09-May-2023

Airbnb, Inc. (ABNB)

Q1 2023 Earnings Call

Copyright © 2001-2023 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Ellie Mertz
Vice President-Finance, Airbnb, Inc.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

OTHER PARTICIPANTS

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Justin Patterson
Analyst, KeyBanc Capital Markets, Inc.

Mark Mahaney
Analyst, Evercore ISI

Richard J. Clarke
Analyst, Bernstein Autonomous LLP

Brian Nowak
Analyst, Morgan Stanley & Co. LLC

Ronald Josey
Analyst, Citigroup Global Markets, Inc.

Mario Lu
Analyst, Barclays Capital, Inc.

Nicholas Jones
Analyst, JMP Securities LLC

Jed Kelly
Analyst, Oppenheimer & Co., Inc.

Justin Post
Analyst, Bank of America

Stephen Ju
Analyst, Credit Suisse Securities (USA) LLC

John Colantuoni
Analyst, Jefferies LLC

Doug Anmuth
Analyst, JPMorgan Securities LLC

Lee Horowitz
Analyst, Deutsche Bank Securities, Inc.

Copyright © 2001-2023 FactSet CallStreet, LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for joining Airbnb's Earnings Conference Call for the First Quarter of 2023. As a reminder, this conference call is being recorded and will be available for replay from the Investor Relations section of Airbnb's website following this call.

I will now hand the call over to Ellie Mertz, VP of Finance. Please go ahead.

Ellie Mertz

Vice President-Finance, Airbnb, Inc.

Good afternoon and welcome to Airbnb's first quarter of 2023 earnings call. Thank you for joining us today. On the call today, we have Airbnb's Co-Founder and CEO, Brian Chesky; and our Chief Financial Officer, Dave Stephenson.

Earlier today, we issued a shareholder letter with our financial results and commentary for our first quarter of 2023. These items were also posted on the Investor Relations section of Airbnb's website. During the call, we'll make brief opening remarks and then spend the remainder of time on Q&A.

Before I turn it over to Brian, I would like to remind everyone that we'll be making forward-looking statements on this call that involve a number of risks and uncertainties. Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors. These factors are described under Forward-Looking Statements in our shareholder letter and in our most recent filings with the Securities and Exchange Commission.

We urge you to consider these factors and remind you that we undertake no obligation to update the information contained on this call to reflect subsequent events or circumstances. You should be aware that these statements should be considered estimates only and are not a guarantee of future performance.

Also, during this call, we will discuss some non-GAAP financial measures. We provided reconciliations to the most directly comparable GAAP financial measures in the shareholder letter posted to our IR website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

[Technical Difficulty] (00:02:00)

Brian Chesky

Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

All right. All right. Good afternoon, everyone. Thanks for joining. I'm excited to share our Q1 results with you now.

We had a strong start to 2023. We had over 120 million Nights and Experiences Booked in Q1. This was a record high. [audio gap] (00:02:30) Our revenue increased 24% year-over-year. Net income was $117 million, making this our most profitable Q1 on a GAAP basis, and free cash flow for the quarter was $1.6 billion. In fact, on a trailing 12-month basis, our free cash flow was $3.8 billion. This represented a trailing 12-month free cash flow margin of 44%.

Copyright © 2001-2023 FactSet CallStreet, LLC

Because of our strong balance sheet, we were able to repurchase $2 billion of our stock in the last nine months, and today, we're pleased to announce that our board just approved a new repurchase authorization for up to $2.5 billion of our Class A common stock.

Now, during the quarter, we saw a number of really positive business trends. First, more guests are travelling on Airbnb than ever before. Nights and Experiences Booked increased 19% in Q1 compared to a year ago and we've seen our highest number of active bookers ever despite continued macroeconomic uncertainties. During the quarter, we also saw guests booking trips further in advance, supporting a strong backlog for Q2.

Second, more guests are travelling overseas and returning to cities. Cross-border gross nights booked increased 36% in Q1 compared to last year. Now, we were especially encouraged by the continued recovery of Asia Pacific as nights booked in Q1 increased more than 40% year-over-year and we saw international travel from other regions to Asia Pacific increase 160% during the quarter compared to this time last year.

Additionally, cross-border nights booked to North America increased once again, with 34% of year-over-year growth in Q1 relative to 31% last quarter. We've also seen high-density urban nights booked increase 20% year-over-year.

Third, guests are continuing to use Airbnb for longer stays. In Q1, long-term stays were 18% of total gross nights booked and over the past three years, we've seen new use cases emerge as guests across all regions and age groups use Airbnb for long-term stays.

And finally, supply growth continued to accelerate. In Q1, we grew supply 18% year-over-year and this is up from 16% in Q4. We saw double-digit supply growth around the world, with the fastest growth in North America and Latin America. Urban and non-urban supply growth, in fact, both grew 18%.

Now looking ahead, we remain focused on our three strategic priorities. First, we're making hosting mainstream. We want hosting to be as popular as traveling on Airbnb, and to do this, we're raising awareness around hosting, making it easier to get started and providing even better tools for our Hosts. And our approach is working. In fact, in every quarter since we went public, we have seen acceleration in the year-over-year growth of our total active listings.

Second, we're perfecting our core service. We want people to love our service, and that means obsessing over every single detail. Last week, we introduced over 50 new features and upgrades as part of our 2023 summer release. Everything we launched was based on direct feedback from our guests and Hosts. This included pricing tools, transparent checkout instructions, faster customer service and more. And we also respond to input on rising prices with the rollout of Airbnb Rooms, an all-new take on the original Airbnb. And I'm going to share a little bit more about what we launched in a moment.

And finally, we're expanding beyond our core. We have some big ideas for where to take Airbnb next. We're building the foundation for new products and services that we plan to launch in 2024 and beyond. At the same time, Airbnb is still underpenetrated in many markets around the world. So, we're increasing our focus on these less mature markets and we are already seeing positive results.

So, let me just give you two examples. In Germany and Brazil, we rolled out our expansion playbook for accelerated growth, and as a result, we are now two – they are now two of our fastest-growing markets. And this playbook has, in fact, worked so well that we're now expanding it to other markets around the world.

