

Airbnb, Inc.

Equity Research



Business Summary

Airbnb is an American, San Francisco-based company, operating an online marketplace for short and long-term homestays and experiences. Airbnb's revenue also comes from other streams, such as "experiences and activities" and "business travel programs".

Sector/Industry

Sector Hospitality
Industry Short-term lodging

Stock data

Price (19/11/2023) \$ 128
Bloomberg code BNB.O
Market cap. \$ 89,590,000,000
Shares outstanding 436,430,000
52-week range \$ 110,28 – 130,48
Daily volume \$ 3,900,000

Main Metrics (\$M)

	2021	2022
Revenue	5,991.8	8,399
EBITDA	796.1	2,063
NI	(352)	1,989

Multiples

	2022	2023E
EV/EBITDA	34.2x	19.7x
P/E	34.7x	30.9x

General Overview

Airbnb operates an online marketplace for short and long-term homestays and experiences. It generates revenue from guest and host service fees, as well as from experiences, activities, and business travel programs.

Revenue grew from \$5991.8 million in 2021 to \$8399 million in 2022. EBITDA also increased from \$796.1 million to \$2063 million, while Net Income (NI) showed losses of (\$352) million in 2021 and (\$1989) million in 2022.

Classified under the Hospitality sector, specifically in short-term lodging, Airbnb's success is attributed to its diversification, global expansion, focus on community building, technology utilization, adaptability during the pandemic, commitment to social responsibility, strategic partnerships, and a shift towards offering reasonably priced lodging options.

It operates within the vacation rental sub-segment of the hotel and travel industry, which is expected to grow significantly and notably, the Asia market is projected to overtake Europe by 2027.

Company overview

Airbnb is an American, San Francisco-based company, operating an online marketplace for short and long-term homestays and experiences. The company acts as a broker and charges a fee for every booking. The company's name is a short version of its original name AirBedandBreakfast.com. Airbnb operates mostly in the Americas, Europe and Asia.

History

The company was founded by Brian Chesky and Joe Gebbia in 2008 in San Francisco. The two students had the idea of adding a mattress in their living room and renting it. They then created a website that enabled clients to rent short-term living quarters for those who weren't able to book hotels due to the saturated market.

Airbnb was founded in 2008 by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk. The idea stemmed from the founders wanting to offset the cost of their San Francisco apartment's rent by offering air mattresses to attendees of a design conference. This initiative led to the unofficial launch of Airbnb. In 2009, the platform officially launched and gained initial traction, receiving support and funding from Y Combinator, a startup accelerator. The year 2011 marked significant growth for Airbnb as it expanded internationally, attracting more users and hosts to its platform. By 2014, Airbnb had achieved a valuation of \$10 billion and continued its global expansion, despite facing regulatory challenges in various cities and countries regarding housing laws and taxes. The company's journey to becoming a global hospitality giant has been characterized by its disruptive approach to accommodations and travel experiences. In late 2020, amidst the challenges posed by the COVID-19 pandemic, Airbnb successfully went public through an initial public offering (IPO), marking a milestone in its evolution. Post-IPO, the company focused on adapting to changing travel trends, implementing safety measures, and navigating the shifting landscape of the travel industry.

Industry growth

The short-term rental industry within real estate has experienced significant growth and transformation, largely due to platforms like Airbnb, HomeAway and VRBO.

Online platforms have made it easier for property owners to list their properties and for travelers to find accommodation beyond hotel rooms. Thanks to the flexibility in terms of location, duration and to the optimized costs compared to hotels, the short-term renting industry has been growing very rapidly in the last decade.

Industry related risk

Although this is a growing industry, there are many risks that come with working in short-term renting. First of all, there are different regulations governing short-term rentals in regard to neighborhood disruption, safety and tax compliance. Second of all, the saturation of the market is an industry risk that might lead to increased competition among hosts. Lastly, maintaining consistent quality can be challenging for hosts, as well as property upkeep. During the Covid-19 pandemic, the short-term rental industry faced several challenges due to travel restrictions, cancellations and reduced demand. However, there was an increased demand of long-term stays in more rural and isolated areas, and a positive emphasis on cleanliness and safety protocols.

