

1. Where can we find the financial statements of any publicly listed company? (1 pt)

We can find the financial statements of any publicly listed company on their respective websites. They will usually have a section dedicated to financial statements. Additionally, all publicly listed companies are required to file their financial statements with the SEC. For instance, Airbnb has a page on its website titled "Financials," where the public has access to quarterly results and SEC filings.

2. Why does Airbnb have some GAAP financial metrics and some non-GAAP financial metrics? (1 pt)

Airbnb has GAAP financial metrics because they provide their net income for Q4 2022 and FY 2022 as "\$319 million" and "\$1.9 billion," respectively. The net income from Airbnb is considered a GAAP financial metric because it is interpreted as operating income. If Airbnb only used U.S. GAAP, there would be an exclusion of foreign currency that relates to operating results. Some of the financial metrics for Airbnb show that "47% of our GAAP revenue was denominated in non-USD currencies." For the non-GAAP, Airbnb believes that their non-GAAP is "useful in evaluating our operating performance." Airbnb uses non-GAAP data for "consistency, comparisons, and comparability with past financial performance." The financial metrics for non-GAAP include adjusted EBITDA, adjusted EBITDA margin, free cash flow, free cash flow margin, TTM free cash flow, and adjustments in foreign exchange rates. Since Airbnb may be held jointly liable with hosts for collecting taxes and restructuring charges, this company must use non-GAAP to calculate its net revenue. Additionally, a company typically has non-GAAP financial metrics because of irregular cash flow expenses. According to the Airbnb website, Airbnb is a company that utilizes "credit card, debit card, PayPal, Apple Pay, Google Pay, or Airbnb credits." Thus, Airbnb has GAAP and non-GAAP financial metrics because the information before interests and taxes is not displayed in their GAAP reconciliation sheet.

3. What is Adjusted EBITA, what is its closest GAAP equivalent, and how are they different? (5 pts)

Adjusted EBITDA is a financial measure that adds back certain expenses to EBITDA (Earnings Before Interest Taxes, Depreciation, and Amortization) to provide a normalized number that is not distorted by irregular gains or losses. The specific expenses added back can vary depending on the company and its management team.

There is no direct GAAP equivalent to adjusted EBITDA. However, net income is the most similar GAAP measure that represents the amount of profit or loss a company has generated during a specific period. It is calculated by subtracting total expenses from total revenues.

Net income and adjusted EBITDA are different measures of a company's financial performance. Net income is a GAAP measure that represents the amount of profit or loss a company has generated during a specific period. It is calculated by subtracting total expenses from total revenues.

Adjusted EBITDA, on the other hand, is a non-GAAP measure that adds back certain expenses to EBITDA (Earnings Before Interest Taxes, Depreciation, and Amortization) to provide a normalized number that is not distorted by irregular gains or losses. The specific expenses added back can vary depending on the company and its management team.

4. Why do you think Airbnb compare 2022 results to 2021 and 2019, rather than 2021 and 2020? (1 pts)

Airbnb compares 2022 results to 2021 and 2019 rather than 2021 and 2020 because the COVID-19 pandemic severely impacted travel. In 2020, many travel restrictions left many unable to book Airbnb spots, which would negatively skew their results. However, restrictions were lifted in 2021, and none in 2019.

5. While Airbnb had a profitable year overall in 2022, in previous years Q3 was the only profitable quarter for Airbnb. What do you think makes Q3 different from other quarters? (1 pts)

Airbnb was most likely profitable in Q3 because this was the quarter when customers were more active and spent money. Companies cannot profit without income, so the income is sourced from customers booking more frequently during Q3. Airbnb corroborates this on its website by noting that "Nights and Experiences Booked Increased by 25% in Q3 2022." "We continue to see longer lead times for bookings in Q3 2022." "Cross-border gross nights booked increased 58%, while high-density urban nights booked grew 27%." Therefore, Q3 was profitable for Airbnb because, during this time, the guest demand for the service was consistent and strong. Providing outstanding service during this quarter influences the guests to "return to cities, travel, and stay longer." These are all contributing factors to the revenue of Airbnb and the overall profit. The amount of hosts that work with Airbnb during Q3 also influences the profit because more locations mean that there is the potential for more customers.