Copyright © 2001-2023 FactSet CallStreet, LLC

Now before I go to questions, I want to talk a little bit about our 2023 summer release. Last week, we introduced the most extensive set of improvements ever to Airbnb, and it was all based on feedback from our community. We took a design-driven approach to perfecting our core service. We created a blueprint of the entire experience, every screen, every policy and every interaction with customer service. We then analyzed millions of calls and thousands of social media posts, and we hosted listening sessions with guests and Hosts all over the world. And we mapped all this feedback against our blueprint and we prioritized the most common issues. And on May 3, we introduced Airbnb Rooms and revealed over 50 new features and upgrades for guests and Hosts.

So, let me share a few highlights with you. First, the total price to flight. Guests told us our prices aren't transparent enough. With total price display, guests can now view the total price with fees before taxes across the entire app.

Second, new pricing tools for Hosts. We heard from Hosts that it's hard to use our pricing tools and it's difficult to know what to charge. So to help our Hosts set more competitive prices, they can now see other Airbnbs are priced in their area, and this includes listings that are both in high demand and getting booked, as well as listings that are not. And finally, we also made it simpler to add a discount and promotion for Hosts.

And third is more affordable stays. Longer stays on Airbnb can be expensive. So, we're doing a few things about it. We're reducing our fees after three months. US guests can now save money by paying with their bank account, and Hosts can easily set monthly discounts and offer more flexible cancelations.

Finally, we also introduced Airbnb Rooms, an all-new take on the original Airbnb private room. Airbnb Rooms gets us back to the idea that started it all, back to our founding ethos of sharing, and are also one of the most affordable ways to travel, with an average price of only $67 a night. In fact, over 80% of Airbnb Rooms are under $100 a night. And in the current macroeconomic environment, people want to travel affordably. But guests have told us that they want to know more about who they're staying with before they book. So, that's why every Airbnb Room comes with a Host Passport, which helps guests get to know their Host before they book.

The response to last week in our 2023 summer release has exceeded our expectations. Press coverage was overwhelmingly positive and we got over 3,000 articles. This is the most press we've ever had from the launch. On social media, our tweets got 19 million impressions. It really went far right on social. But the most important thing we heard is that our guests and our Hosts feel like we're listening to their top concerns. But we're not done listening and we'll never stop improving Airbnb.

So with that, I look forward, Dave and I, to answering your questions.

Copyright © 2001-2023 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We'll go first to Eric Sheridan at Goldman Sachs.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Thank you so much for taking the question. I want to come back to the summer release from a couple of days ago and come back to the concept of Room. Can you help us better understand what you think that will do in terms of generating supply growth and coupled with the generating demand and new traveler growth to the platform as you look out over the next 12 to 18 months? Thanks so much.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. Hey, Eric. How are you doing? Yeah. So, I'm very excited about Airbnb Rooms because Airbnb Rooms is one of the most affordable ways to travel on Airbnb. We've been doing a lot of listening to guests on Airbnb. And one of the things they told us is especially in this economic environment, they are looking for affordable ways to travel on Airbnb. And the average price of Airbnb Room is $67 a night. So, it's an incredible value. And what we wanted to do is offer a product that we thought could capture this affordability segment that we think more and more people are going to be interested in in this economy, and also launch a product that would be very relevant to the next generation of travelers.

Essentially, I wanted to launch a product that the 26-year old me would have wanted. And we looked at our private rooms product and we already had 1 million listings all over the world. But there was a bit of an obstacle. During the pandemic, people weren't comfortable staying with one another. And to get people more comfortable, we realized that we needed to help people understand the Host they're staying with before they book. And so, that's why we launched the Airbnb Host Passport. I think this is going to help a lot of people that are looking to save money and are interested in the local travel experience be encouraged to stay in an Airbnb Room. We also added new privacy features to understand if there's a lock in the bedroom door, if the bathroom is private, and we think all these different features are going to definitely help Airbnb Rooms.

The final thing I'm going to say, Eric, is that we have a major brand campaign coming this summer where we are going to be promoting Airbnb Rooms. If we are successful, I think this is going to bring in a whole new cohort of younger travelers, people that maybe weren't inclined to travel may now be able to travel and hopefully should lift the overall marketplace for Airbnb.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks, Brian.

Operator: Next, we'll move to Justin Patterson at KeyBanc.

Justin Patterson
Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you very much. Two, if I can. First, to follow-up on Eric's question around the summer release, Brian, you recently made some comments about AI being a meaningful opportunity for Airbnb going forward.

Copyright © 2001-2023 FactSet CallStreet, LLC

Could you talk about how that just reshapes or helps you reimagine the travel experience going forward and some of the initiatives you might lean into around AI?

And then, Dave, I appreciate you only give guide posts on the full year versus explicit guidance. Given the room night comp and expense shift in Q2, as well as this dynamic around new pricing tools and the summer release, could you help us understand a little bit more some of the assumptions that go into the second half and about flattish year-over-year margin? Thank you.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Great. Well, why don't I start, Justin, with AI. This is certainly the biggest revolution in tech since I came to Silicon Valley. It's certainly as big of a platform shift as the Internet and many people think it might be even bigger. And I'll give you kind of a bit of an overview of how we think about AI.

So, all of this is going to be built on the base model. The base model is the large language model. Think of those as GPT-4, Google has a couple base models, Microsoft [indiscernible] (00:14:26). These are like major infrastructure investments. Some of these models might cost tens of billions of dollars' worth of compute power. And so, think of that as essentially like building a highway. It's a major infrastructure project. And we're not going to do that. We're not an infrastructure company. But we're going to build the cars on the highway. In other words, we're going to design the interface and the tuning of the model on top of AI, on top of the base model. So, on top of the base model is the tuning of the model. And the tuning of the model is going to be based on the customer data you have.

And I'll just paint a picture for you. If you were to ask a question to ChatGPT and if I were to ask a question to ChatGPT, we're both going to get pretty much the same answer, and the reason both of us are going to get pretty close the same answer is because ChatGPT doesn't know that it's between you and I, doesn't know anything about us.

Now this is totally fine for many questions, like how far is it from this destination to that destination. But it turns out that a lot of questions in travel aren't really search questions. They're matching questions. In other words, they're questions that the answer depends on who you are and what your preferences are. So for example, I think that going forward, Airbnb is going to be pretty different. Instead of asking you questions like where are you going and when are you going, I want us to build a robust profile about you, learn more about you, and ask you two bigger and more fundamental questions: who are you, and what do you want.