The short-term rental industry continues to evolve, balancing the interests of property owners, guests, and regulatory authorities.

Business Model

Revenue generation

Airbnb primarily generates revenue through various streams:

1. Guest service fee: Airbnb charges guests a service fee upon booking, which can range from 3% to 14% and covers the costs of operating the platform, customer support, and other services.
2. Host service fee: Airbnb charges hosts a service fee for using the platform. The fee is usually around 3% of the subtotal and covers the cost of listing the property and accessing Airbnb's host tools and support.

Airbnb's revenue comes from other streams, such as "experiences and activities" and "business travel programs".

Airbnb's corporate strategy is an example of innovation and adaptability in the hospitality industry. Airbnb revolutionized the way people travel by offering a wide range of accommodations beyond traditional hotels. To achieve success, they have incorporated several key elements into their strategy:

The first is Airbnb's diversification of platforms. In addition to accommodation, they also offer tours and activities, enabling travelers to immerse themselves in local culture.

Moreover, the company has successfully expanded globally, reaching millions of users worldwide because of its aggressive expansion strategy. They've established a strong presence in various countries, adapting their approach to suit different cultural and regulatory landscapes.

A key difference between Airbnb and other companies is their focus on building communities of hosts and guests. They emphasize personal connections, encouraging hosts to create memorable experiences for guests while fostering a sense of belonging.

Technology plays an important role in Airbnb's business because of their platform, which employs sophisticated algorithms for matching hosts and guests, and ensuring safety. In 2020, Airbnb temporarily banned parties held in their accommodations due to the Covid-19 pandemic, and in 2022 they banned them altogether, installing security systems created to ensure that the rules are being followed.

The company's attitude towards the pandemic was very positive, demonstrating resilience and swiftly adapting to the new regulations, introducing flexible cancellation policies and virtual experiences to meet changing demands.

Moreover, Airbnb has also shown commitment to social responsibility, promoting inclusivity and diversity through initiatives like their non-discrimination policy and programs supporting underrepresented communities.

Another key element of their strategy is strategic partnerships: collaborations with business, governments, and other stakeholders. These partnerships have helped them expand their offerings, comply with regulations, and reach new markets.

As a result of these strategies, Airbnb has disrupted the hospitality industry and also set the standard for customer-centric innovation. Their ability to evolve while staying true to their core values has solidified their position as a leader in the travel and accommodation sector. In 2023, Airbnb embarked on a strategic shift, reimagining its brand image from an exclusive travel platform to one offering a spectrum of reasonably priced lodging options. This transformation was made possible by the introduction of a new 'Rooms' category, aiming to diversify their offerings and appeal to a wider range of budget-conscious travelers.

Central to Airbnb's growth strategy was the conversion of guests into hosts, with a substantial 36% of new hosts originating as former guests. As a result of this approach, Airbnb was able to expand its inventory of accommodations as well as foster a community-driven experience.

The company's strengths lie in its unparalleled ability to cultivate a sense of belonging and community among its users. By facilitating the renting of owned homes, Airbnb champions authentic travel experiences, a stark departure from conventional hotel stays. Their first-mover advantage, coupled with a powerful network effect and an innovative business model, has solidified their position in the market. Robust branding, effective marketing, and being a publicly traded entity have fueled their global expansion.

To sustain growth, Airbnb deployed an investment strategy encouraging individuals or real estate investors to acquire properties explicitly intended for listing on Airbnb as vacation rentals. By doing so, they were able to differentiate themselves and provide superior value to customers, complementing their focus on specific segments of the market like families and groups seeking affordable accommodations.

However, despite its strengths, Airbnb faced challenges. Its business model lacked a sustainable competitive advantage, leading to an influx of new competitors. Legal and trust issues were prevalent in the marketplace, navigating the complexities of a two-sided marketplace catering to both property owners and guests.