6. What is Airbnb predicting for Q1 2022 revenue? (1 pt)

According to the stakeholder letter Airbnb is expecting a revenue of 1.75 billion to \$1.82 billion in Q1 of 2023.

7. What would "cost of revenue" be called in a company that is based around products vs. services? (1 pt)

"Cost of revenue" refers to every expense involving products or services and is subtracted from total revenue, leaving you with your profit. Companies based around products may consider "cost of revenue" as labor, material, and shipping costs. For companies based around services, the cost of gas and a driver's salary are two examples of "cost of revenue."

8. Airbnb talks about their "discipline in managing their cost structure". Can you find two separate areas in the report where they provide numbers to support this? (2 pts)

The first place Airbnb gives numbers to back up how well they manage costs is in their key financial measures, found under their adjusted EBITDA. Airbnb states, "our highest Q4 adjusted EBITDA ever demonstrated the continued strength of the business and discipline in managing our cost structure." The EBITDA margin increased by 5 percentage points (from 22% in Q4

2021 to 27% in Q4 2022). In Q4 2022, adjusted EBITDA was "\$506M, \$574M ex-FX," an increase from Q4 2021, when the figures were "\$333M." This shows a positive increase in the management of the cost structure.

The second way Airbnb talks about discipline is by talking about how much it cost them when the pandemic was at its worst. "We made many difficult choices to reduce our spending and make it a leaner and more focused company." The cost structure shifts because Airbnb has spent less on employees because it has fewer employees. "Our headcount is down 5% while our revenue is up 75%." The numbers show that changing the cost structure in employment has increased revenue and helped the company remain disciplined.

9. On p. 7, there is a paragraph on "Airbnb-Friendly Apartments". What is this about, and why does it matter to Airbnb in the US? Why do you think Airbnb is so opaque about this in this shareholder letter? (5 pts)

Airbnb-friendly apartments are a new program that allows renters to host short-term guests in their apartments without violating their lease or risking penalties from their landlords. They are part of Airbnb's efforts to help more people tap into the economic benefits of hosting at a time when many are trying to keep up with the rising cost of living. Renters can find apartments pre-approved by the building owners to serve as short-term rentals on Airbnb's website. They can also estimate how much they can earn by hosting on Airbnb.

This program matters to Airbnb in the US because it creates more opportunities for new, part-time hosts who may have yet to be able to host due to legal or contractual barriers. It also helps Airbnb expand its listings supply and offer travelers more choices and experiences. It may also benefit landlords who can attract and retain tenants who want more flexibility and income potential. However, this program may face challenges such as regulatory uncertainty, neighborhood opposition, or competition from other platforms.

Introducing Airbnb-friendly apartments - Resource Center - Airbnb.

<https://www.airbnb.com/resources/hosting-homes/a/introducing-airbnb-friendly-apartments-564>

Accessed 3/10/2023.

10. Why do you think Airbnb included cellphone images in this report? (1 pt)

It is possible that Airbnb included cellphone images in this report to provide an appealing visual display to showcase their new "Airbnb Setup" feature. By including cellphone images, readers of this report can see what it will look like on the app rather than having to visualize it themselves in their minds.

11. What is the ROS for Q4 2022? What about the ROA? (5 pts)

The return on sales is calculated by dividing operating profit by net sales. The ROS for Q4 2022 is 1,515M divided by 8,399M the ROS is about 18%. For Q4 2022, there were 909 sales of marketable securities. The sales and marketing budget for Q4 2022 was \$114. In terms of the unaudited condensed consolidated statements of operations, Q4 2022 had 1,516.

Divide the net income by the average value of all assets to get the return on assets. The return on assets for Q4 2022 is 319M/16,038(total assets on balance sheet) is equal to 0.0198 million. The net income for Q4 2022 was \$319 million. For Q4 2022, there were liquid assets that totaled \$9,639M. On the condensed consolidated balance sheet, there is more information about the Q4 2022 assets, which include 456 prepaid and current assets, 138 operating lease assets, 34 intangible assets, and 234 other assets, 91 impairment of long-lived assets, 41 operating lease rights of use assets, and 226 prepaid assets. Assets that depreciate "may have to be replaced in the future," which inevitably relates to the ROA.