And ultimately, what I think Airbnb is building is not just a service or a product, but who we are in the largest sense is a global travel community. And the role of Airbnb and that travel community is to be the ultimate Host. Think of us with AI as building the ultimate AI concierge that can understand you and we could build these world-class interfaces, tune our model. Unlike most other travel companies, we know a lot more about our guests and Hosts. This is partly why we're investing in the Host Passport. We want to continue to learn more about people. And then, our job is to match you to accommodations, other travel services, and eventually, things beyond travel. So, that's the big vision of where we're going to go. I think it's incredibly exciting opportunity.

I'll just end by giving you some tactical things we're going to be doing in the next 12 months. Number one is customer service. This is going to be one of the biggest benefits to Airbnb. One of the strengths of Airbnb is that Airbnb's offering is one of a kind. The problem with Airbnb is our service is also one of a kind. And so, therefore, it's historically less consistent than a hotel. I think AI can level the playing field from a service perspective relative

Copyright © 2001-2023 FactSet CallStreet, LLC

to hotels because hotels have front desks. Airbnb doesn't. But we have literally millions of people staying on Airbnb every night.

And imagine they call customer service. We have agents that have to adjudicate between 70 different user policies. Some of these are as many as 100 pages long. What AI is going to do is to be able to give us better service, cheaper and faster by augmenting the agents. And I think this is going to be something that is a huge transformation, it's a bit all hands on deck, and you should see improvements later this year and to next year. That's number one.

Number two, we are now building AI into our product. And let me just give you an example. A few months ago, OpenAI launched plugins. And in fact, we were actually supposed to be one of the launch partners for the plugins on OpenAI for ChatGPT. But I told Sam, and we were literally one of the first to work with them, that right before launch, I decided to pull the plug on it. And the reason why is I decided that the interface of pure text base with widgets at the bottom was probably not the right interface for travel.

Ultimately, I think the right interface for travel is multi-modal. It's rich media. It's photo. It's video. It's much more immersive. And GPT-4 is available in our app. So we're going to be building GPT-4 into our interface, and I think that's the real opportunity for us. So, you should see some big changes next year with AI built into our app.

The final thing I'll say is developer productivity and productivity of our workforce generally. I think our employees could easily be, especially our developers, 30% more productive in the short to medium term and this will allow significantly greater throughput through tools like GitHub's Copilot. So, all of this is to say I'm really excited on the short term and the long term.

And the last thing I'll just say is I think the companies that will most benefit from the shift of AI are going to be the companies that have the most innovative cultures. That's kind of what happened in the 1990s with the Internet. And if the last couple years is any indication, having launched over 340 features and innovations, I think we're definitely going to be right at the forefront of this revolution.

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

And then, in terms of profitability, we're just really proud of the progress we've made in our operating efficiency. We made some very difficult choices in the midst of COVID to rationalize and streamline the company, get focused, get back to our roots, and we made substantial progress in our profitability ever since and where we've done it.

We obviously reduced our head count by 25%. We've only grown it moderately since. We've made substantial changes in our marketing efficiency, continue to make good improvements in our operating costs, and I think from community support to cost of payments to infrastructure costs. This has become a better, more rigorous operating company overall. And that kind of progress has been great for us going forward because even as our business has rebounded, we have stuck to our core strong kind of operating mode. And so, even this year, as we anticipate moderation in ADRs, the improvements that we're going to continue to make in community support, infrastructure, cost of payments and our fixed cost leverage will be enough to offset any of the pressures that we're seeing in average daily rates.

Justin Patterson
Analyst, KeyBanc Capital Markets, Inc.

Q

All right. Thank you, both.

Copyright © 2001-2023 FactSet CallStreet, LLC

Operator: We'll go next to Mark Mahaney at Evercore ISI.

Mark Mahaney
Analyst, Evercore ISI

Q

Okay. Thanks. Two questions. Across the online travel space, there's this dynamic of marketing costs being much more frontend-loaded this year. Dave, any commentary on – from your perspective why that is?

And then, secondly, could you just double click a little bit, Brian, on the Brazil and Germany examples that you talked about? If there's anything specific that you could say that you did that caused those to kind of accelerate up to become two of your fastest growing markets so that we can think about how replicable those efforts would be in other markets, that would be really helpful. Thank you.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. Sure. Dave, why don't you take the first one.

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. Great. Thanks, Mark. In terms of the frontloading of marketing costs this year, it's just we're learning to operate better. I mean, we had seen such great success in our brand marketing campaigns, strong return on investments in that last year, and what we learned is that we just felt like we needed to do that earlier in the year and get out even more ahead of our peak travel summer season with our brand marketing. The earlier we get that message out in the year, the better we can kind of reap that investment for the full year. So, this is purely about moving up the spend on kind of brand marketing earlier.

And to a lesser extent, but it is an element of it as well, is investing in some of these new geographies where we haven't historically had brand marketing until actually expanding that marketing into more countries. So, our marketing expenses as a percentage of revenue will remain largely the same in 2023 as it was in 2022. It's just that we're frontloading more of the marketing to get the message out earlier.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. And, Mark, I'll just share a little bit about Brazil and Germany. So, Airbnb is one of the most international companies in the world. We're in 220 countries and regions. And many years ago, we developed a playbook to expand internationally outside the United States, and that playbook included PR, included having some people on the ground, although generally, in many of these markets, you don't even need that, and it included a brand marketing campaign, it made sure that our product was adequately localized. And it's just a really full funnel approach, and now, we've added social media and influencers as well.

So recently, over the course of the pandemic, we were not as focused on international expansion, and that's because we were mainly focused on recovery and some of the new travel segments like longer-term stays. Over the last three years, obviously, as you know, we've gotten really, really focused back to basics and our company is significantly more profitable. Now, we've done over $3.8 billion in trailing 12-month free cash flow. So, we feel like now is a really good time to focus on international expansion.

Copyright © 2001-2023 FactSet CallStreet, LLC

So, we started with Germany and Brazil. And again, it was full funnel, it involved a lot of PR, involved brand marketing, bringing our marketing ad campaign to pricing in the United States to these markets, localizing our product and working with local influencers. So, it's a pretty full funnel approach. The results have been incredibly positive. These are now two of our fastest-growing markets.

So, we're now looking at bringing this playbook to other markets around the world. And I'll give you a couple examples. Number one is Asia-Pacific. We think there's a huge opportunity in Asia. We are massively underpenetrated. This is going to be probably the fastest-growing market internationally over the next five years. And the problem with Asia historically over the last three years is Asia market, as you know, is a very much cross-border market. And with the borders being historically kind of locked down and there hasn't been as much travel, the recovery in Asia has been delayed. Now, people are starting to travel. And Asia, disproportionately, has a lot of young travelers. And Airbnb, as you know, is very popular among young travelers. So, we think Japan, Korea, China, India and Southeast Asia are going to be huge opportunities for growth.