Amidst these challenges, Airbnb continued to pivot, leveraging its strengths and innovative approach to tackle competition and regulatory hurdles. The company's ability to adapt, innovate, and maintain a strong community-centric approach has been instrumental in navigating the complexities of the market while continuing to revolutionize the travel and lodging industry.

Market Overview

Airbnb operates within the vacation rental sub-segment of the hotel and travel industry as its platform connects guests to hosts who provide listings for them to stay in. Other sub-segments in the hotel and travel industry include package holidays, hotels, cruises, camping etc. The vacation rental sub-segment is expected to grow at a compound annual growth rate (CAGR) of 3.1% from 2017 to 2027. As of 2022, Europe generates the largest revenue while the USA is the country with the largest market share. However, in 2027, Asia is projected to overtake Europe and grow at an 11% CAGR. Although the USA is expected to remain the largest market, its future growth pales in comparison to China, which has an 18.7% CAGR from 2022 to 2027, while the USA's growth is projected to be only 2.0%.

Macroeconomic Conditions

Since the pandemic, the hotel and travel industry has seen a surge in their overall revenue as tourists have started to travel again due to the relaxation of Covid restrictions, global increase in vaccination rates, and higher savings. As a result, the total travel expenses have also gone up as consumers are now more willing to spend money. This view is corroborated by the industry-wide revenue growth which increased by two times from \$346.4 billion in 2020 to \$717.3 billion in 2022. Additionally, factors which could contribute to the continued growth include the reopening of China and Asian countries which could continue to boost travel.

Despite a positive recovery after 2022, the demand slowdown, caused by the uncertain economic conditions under the higher-for-longer policy stance of Central Banks worldwide and the looming geopolitical threats following the Israeli-Palestinian conflict, has started to

pose a threat to future revenues in the short term. Firstly, transportation and accommodation costs are likely to increase due to oil prices driving inflation, which could potentially discourage international travel. Secondly, although the Middle East is the only region that has experienced an increase (of 20%) in tourism compared to 2019, the outbreak of the conflict has led to a decrease in travel to Israel and the region which could continue, thus negatively impacting tourism in the area, and by extension, the vacation housing sub-segment.

Legislative Restrictions

Governments worldwide are implementing stricter laws to limit the vacation rental market, causing concerns among rental companies. Most recently, New York passed Local Law 18 in September 2023, leading to an 85% decrease in short-term rentals. Similarly, top tourist destinations such as Berlin, Paris, Rome, and the UK have policies that restrict short-term rentals to tourists. As the USA and Europe generate a significant percentage of the vacation rental industry's revenue, these limitations could negatively impact the ability of companies to increase their earnings.

Digital Transformation

The rise of Artificial Intelligence (AI) has the potential to revolutionize the travel industry by offering more personalized experiences to users, enhancing user satisfaction. Generative AI capabilities can enable market players to create customized travel plans that cater to individual preferences and provide better support to user queries. As consumer preferences continue to shift, personalization is increasingly seen as a key driver of revenue and profits in the hotel and travel industry. This can be seen in the 90% of consumers who expect businesses to understand their interests and anticipate their needs, making personalization an essential aspect of the industry.

Businesses in the vacation housing sub-segment have also utilized AI to protect the reputation risks for their firms. Using Airbnb as a use case, the firm has deployed AI to combat potential risks of disruptive guest behavior by predicting potentially higher-risk bookings from following through.

Ultimately, AI (and machine learning) competencies will allow for greater personalization and risk management strategies as businesses can create better predictions and identify trends based on unique customer profiles.

Rise of the Internet and Social Media

The increased internet penetration and growing social media connectivity have made social media channels more important. Such channels have a significant impact on decision-making, particularly among millennials. According to a survey, 89% of millennials plan their vacations based on pictures posted online. This means that businesses in the industry should consider building strategic partnerships with influencers to market their services. Apart from that, these businesses should also focus on branding and public relations to boost user engagement and revenue.