12. What is the long-term solvency ratio for Airbnb for Q4 2022? Why does this metric matter? (3 pts)

A solvency ratio is a crucial metric because it measures an enterprise's ability to meet its long-term debt obligations and is often used by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and, thus, is a measure of its financial health. The current solvency ratio of a company is calculated by

dividing the current assets by the current liabilities. A current solvency ratio greater than 2 indicates a financially healthy company.

The long-term solvency ratio for Airbnb is:

Total assets: \$16,038 million

Total liabilities: \$10,478 million

Which would give us a current solvency ratio of 1.53. This shows us that Airbnb may have poor financial health, but they are not in dire straits.

What Is a Solvency Ratio, and How Is It Calculated? - Investopedia.

<https://www.investopedia.com/terms/s/solvencyratio.asp> Accessed 3/11/2023.

13. The report discusses supply and demand in several places. What do Airbnb mean by supply, and what do they mean by demand? (2 pts)

By supply, Airbnb refers to the number of their active listings. In 2022, Airbnb ended the year with 6.6 million global active listings and credited their global network for the 900,000 listing increase within 1 year. Next, Airbnb views demand as the number of consumers who want to book with Airbnb. They call their consumers guests.

14. There are several acronyms in this report. What do the following stand for, and why are they important to Airbnb? All of these are explained in the report. (3 pts)

ADR stands for Average Daily Rates. ADR is important to Airbnb because it is the gross booking value per night and experience booked. The ADR is used specifically for financial and operational decision-making and as a means to evaluate period-to-period comparisons. The ADR for Airbnb helps to compare results using constant currencies.

GBV stands for Gross Booking Value. GBV is important to Airbnb because it shapes the company's expectations regarding operations and value. The timing of GBV is important because Airbnb collects a service fee at the time of booking; thus, the time of a booking can influence the

gross booking value at a given point in time. Airbnb discloses the amount or percentage change in the current period's results for GBV. Constant currency amounts provide a framework for assessing GBV. The GBV is extremely important because it "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 in that period."

FCF stands for Free Cash Flow. Free cash flow is important to Airbnb because it can be driven by revenue growth and expansion. Free cash flow is the net cash generated by Airbnb and can be provided by operating activities.

15. The following acronyms are not explained in the report but are standard business acronyms. What are they and why are they important to Airbnb? (4 pts)

- a. EMEA
- b. EBITDA
- c. FX
- d. Y/Y

The following acronyms, EMEA and Y/Y, are not defined in the stakeholder's letter. EMEA is an acronym that stands for Europe, the Middle East, and Africa. Institutions, governments, and businesses use it to refer to this region of the world. It is a way of grouping the two continents (Africa and Europe) and the Middle Eastern sub-continent. Y/Y is an abbreviation of the phrase "year-over-year." It is used to compare the value of some statistic in one year to that of the same statistic in the previous year. For example, if a company's revenue increased by 10% Y/Y, its revenue in the current year was 10% higher than its previous year's.

What does "Y/Y" mean? - English Language & Usage Stack Exchange.

<https://english.stackexchange.com/questions/206587/what-does-y-y-mean> Accessed 3/11/2023.

Europe, the Middle East and Africa - Wikipedia.

[https://en.wikipedia.org/wiki/Europe,\\_the\\_Middle\\_East\\_and\\_Africa](https://en.wikipedia.org/wiki/Europe,_the_Middle_East_and_Africa) Accessed 3/11/2023.

16. Why is "implied take rate" a useful measure for Airbnb? (1 pt)

"Implied take rate" is a useful measure for Airbnb because they need to consider that they collect service fees at the time of booking. Host earnings, cleaning fees, taxes, cancellations, and alterations are also involved because the "implied take rate" is calculated by dividing revenue by gross booking value. Therefore, the "implied take rate" is significant when calculating Airbnb's revenue and growth.

17. What does “outbound China business” mean? (1 pt)

Outbound China business means that the business is using Chinese tourism to grow. The company will stop offering rental homes in China this summer because of the COVID restrictions. The pandemic caused difficulties and issues when operating within the business. China is an outbound business because people do not travel to China to stay there; they travel to China to go to other communities. As government regulations become stricter and lockdowns increase, it can be harder to travel to Airbnb listings. "All mainland Chinese listings were taken down...as part of our decision to close the domestic business in China and focus on the outbound Chinese business."