Next is Europe. We're very big in France. We're very big in the UK. We're now seeing great growth in Germany. But there's a lot of markets in Europe we haven't ever really run robust brand marketing campaigns. Now, we're getting more aggressive in Italy. We're getting more aggressive in Spain. And we're now looking at other markets in Northern Europe. And I think there's actually a lot of greenfield in Europe because we've really only focused on the few of the really big markets. And when we see and we focus the big markets like France and the UK, we are now really strong and I think we can have similar penetration in other countries in Europe.

And then, finally is Latin America. We're seeing a lot of growth in Brazil, and we're now going to bring it to some other really large markets like Colombia and some other markets within Latin America.

So, I think international is going to be a pretty big boon to growth over the next two, three years. The one thing I've learned about at Airbnb is no matter how different every country is, the playbook doesn't have to vary that much. It works quite well in every market and especially it works with Airbnb because it's very much a cross-border network effect business.

Mark Mahaney
Analyst, Evercore ISI

Q

Thank you, Brian.

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. The playbook works so – well, I just don't want to leave your question without reinforcing how well the playbook is working for us and that 90% of our traffic remains direct or unpaid, and that's the case since COVID and continues to be the case. So, this investment is working very well for us.

Mark Mahaney
Analyst, Evercore ISI

Q

Okay. Thank you, Dave. Thank you, Brian.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Thank you.

Copyright © 2001-2023 FactSet CallStreet, LLC

Operator: We'll move next to Richard Clarke at Sanford Bernstein.

Richard J. Clarke
Analyst, Bernstein Autonomous LLP

Q

Hi. Good afternoon. Thanks for taking my questions. Two, if I may. I guess at the full-year results, you mentioned how you control supply against the demand. I guess at this point, you're talking about supply growing at about 18% but you're pointing to Q2 demand growing maybe more like 10% to 12%. Which one of those numbers is the right way to think about growth going forward? Should we be extrapolating the 18% or the 10% to 12%?

And then, just very quickly, you obviously shifted to showing the whole prices. Any impact you've seen from that? Is that impacting conversions? Is that impacting supply? What's been the impact of that change?

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. Richard, why don't I start at a high level. I think our long-term growth is going to only be as strong as our supply. If we were to back out, what happened in 2020 and 2021 is that demand grew faster than supply. And initially, this was a great thing, but the problem is when demand grows faster than supply and there's supply constraints, prices generally go up. And as prices have risen, while that's been good for the bottom line, affordability in this economy is a major issue.

And so, one of the most important things we can do to make Airbnb affordable is to make sure we have enough supply in the platform. And so, a year ago, we identified supply growth as a major strategic initiative that we really needed to accelerate. And we created an initiative called mainstreaming hosting. The idea is we wanted hosting to be as mainstream as traveling.

So, we did a number of things. We said in order to mainstream hosting, we need to make it safe, easy and cool. So we launched AirCover, which is top to bottom protection, no one else offers it. They're going to be set up, and we did some marketing campaigns for the first time in many years. We've since seen, as you know, 900,000 incremental listings. It's now accelerating every single quarter since the IPO. And I think what's going to happen is all the supply coming on the market will keep prices from going up.

My hope is that while the hotel CEO's have said they expect demand to drive prices up this summer, we want to actually have prices moderate. We think that's going to bring in a whole new generation of travelers to Airbnb. So ultimately, I think that like that's a very, very important consideration of the marketplace. The more affordable we are, just like Amazon, the more affordable we are with a wider selection, the more people will come to Airbnb. So, that's the high level.

Now, with regard to total price, this is primarily a US issue, but in the US, as you know, there is a bit of a issue where some Hosts have higher cleaning fees. And we heard a lot from guests. And I think what the total price display is going to do is it's going to push demand to listings that have an overall better value of a total price. And when people turn on the price toggle, we see that people are booking listings with lower cleaning fees or no cleaning fees. And I think this is going to have a really good practice in the marketplace of driving the demand for the best value listings, rewarding those Hosts and making sure every single Host remains competitive.

So, it's just beginning. We've set a pilot in December. It's now available to everyone. So, we'll have to see how this plays out in the coming months. But my expectation is based on our release last week, we launched a lot of features around affordability. We have many more – much more affordable monthly stay products. Hosts now have monthly stay discounts, weekly stay discounts. We allow Hosts to accept more competitive prices. We're

Copyright © 2001-2023 FactSet CallStreet, LLC

going to continue to add supply, and hopefully, this is going to continue to drive the number one request of travelers, which is affordable [ph] options (00:28:57).

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.
A

Yeah. And let me add two more points. The implementation of the [ph] whole (00:29:03) price has gone really well. And what we're seeing is actually a neutral impact on our overall business. So the [indiscernible] (00:29:09), which we've implemented, has worked quite well. And the people that care the most about seeing it, all-in pricing, they can make the selection and those who want to see it like other marketplaces don't even make that selection.

And then, the other, back to the growth rates, 10% to 12% nights growth is not our long-term ambition. You do have to remember that in Q2, we have a significant hard comparison versus the Omicron COVID variant that came out last year. Remember that people delayed their travel in Q1 and compressed a large amount of travel into the second quarter, which makes for a hard comparison of nights growth here in the second quarter.

Richard J. Clarke
Analyst, Bernstein Autonomous LLP
Q

Many thanks. Thanks very much.

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.
A

Thank you, Richard.

Operator: We'll take our next question from Brian Nowak at Morgan Stanley.

Brian Nowak
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thanks for taking my questions. I have two. The first one, Brian, just going back to your last answer about how affordability isn't an issue in the economy. On the Airbnb platform, have you seen any signs of trade down or shorter stays or price changes or lower traffic conversions or the impacts of that more price-sensitive user on the platform yet? That's the first one.

Then the second one, Dave, actually, to go back to your last answer as well, I think in the past, you've spoken about how – there's a lot of moving pieces around the shape of the year, but 2022 is a reasonable way to think about the shape of the room nights or bookings for the year. How should we think about that now that the sort of thinking through the comp structure and how the 2Q, 3Q comps are quite similar? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.
A

Dave, do you want to take the second and I'll go on with the first?

