E. Stephenson
David E. Stephenson
Chief Financial Officer
(Principal Financial Officer)