Workcation

Since the outbreak of Covid-19, remote work has gained popularity amongst workers. Currently, 12.7% of the workforce is working remotely full-time and 28.2% are on a hybrid model. This trend is expected to shape the future as 98% of workers want the opportunity to occasionally work remotely. As a result of this shift, employees can now work from

anywhere in the world, even while on vacation. This means that businesses in the vacation rental sub-segment need to adapt and accommodate these customers. For example, they could begin by providing long-term rental stays and ensuring that hosts on their platforms can ensure fast and reliable connectivity.

However, while remote work is increasingly attractive to workers, some challenges may affect this trend. These challenges include tax liabilities, immigration rules, insurance, and corporate safety rules that employers worldwide must consider when allowing remote work. As a result of these potential threats, there has been a push by some employers to get their workers to return to the office. This may threaten the workcation model that benefits vacation rental businesses like Airbnb.

SWOT Analysis

Strengths

Global network: with over seven million active listings in more than 100 thousand cities around the globe, Airbnb possesses a notable competitive advantage compared its competitors due to the extensive array of choices it offers to its clients.

Good margins for hosts: on average Airbnb take 14-16% from the host payout, thus allowing solid margins for property hosts whose profits can vary from supplemental figures up to livable salaries.

Competitive pricing: due to the lack of overhead costs by Airbnb and by actively promoting fair prices, Airbnb locations remain cheaper to travelers worldwide.

Partnership and social media presence: Airbnb's partnerships with travel giants such as google, TripAdvisor, and Expedia has allowed the firm to reach large audiences and facilitate access to their site.

Digital customer experience: Airbnb possesses many partnerships with software developers and freelancers to improve the overall efficiency and user-friendliness of the firm's websites and applications, thus aiding in the customer experience for both hosts and customers.

Constant demand and monopolization of the market: the only period in which Airbnb has observed a strong decrease in bookings was during Covid times. This phenomenon combined with the effectiveness of its branding, has allowed Airbnb to control majority of the market.

Weaknesses

Lack of control over price listings: while Airbnb provides a framework for hosts on how to set appropriate prices for their location, ultimately the firm has no direct control over hosts' decisions. This could lead to inflated prices and a subsequent decrease in consumer demand and thus profits.

Lack of influence over quality control and customer satisfaction: when it comes to hotels, there is designated staff to solve any issues or complaints brought forward by customers, however, when it comes to Airbnb, these responsibilities are left to the host. As a result, there have been a staggering number of complaints regarding fake pictures, sub-par sanitary standard, hidden cameras etc.. displaying an obvious weakness in the firm's business model.

Fueling housing crisis: Due to the higher margins that Airbnb offers compared to traditional renting of properties, landlords have stopped renewing rental contracts to tenants and have started listing their properties on Airbnb. This process has caused residents being pushed out of their homes and fueling an already prominent housing crisis around the world.

Opportunities

Focus on sustainability: with younger generations' increasing awareness towards sustainability, there might be an opportunity to better market sustainable locations within the platform as well as the possibility to offer eco-travel options and venues.

Untapped markets: the number of business-related bookings has drastically increased. Hence, Airbnb could pick up on this opportunity by educating hosts on their platform on how to attract more business-related bookings thus increasing overall demand for Airbnb's services.

Work with hosts to provide more services: as of now Airbnb simply increases the visibility of hosts' locations and charges fees according to the total payout. By collaborating with hosts to imitate boutique hotel style services, the overall price of many locations could be subject to increased prices and thus higher returns for Airbnb.

Higher interest rates: due to its business model structure, Airbnb often finds itself holding extensive sums of cash. During these phases, the firm invests in short-term, high-quality bonds to create a secondary profit stream. With a higher interest rate, given stable demand for its core business, Airbnb may be able to maintain high returns by investing in short-term treasury bonds whose returns increase with higher interest rates.