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.
A

Yeah. I mean, it has been hard to kind of perfectly predict the exact shape of demand, and obviously, Omicron has impacted the shape on nights demand by more than the impact of revenue. We continue to see the revenue guide that we have here is revenue growth between kind of 12% and 16% in the second quarter. And I think that

Copyright © 2001-2023 FactSet CallStreet, LLC

there's some of the pressures that we're seeing there on overall revenue growth has frankly just been some of the elevated ADR rates that we're seeing, just higher overall kind of pricing especially in North America. But some of the tailwinds that we're seeing for future growth in the back half of the year are a lot of the areas that Brian spoke about, things like continued acceleration in Latin America, acceleration in Asia-Pacific and more cross-border travel. So, I think some of those things are the benefits that we're seeing in the back half of the year.

Q2 is turning out to be a little bit tougher comp, given Omicron last year, but we're seeing overall stable demand for the back half. We highlighted in the letter that we have 25% more bookings on the books at this time this year for the back half of the year than we did this time last year. So, it just gives us confidence in people's willingness and interest in travel for the back half.

Brian Chesky A
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

And I can just take the first question, which is what we're seeing, Brian, is that people are most price-sensitive, at least currently, in North America, especially in United States. And in the United States, the lowest price listings have the highest occupancy. So yes, people do want low price listings and we expect that as Airbnb rates continue to normalize, and hopefully, our rates do not increase as fast as hotels over the next couple years, that we're going to see continued increase in occupancy for more listings in Airbnb, and also, it's partly why we're so bullish about the prospect for Airbnb Rooms, not just to bring people to Airbnb that want affordable options, but really new travelers that have never really traveled very much before, especially Gen Z.

Brian Nowak Q
Analyst, Morgan Stanley & Co. LLC

Great. Thank you, both.

David E. Stephenson A
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

Thank you.

Operator: Next, we'll go to Ron Josey at Citi.

Ronald Josey Q
Analyst, Citigroup Global Markets, Inc.

Great. Thanks for taking the question. Brian, you talked about expanding the core. And I wanted to ask a little bit more about new ideas for products or the vision for the Airbnb economy overall. I think we've mentioned in the past some marketplace for local Host services and other sponsored listings [ph] and other ideas (00:33:07). So, any insights on sort of how you think about expanding the core and the vision for the Airbnb economy?

And then, just a quick follow-up, too, on just the Experiences rebuild, that recent pause on Experiences, talk just a little bit more about how you feel that product is progressing. Thank you, guys.

Brian Chesky A
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

Yeah, Ron. I mean, great, great questions. Just to kind of step back, before the pandemic, we were really already focused on expanding beyond the core. In fact, we had 10 different divisions at Airbnb. We had a Homes division,

Copyright © 2001-2023 FactSet CallStreet, LLC

we had an Experiences division, we had a Transportation division, we had a Magazine division. So, we had a lot of effort. And then, obviously, the pandemic occurred and we had to get focused back to basics.

And what we wanted to do over the last few years is before we work on new things, we wanted to perfect our core service. One of the great source of inspiration I had was Apple. And I remember in the mid-2000s, it was 2006, and Apple had not yet launched the iPhone. How many of us wanted Apple to come out with a phone, and the answer is a lot of people. And the reason people wanted Apple to expand to the phone is because they loved their iPod. How many of us wanted Gateway to come out with a phone, and the answer is probably not many because we didn't love our Gateway computer.

And so, I think that one of the things I've told our team is we have numerous expansion opportunities but we need permission to expand beyond our core. We need people to first love our core service. So that's why over the last three years, we've been focused on really perfecting our core service.

With that being said, our core service is stronger than ever, it's more profitable than ever, and I think we're now ready to expand beyond the core. So as we speak, we are working actively on new products and services. These new products and services are going to be shipping beginning next year. You're going to see a number of things ship next May as part of the 2024 summer release, and we're going to see even more things ship later in the year and the years to come.

Now, obviously, there's a lot of opportunities. There's guest services. There's host services. I'm not going to go into a lot of detail. You obviously will have to tune in to talk, but I think it's just important to note that I think that the biggest ideas Airbnb has are in front of us. I don't want to think that the biggest idea I ever had when I was 26 [ph] working and the three of us in an (00:35:22) apartment with my two co-founders. I think that there's so much more Airbnb can offer and part of it is just making sure we continue to learn more, build robust profiles, build an extensible platform model, continue to increase traffic on the platform, and then what we can do is go into adjacencies within our core but then including that, expand beyond the core. So I think you're going to see a lot of new opportunities.

With regards to Experiences, I remain bullish about the product. I think there is a massive opportunity for someone to build a huge product around Experiences. Whether it's us and whether we're able to execute that product, we still have to prove that. One of my great investors, one of our early investor is [indiscernible] (00:36:01) he said there's no bad ideas, just ideas that are too early. And a lot of life is timing and experiences.

I think when we launched in 2016, it launched right like leading into the pandemic. It was probably early. I think the timing is probably now better. So what we did is we decided let's take a pause on new submissions. Let's retool the product and hopefully put out something that is even more relevant to this next generation that are looking for things to do.

So I remain really bullish on all of those.

Ronald Josey
Analyst, Citigroup Global Markets, Inc.

Q

Thank you, Brian.

Operator: We'll go next Mario Lu at Barclays.

Copyright © 2001-2023 FactSet CallStreet, LLC

Mario Lu
Analyst, Barclays Capital, Inc.

Q

Great. Thanks for taking the question. The first one's on ADRs. It came better than expected in the first quarter. You guys mentioned India saw 8% growth. Anything to point out to within that region for its strength? And then is the full year growth still expected to be down mid-single digits? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Dave?

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah, on ADRs, it's just been interesting how persistently high our average daily rates have remained and that has been consistent kind of across the globe. I think even more particularly, the ADR rates that we saw in North America have been persistently high. So these are a lot of the reasons why we've been launching so many of the tools and capabilities that Brian's talked about on the call today, making sure that we're finding good affordability for our guests for things like Airbnb Rooms and getting tools for our Hosts to even kind of price better.

So I don't have anything more to say on that except that we think that the ADRs, as we continue to see growth in Europe, Latin America, Asia, should moderate a bit here in the second quarter and we want to continue to make sure we're giving great value to our guests.

In terms of full year expectations, the year-over-year growth in ADR should be, I think, still probably down in that kind of mid-single-digit range. There's really no change in our expectations on ADR growth.