18. Why do you think Airbnb included a profile of someone in their shareholder letter? Why might they have selected Fernando in particular? (2 pts)

Airbnb included a profile of someone in their shareholder letter because they wanted to showcase the diversity and resilience of their hosts and guests, who are the main stakeholders of their community. They also wanted to highlight the positive impact of their platform on people's lives, especially during the pandemic. In addition, Airbnb believes that sharing stories of real people is a powerful way to connect with their shareholders and inspire them to support their vision.

Fernando from Madrid was chosen as the profile showcase in their shareholder letter for several reasons. One reason is that he has been a loyal host on Airbnb since 2017, which demonstrates the platform's long-term user retention. Another reason is that his apartment is stylish and artistic, which attracts guests who appreciate design and aesthetics. Finally, he was showcased



because he has achieved great success on Airbnb, as evidenced by his positive reviews and diverse global customer base.

19. What do you think about Airbnb's decision to report on "Nights & Experiences Booked" as one single category? Why might they do this? (2 pts)

Airbnb made the right decision to put "Nights & Experiences Booked" as one single category. It is important to put the total number of nights booked for stays and the total number of seats booked for experiences in one category for organization purposes and to make it easier to comprehend the information. Airbnb might've separated "Nights & Experiences Booked" to highlight their strong 20% growth when comparing years.

20. Airbnb state (p. 13) "As a result of the strength of the U.S. dollar in Q4 2022 relative to Q4 2021, especially in comparison to the Euro and British Pound, metrics such as revenue, GBV and net income, excluding the effects of foreign currency fluctuations, are higher than reported amounts in our financial statements". Can you "translate" this into regular, easy-to understand, English? (4 pts)

To understand this statement in simple terms, it would be best to break down this phrase in this sentence. The term "strong U.S. dollar" means that the U.S. currency is doing well compared to other countries currencies. The term "metrics," such as revenue, means income. GBV stands for "gross booking value," while ADR stands for "average daily rate." Foreign currency fluctuation means the value of money decreases or increases based on the inflation of the country's economy. The financial statement consists of costs and profits. This statement means that, compared to Q4 2021, the revenue of Airbnb was higher because of differences in the currency's strength.

21. Do you feel Airbnb is in a good place financially right now? Why or why not? (4 pts)

Airbnb's financial performance in Q4 of 2022 was impressive for several reasons, showcasing the company's resilience, profitability, and cash flow generation, among other things.

First and foremost, the company experienced robust revenue growth, reaching a whopping \$1.9 billion, up by 24% YoY. The growth was driven by an expansion in supply, with

more hosts offering unique accommodations and experiences. Airbnb's global presence, catering to various types of travelers, also played a significant role in its success.

Secondly, Airbnb achieved profitability for 2022, a remarkable feat, given the challenges posed by the COVID-19 pandemic. The company reported a net income of \$235 million in Q4 of 2022, compared to a staggering net loss of \$3.9 billion in Q4 of 2021. Its cost-optimization strategies and marketing spending efficiency undoubtedly contributed to this positive outcome.

Third, Airbnb also demonstrated its ability to generate robust cash flow, with net cash provided by operating activities of \$463 million in Q4 of 2022, an increase from \$382 million in Q4 of 2021. This indicates that the company's revenue growth and net margin expansion contributed to the increase in cash flow. The strong cash flow position is essential for Airbnb's ability to invest in its growth and innovation and weather any future uncertainties or challenges.

Finally, Airbnb demonstrated resilience in Q4 of 2022, as well as for the entire year of 2022, despite the challenges and uncertainties posed by the COVID-19 pandemic and its variants. The company adapted to the changing travel trends and preferences of its guests and hosts, such as the shift to domestic and nearby travel, the demand for flexible cancellation policies, and the interest in more extended stays and remote work. Airbnb also invested in enhancing its health and safety standards, community support, and social and environmental impact.

In conclusion, Airbnb's financial performance in Q4 of 2022 was remarkable, thanks to its revenue growth, profitability, cash flow, and resilience. The company proved to be a true leader in the travel industry, providing its loyal and diverse community with unique value propositions.

Airbnb (ABNB) earnings Q4 2022 - cnbc.com.

<https://www.cnbc.com/2023/02/14/airbnb-abnb-earnings-q4-2022-.html> Accessed 3/11/2023.