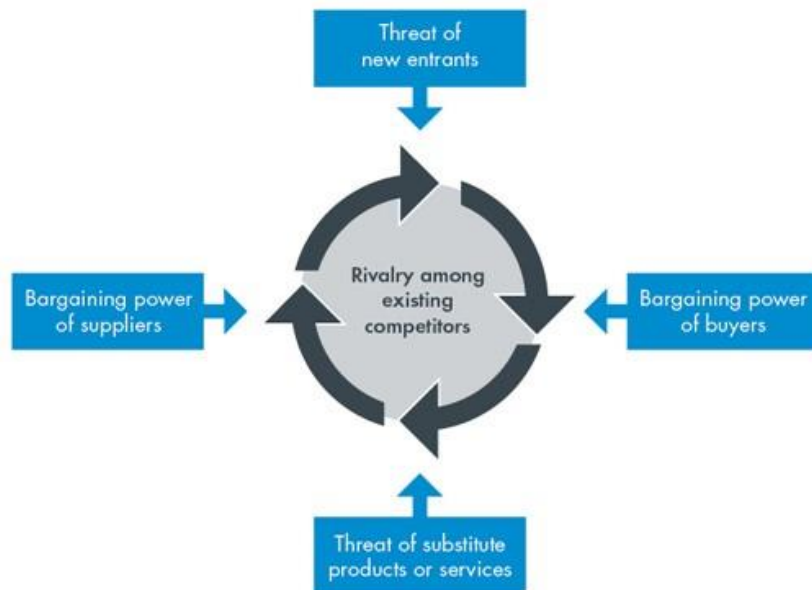
Threats

Constant changes in regulations: to protect hotel chains, New York and major cities in Italy have been banning or imposing heavy taxes on short term rent services such as those offered by Airbnb thus reducing demand for hosts' locations.

Increased competition: while Airbnb has effectively taken control of the market, their business model is easy to imitate, and more and more companies have been entering the market subsequently reducing Airbnb's market share.

Dependence on global economy: as seen with Covid-19, travel restrictions are some of the first regulations put in place in global health emergencies directly affecting demand for Airbnb's services. Furthermore, economic downturns result in lower consumer spending, and travel expenses, being among the first to be cut from family budgets, may lead to reduced profits by the firm.

Porter's Five Forces analysis



Current competitors within the industry

Airbnb's biggest competitors are Booking Holdings, Trip.com Group, Expedia Group, and HomeToGo. Among these, Expedia Group (through VRBO) and HomeToGo compete directly with Airbnb in providing vacation housing. These companies operate similarly to Airbnb by connecting hosts and guests. However, presently, Airbnb is the biggest market player. This premise is based on its higher market capitalization than Expedia Group and HomeToGo. Airbnb was valued at \$54 billion in 2022, with Expedia Group being valued at \$13 billion while HomeToGo's market capitalization has yet to pass the billion-dollar mark.

Booking Holdings and Trip.com Group also provide similar services and are identified as Airbnb's competitors. Booking.com offers users the option to choose vacation homes along with other services such as flights, car rentals, and attractions. On the other hand, Trip.com primarily focuses on hotel listings while also providing similar services to Booking.com. Among these competitors, Booking Holdings poses the biggest threat to Airbnb as it has a higher market capitalization of \$78 billion, while Trip.com is valued at \$22 billion in 2022.

According to studies conducted by USA Today, Airbnb's single-room offerings are cheaper than hotels. This is evident in the pricing of a one-bedroom Airbnb, which stands at \$158 per night, significantly lower than the global average for hotel prices as of September, which is priced at \$188.56. As both business and leisure travellers are citing budget constraints as the biggest factor in planning trips, these figures highlight Airbnb's increased competitiveness compared to Trip.com which focuses solely on hotels. However, with Booking Holdings' wider reach in terms of accommodation offerings, this suggests that the company will continue to pose the largest threat to Airbnb.