Mario Lu
Analyst, Barclays Capital, Inc.

Q

Got it. Thank you. And then the second question's on competition. One of your competitors is launching a loyalty program in July in the US. Just curious if you think that is a potential threat to the business since you don't have one. And any data points you can share just with regards to what percentage listings are exclusive to your platform? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

I always believe that the best loyalty program is people loving your product and if they love your products, they come back. And I think that's the reason why nearly 90% of our traffic is direct or organic and we have really strong rebooking rates. So I mean we haven't needed to have a loyalty program to have really good loyalty on Airbnb because people really love the experience and ultimately I think it's just a matter of continuing to innovate.

Ultimately, we're in the inspiration business. People want to have good trips and the best trip wins. And whatever company is most focused on listening to customer feedback, innovating as quickly as possible, and taking giant leaps of experiences, I think, is going to be the most successful. So, we're really bullish about this.

Now, that being said, for years we've looked at a loyalty program and I don't think a classic points program which is essentially a subsidy to buy loyalty is the right approach for us. But we do think there's really compelling, interesting ways to reward our very best guests and something we've been actively thinking about.

Copyright © 2001-2023 FactSet CallStreet, LLC

Mario Lu
Analyst, Barclays Capital, Inc.

Q

Great. Thank you.

Operator: We'll take our next question from Nick Jones at JMP Securities.

Nicholas Jones
Analyst, JMP Securities LLC

Q

Great. Thanks for taking the questions. So you're adding a lot of great solutions for Hosts and guests, and in the outlook comments and the release, sounds like this is contributing a little bit to some of the ADR pressure. So how do you balance the efforts to continue to increase supply, making it easier for supply to join while redistributing demand to available supply? Is there a risk of incremental ADR compression as a result of some of these efforts?

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Hey, Nick. I can start. So I think part of our secret sauce is our ability to really try to elongate and re-balance supply and demand. One of the great things we've seen is the marketplace has a natural equilibrium that it finds in itself. For example, the fastest-growing markets of supply are also turning out to be the fastest-growing market for demand. So it's demand creates supply. What ends up happening is a lot of these individual Hosts get booked. They start making a bunch of money, obviously. The vast majority of them get booked within days of listing, and what ends up happening is they tend to open up more nights. They tell their friends about it, and then supply increases.

We've also found a number of tactics. In fact, performance marketing is a very important way to re-balance supply and demand. Other companies can be used as an arbitrage business to buy lots of customers. We have never thought of it that way. We think of performance marketing really as a laser, to laser in on balancing supply and demand in markets all over the world. And frankly, the more supply we add, the more we think we're going to have really great value listings that will ultimately attract more demand.

So I think we're able to balance this out throughout the coming year.

Nicholas Jones
Analyst, JMP Securities LLC

Q

Great. Thank you.

Operator: Mr. Kelly with Oppenheimer, please go ahead.

Jed Kelly
Analyst, Oppenheimer & Co., Inc.

Q

Hey, great. Thanks for taking my question. Just going back to the comment in the shareholder letter of your current backlog of nights being approximately 25% stronger than it was a year ago, can you just reconcile that with the 2Q guide? And how should we expect normal seasonality trends going forward?

Copyright © 2001-2023 FactSet CallStreet, LLC

And then my second question, Brian, is you've done a great job with apartments and rooms growing supply in the US. Can you take that apartments initiative and then implement it in Europe and other regions of the world? Thank you.

David E. Stephenson A
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

On the 25%, I mean I think what it's doing is just demonstrating the strength in demand. I think if you go back to the beginning of Q1, people booked much earlier here in 2023 than they have historically. So we had longer overall booking rates for the back half of the year, so we're seeing that strength. And so to the extent that that demand just shifts earlier in the year, that's why the growth rate in backlog can still be higher than what we are projecting for nights in any kind of given period.

In terms of normalcy, I think the specific percentage of backlog isn't a direct translation to kind of nights booked but what we are seeing is strong demand across the globe and very stable demand in North America.

Brian Chesky A
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

And, Jed, just to clarify your question, when you say apartments, are you referring to the Airbnb-friendly apartments...

Jed Kelly Q
Analyst, Oppenheimer & Co., Inc.

Yeah, the friendly apartments.

Brian Chesky A
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

... [indiscernible] (00:43:14) with landlords and [indiscernible] (00:43:15) offers?

Jed Kelly Q
Analyst, Oppenheimer & Co., Inc.

Yeah. Can you do that?

Brian Chesky A
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

Yeah, yeah. [indiscernible] (00:43:17). 100%, yeah. We believe that this can be expanded all over the world. We wanted to use United States as a proof-of-concept. Obviously, that was, we thought, the first place to start, so we started with 175 buildings. We now have, I think, over 250 buildings. We have Greystar, some of the biggest real estate developers in America on the platform and that's been our proof-of-concept. But assuming this worked and all indications are it is going to work, the response has actually exceeded our expectation, at least from landlords, then, yeah, we'd love to bring this to Europe, Latin America, and Asia.

Jed Kelly Q
Analyst, Oppenheimer & Co., Inc.

Thank you.

Operator: We'll move next to Justin Post at Bank of America.

Copyright © 2001-2023 FactSet CallStreet, LLC

Justin Post
Analyst, Bank of America

Q

Great. A couple questions. I guess the first thing about competition, as you move into Europe, you might see a big competitor in booking. Can you talk about your model where you charge both the host and the guest versus theirs more heavily related to the host? You think that works well in Europe and how do you think about the differences there?

And then maybe for Dave, on the marketing spend, definitely seems like the timing's different. How do you think about marketing ROIs this year versus prior years? How should we think about that? Thank you.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Dave, you want to take the second question first?

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Sure. The marketing ROIs, I mean, again, I'm very pleased with our overall marketing strategy. I'm happy that our 90% of our traffic remains direct or unpaid and that does great returns. And the brand marketing returns that we've seen have been quite strong, which is why we're expanding into some of the markets.

Also, the return on our search engine marketing has been quite good and we're maintaining high ROIs there and making sure that where we have opportunities to drive incremental profit, we do so. So I know I feel really good about the investment we're making. I like the improved timing that we have here in 2023, and I like the overall approach, this full funnel marketing that Brian is talking about. We add, amplify our brand in search engine marketing with things like social and PR, and we have that full funnel approach that works really well and that's the kind of success we're seeing in Brazil and in Germany.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. And maybe, Justin, before I answer about our model in Europe, I just also want to add something. So most travel companies, their strategy is like basically paid marketing like performance marketing, brand marketing. I think a call out I just want to make is PR. Social media is a huge benefit to Airbnb. Historically, we have the largest share of voice in travel. Last week, we got 3,000 articles. I mean, that was like more than a third of the amount of press we got for IPO, so we think that there's a lot of opportunity for Airbnb to continue to be front and center in people's minds in PR, in social media, and even in pop culture, on TV shows, movies, songs, et cetera, et cetera.

So I think the name of the game is both paid media and then earned media. And earned media is a really important part of the international story, international expansion because earned media really creates trust more than paid media.

Now, with regards to Europe, one thing I just want to point out is we actually have both models. We have a model where we have a guest fee and a host fee. We also have a model where we have a host-only fee and Hosts can choose. And we have this kind of choice for Hosts, especially for larger property managers. Ultimately, especially with our total price display, I don't think it's a major issue for guests. I think ultimately, they're going to be looking at the total price and we've not seen a major behavior change. I think guests are most sensitive to total price. They're becoming more savvy. They're getting trained on total price and that is partly why we moved our product

Copyright © 2001-2023 FactSet CallStreet, LLC

towards an option of showing people total price. As long as we remain competitive, as long as we offer the best product, and we offer the overall best value for the total price, I think that's ultimately what guests are going to care about.

Justin Post
Analyst, Bank of America

Q

Great. Thank you.

Operator: [Operator Instructions] We'll go next to Stephen Ju at Credit Suisse.

Stephen Ju
Analyst, Credit Suisse Securities (USA) LLC

Q

Hey, thank you. So, Brian, can you talk about eventual rollout plans for pay over time to other parts of the world like Brazil given the propensity among users there who use this type of product? And I guess I'll ask the Airbnb Rooms question another way. Between this and pay over time, it seems like you're in a position to expand your audience, so can you talk about how much latent demand you may potentially unlock with what looks like higher service levels to that bargain shopper? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah, so I'll talk. One of the things – I mean, what you'll notice is a lot of our updates last week were based on affordability. So we announced a partnership with Klarna, which is pay over time where you can pay in as many as four installments. I also want to add we also announced a partnership with Stripe where you can pay by bank account for monthly stays. This is really important because it means you don't have to pay for credit card to pay basically what is essentially rent and that also will increase conversion by lowering costs.

So we're really focused and a lot of what we're focused on is starting the payment service in United States, kind of similar to Airbnb-friendly apartments. And assuming these partnerships work, no doubt we're going to be expanding these to markets all over the world and you're correct. A lot of countries people pay in installments more than even the United States, so yes, Brazil and markets – emerging markets all over the world. I think this will absolutely be a very compelling offering. We just like to get the product right in our more like established markets like the United States before expanding it globally. But all indications are this is going to be very successful.

Now, as far as expanding our audience, yes. I mean, ultimately the biggest market opportunity for any company is always the next generation. I mean, the great thing about young people is more of them every year and if you can continue to be the most relevant brand for a young audience, then you're going to continue to be able to ride that growth. And that's going to definitely be a boon for first-time bookers.

And the great thing about young people is 15 years ago, I was 26 and my friends and I didn't have a lot of money. Now, many of us have families and we're much older, we have more money. And so what we want to do is capture the next generation of travelers and then they'll grow with us. And I think that Airbnb Rooms is a very entry level product. It's a great way to introduce people to Airbnb.

I noticed, for example, when I used to talk to Jeff Bezos he said that like diapers was a very important entry product to Amazon for families, right? You buy diapers and then obviously you need other things. This is maybe an extreme example but I think Airbnb Rooms is a great way for new travelers who come to Airbnb. And if you

Copyright © 2001-2023 FactSet CallStreet, LLC

think about it, between Airbnb Rooms, allowing the pricing tool for Hosts to price more affordably; total price, which should keep the cleaning fees down and other discount products, I think we're going to have really one of the most affordable products in travel bar none.

Stephen Ju
Analyst, Credit Suisse Securities (USA) LLC

Q

Thank you.

Operator: We'll go next to John Colantuoni at Jefferies.

John Colantuoni
Analyst, Jefferies LLC

Q

Great. Thanks for taking my questions. Active listings expanded more this quarter than recent quarters. When you look at the profile of these new active listings, overall, how did these listings compare to your existing portfolio? What portion of the Hosts are individuals, urban versus suburban versus vacation destinations, et cetera.

Then on sales and marketing, with front end-loaded spending on brand investments, can you just sort of walk through the shape of marketing throughout the year? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah, Dave, why don't you take both of these?

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Sure. I think we talked about the shape of marketing during the year that we are bringing in more front end loading on our brand marketing spend, especially here into Q1 and Q2. So it's several hundred basis points higher in Q2 than it was in Q2 last year. And then for the full year, total marketing costs will be roughly the same as they were in the prior year, so don't have much more to say on kind of the shape of marketing beyond that.

In terms of active listings, I think this is what's been really continued strength in our business, which is that we are focused on individual Hosts. And individual Hosts are 90% of our Hosts. That continues to be the case. The new Hosts that we're bringing on because we cater our tools to the needs of those individual Hosts, whether that's making sure that it's easy to list that we give them AirCover for Hosts so they know that their home is well-protected. We give them the great payment capabilities, good customer support that they require. All those things make it easier for individuals, and what's been great to see is that our mix of individual and professional Hosts has remained very stable through that.

The other thing that's been interesting about just our listings growth overall is it tends to grow where we have the biggest demand. And so the areas, as urban come back, our urban growth has been kept in line with that kind of growth. And so as we keep expanding and increasing our business around the world, the listings come right along with it.

John Colantuoni
Analyst, Jefferies LLC

Q

Great. Thank you.

Copyright © 2001-2023 FactSet CallStreet, LLC

Operator: We'll go next to Doug Anmuth at JPMorgan.

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Thanks for taking the question. I just want to ask about long-term stays which is down versus recent periods. I know you talked about some of the changes in payments and fees coming up. Just are long-term stays slowing more with normalization in the economy or really just more of a mix shift issue towards shorter stays? Thanks.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

Yeah. Hey, Doug. I think it's important to just step back and say that what we saw even before the pandemic was that long-term stays were growing. And they have been our fastest-growing segment by trip length. I think what the pandemic did is it probably accelerated some inevitable growth and there's huge opportunity for us. And I also think we're never going back to the way the world was before the pandemic.