EMEA Hotel Prices			
City	August	September	October
Amsterdam	\$ 289.00	\$ 302.00	\$ 283.00
Athens	\$ 185.00	\$ 206.00	\$ 173.00
Barcelona	\$ 252.00	\$ 274.00	\$ 272.00
Berlin	\$ 172.00	\$ 246.00	\$ 192.00
Brussels	\$ 182.00	\$ 227.00	\$ 221.00
Cairo	\$ 125.00	\$ 118.00	\$ 119.00
Cape Town	\$ 112.00	\$ 118.00	\$ 128.00
Dubai	\$ 143.00	\$ 157.00	\$ 225.00
Dublin	\$ 274.00	\$ 303.00	\$ 251.00
Johannesburg	\$ 80.00	\$ 77.00	\$ 75.00
Lisbon	\$ 245.00	\$ 254.00	\$ 238.00
London	\$ 278.00	\$ 309.00	\$ 294.00
Madrid	\$ 148.00	\$ 223.00	\$ 249.00
Marrakech	\$ 134.00	\$ 140.00	\$ 149.00
Moscow	\$ 68.00	\$ 70.00	\$ 90.00
Paris	\$ 231.00	\$ 359.00	\$ 351.00
Reykjavik	\$ 379.00	\$ 355.00	\$ 306.00
Rome	\$ 231.00	\$ 323.00	\$ 318.00
Santiago	\$ 112.00	\$ 106.00	\$ 125.00
Vienna	\$ 183.00	\$ 211.00	\$ 186.00
Warsaw	\$ 130.00	\$ 127.00	\$ 114.00
Zurich	\$ 320.00	\$ 350.00	\$ 308.00
Average	\$ 194.23	\$ 220.68	\$ 212.14

APAC and Oceania Hotel Prices			
City	August	September	October
Auckland	\$ 160.00	\$ 152.00	\$ 158.00
Bangkok	\$ 65.00	\$ 64.00	\$ 62.00
Beijing	\$ 176.00	\$ 156.00	\$ 156.00
Delhi	\$ 52.00	\$ 57.00	\$ 59.00
Hong Kong	\$ 167.00	\$ 172.00	\$ 200.00
Kuala Lumpur	\$ 69.00	\$ 66.00	\$ 63.00
Manila	\$ 51.00	\$ 49.00	\$ 49.00
Melbourne	\$ 164.00	\$ 161.00	\$ 165.00
Mumbai	\$ 69.00	\$ 67.00	\$ 73.00
Seoul	\$ 130.00	\$ 129.00	\$ 144.00
Shanghai	\$ 129.00	\$ 126.00	\$ 126.00
Singapore	\$ 225.00	\$ 237.00	\$ 214.00
Sydney	\$ 185.00	\$ 180.00	\$ 191.00
Taipei City	\$ 115.00	\$ 111.00	\$ 121.00
Tokyo	\$ 158.00	\$ 149.00	\$ 158.00
Average	\$ 127.67	\$ 125.07	\$ 129.27

Americas Hotel Prices			
City	August	September	October
Bogota	\$ 71.00	\$ 70.00	\$ 70.00
Buenos Aires	\$ 136.00	\$ 137.00	\$ 150.00
Chicago	\$ 290.00	\$ 302.00	\$ 316.00
Istanbul	\$ 139.00	\$ 131.00	\$ 124.00
Las Vegas	\$ 204.00	\$ 244.00	\$ 276.00
Lima	\$ 85.00	\$ 83.00	\$ 83.00
Mexico City	\$ 111.00	\$ 108.00	\$ 126.00
Miami	\$ 199.00	\$ 196.00	\$ 219.00
New York	\$ 360.00	\$ 500.00	\$ 504.00
Rio de Janeiro	\$ 97.00	\$ 99.00	\$ 102.00
San Francisco	\$ 268.00	\$ 280.00	\$ 265.00
Sao Paulo	\$ 89.00	\$ 97.00	\$ 89.00
Toronto	\$ 371.00	\$ 408.00	\$ 342.00
Vancouver	\$ 417.00	\$ 424.00	\$ 311.00
Average	\$ 202.64	\$ 219.93	\$ 212.64