I do think there is some little bit of a post-pandemic equilibrium that you're starting to see and we're also seeing a mix shift because cross-border urban nights are now up. That being said, I remain extremely bullish on long-term stays. I think this is going to be one of the big growth opportunities for Airbnb over the next five years and the reason why is because people are permanently more flexible. Even bosses that want people back to the office, I think they're still going to see incremental flexibility; more people going away for the summer. More people may be going away for the holidays and ultimately with AI, you're going to see an acceleration of people having more distributed and more global workforces. So all you have to do is believe Zoom is here to stay to believe long-term stays are here to stay, and that's what we're betting on.

But the biggest feedback we've gotten on our long-term stay product was it was just sometimes a little more expensive to book long-term stay at Airbnb because the platform was built for short-term stays. So we made over a dozen upgrades to long-term stays and a lot of them are based on affordability. So starting with we now have a monthly dial for you to really discover monthly stays, this is really cool dial like an iPod click wheel that allows you to search from one month to a year on Airbnb.

You can pay by bank account. This saves on credit card processing fees. You can pay over time. We have more flexible cancellation policy so you now can cancel a long-term stay up to one month before check-in. We have new discounting tools for Hosts on weekly stays and monthly stays. And we have many other upgrades as well for monthly stays, so I think we're going to see a lot more growth.

And one of the big opportunities, I think, that we're going to see is more people starting to come to Airbnb to list exclusively long-term stays. People that have no intention of hosting on a nightly basis will host long-term.

Another thing we believe is going to happen is we think long-term stays could be a gateway to short-term stays. There might be a host that's uncomfortable hosting on a nightly basis but they're used to having a tenant and they might go to Airbnb to rent monthly. And over time, we might be able to get them more comfortable on a short-term basis. So we think this is a really big opportunity for us but I do think there is some normalization in this post-pandemic equilibrium. But I believe this is still a major growth opportunity for years to come.

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Thank you, Brian.

Copyright © 2001-2023 FactSet CallStreet, LLC

Operator: We'll move next to Lee Horowitz at Deutsche Bank.

Lee Horowitz
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks for taking the questions. Brian, maybe circling back to the competitive environment, [indiscernible] (00:55:56) given some of the numbers coming out of your large OTA competitors and the industry has grown incrementally more competitive in the last year or so. Can you help us understand from your seat if you have seen a change in the competitive environment over the last 12 months, and what your expectations are for how competition may evolve over the next couple years?

And then, Dave, can you talk about how you think about balancing margins and investments beyond this year? Assuming rates aren't a headwind moving forward [indiscernible] (00:56:23) that the international investments are expected to grow nicely over the next couple years? I guess with this in mind, how do you think about how margins can progress in the coming years given your investment priorities? Thank you both.

Brian Chesky
Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

A

All right. Yeah. Hey, Lee. I'll start with the first one, competitive environment.

I think it's important to note that Airbnb is more than double the size [indiscernible] (00:56:48) and most of the travel industry is only a little bit larger than they were before the pandemic. So there's been a major mix shift share towards Airbnb. I think we're starting to see some of the old ways of travelling recover, specifically urban and cross-border. But ultimately, we're really focused on innovating. We're focused on playing our own game and I think that we're going to continue to focus on a few areas. We're going to continue to mainstream hosting and we think we're going to be adding more supply of homes than any other company.

Next, we're going to be focused on perfecting our core service. I think there's potentially down the road a tipping point where a whole new cohort of people could be comfortable using Airbnb. The biggest obstacle to Airbnb historically has been reliability and consistency. As I said, the biggest strength we have is we're one-of-a-kind. The biggest weakness we have is it's just hard to be as consistent as a hotel. But again, with AI being able to supplement and augment customer service and with many of our other initiatives to perfect the core service, I think we can introduce a whole new category of travelers to Airbnb and this doesn't even include many of the opportunities we have with younger travelers, with new markets and new products and services that are only on Airbnb.

I also just generally would just say one of the big guiding principles I have is to focus on the things that only Airbnb can do. And if we focus on the things that only Airbnb can do, then in a sense you're going to come to Airbnb and we're going to have a lot of demand, a lot of exclusive traffic. And Airbnb Rooms is just one of the many examples of something that only Airbnb offers. and so we're going to continue to be competitive but we're also going to focus on things that only we offer.

Dave?

David E. Stephenson
Chief Financial Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. I think one of the things I'm really proud of is the ability for us to both grow and grow profitably and have very strong margins. I mean having our 44% free cash flow margin is something I'm definitely very proud of.

Copyright © 2001-2023 FactSet CallStreet, LLC

I think going forward, just remember that we are still heavily in growth mode and we're going to continue to invest behind growth for the future. The good news is that as I'm doing this year, we're able to continue to be very rigorous in our investments across our P&L, make improvements in our cost structure, find fixed cost leverage, and do all that while investing for kind of growth for the future.

So what I think you should anticipate going forward is that we'll continue to have a profitable business focused on growth and that over time, we'll continue to have opportunities to expand margins but that's not my primary focus right now. My primary focus is in investing for growth, and as you mentioned, one of those areas for opportunities will be to increase our investment in areas where we're significantly underpenetrated and seeing great success. And we highlighted a couple of those areas on the call today.

Operator: And that does conclude today's question-and-answer session. At this time, I'd like to turn the conference back over to Brian Chesky for closing remarks.

Brian Chesky

Chairman, Chief Executive Officer & Co-Founder, Airbnb, Inc.

All right. Well, thank you, everyone, for joining us today. Just to recap, we had a strong start to 2023. Revenue was $1.8 billion, which is 20% higher than a year ago. Net income and adjusted EBITDA were both records for Q1, and our trailing 12-month free cash flow was $3.8 billion. And that represents a free cash flow margin of 44%.

I'm really proud of the progress we made if you look at over the last three years how much more profitable the company has become. I think a lot of that has been based on our discipline and our execution. And speaking of execution, our product just keeps getting better and we continue to innovate. With more than 50 upgrades and features last week, and many more ahead later this year, I'm proud of what we're doing and I'm really excited for the growth ahead. So thank you all and we'll talk next quarter.

Operator: And that does conclude today's conference. Again, thank you for your participation. You may now disconnect.

Copyright © 2001-2023 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Copyright © 2001-2023 FactSet CallStreet, LLC