Figure 1: Average Price of a Hotel Room per Night, Source: Trivago

Threats of potential new entrants

As the sharing economy is a relatively new concept with firms like Airbnb being one of its pioneers, there are various challenges which lower the threats of potential new entrants, especially after comparing Airbnb's journey to becoming the unicorn it is today. Firstly, new entrants will have to struggle to raise funds. To do so, they need to find a niche that sets them apart from established market players like Airbnb and companies listed previously. Secondly, getting hosts to use their platforms is a major concern. In 2021, Airbnb and its competitors spent between \$770 million to \$3.8 billion on marketing, which highlights the importance of robust marketing strategies. Without sufficient funding, new entrants will struggle to attract hosts and potential guests may question their credibility compared to established brand names. Moreover, in the short term with low deal counts, fewer fundraising activities, and the underperforming IPO market, this would aggravate the ability of new entrants to secure funding to break into the market. Lastly, legislative issues arise with businesses operating in the vacation housing sub-segment, making it even more challenging for new entrants to break into the market. This is especially true with the crackdown on short-term rentals in cities such as New York and developed cities in Europe.

Threat of producers of close substitutes

Airbnb faces competition beyond vacation housing businesses. This includes boutique hotels, service apartments and conglomerates such as Marriott International, Hyatt Hotels, and Hilton Holdings. Unlike traditional hospitality firms, Airbnb primarily relies on hosts to manage their listings. This presents a challenge for the company in terms of ensuring that its hosts maintain a standard of quality that does not undermine Airbnb's reputation. This concern has been highlighted in numerous articles, ranging from early reports in 2013 that suggested some guests were using Airbnb homes for inappropriate activities, to more recent reports in 2023 of one guest encountering issues such as bats in their rented accommodations and threatening legal action against the company. These concerns have the potential to sway customers away from Airbnb, as they may prefer hotels or service apartments that offer greater control over the management of their accommodations and are less likely to encounter issues like those associated with Airbnb.

Suppliers' bargaining power

Airbnb generates revenue from a variety of suppliers, with individual hosts being the largest providers of listings. On an institutional level, Sonder Holdings stands out as another supplier to Airbnb because of their strategic relationship. Their partnership ensures that Sonder provides a supply of listings while benefiting from increased visibility from Airbnb's platforms. Beyond Sonder Holdings, most suppliers to Airbnb provide businesses that support their operations. As such, suppliers like Sonder Holdings have limited bargaining power because Airbnb has over 4 million hosts worldwide. This means that the loss of Sonder Holdings would have minimal impact on Airbnb's revenue model as customers can still select accommodations from alternative hosts on Airbnb's platform.

Additionally, the business model of Airbnb enables suppliers to set their own prices, with Airbnb taking a commission from the booking. This pricing structure means that the threats posed by retail hosts have little power because they stand only to gain from listing their houses on Airbnb which would create an additional income stream for them. Further, the loss of one supplier has little impact on the overall revenue model given the market size of retail suppliers. Overall, the bargaining power of suppliers with Airbnb is low due to the sheer number of hosts.

Even considering operational suppliers such as Akamai and Mitek Systems, these suppliers have little bargaining power because there are multiple service providers which can provide software solutions like cybersecurity and enterprise management software.

Relationships

Rel Type	Company	Ctry	Industry	Mkt Cap (\$)
Supplier,Customer,Partner	Sonder Holdings A	USA	Travel Arrangement and Reservation Services	98
Supplier	Atlassian A	USA	Design and Engineering Software	45,676
Customer	Vacasa A	USA	Travel Arrangement and Reservation Services	196
Supplier	WeWork A	USA	Administrative Services	83
Supplier	Alphabet A	USA	Web-Based Data and Services	1,667,912
Supplier	Amazon.com	USA	Department Stores	1,483,554
Supplier	Payoneer Global	USA	Consumer Finance Services	1,968
Supplier	SoundHound AI A	USA	Home and Office Software	431
Supplier	Cardlytics	USA	Marketing and Advertising Services	240
Supplier	Akamai Technologies	USA	IT Infrastructure Software	16,708
Supplier	AppLovin A	USA	Games Software	15,230
Supplier	Mitek Systems	USA	Enterprise Management Software	481
Partner	Expensify A	USA	Enterprise Management Software	174
Supplier	Box A	USA	Enterprise Management Software	3,683
Supplier	Dnnly Fincl Sol-WI	USA	Enterprise Management Software	1,586
Supplier	Flitto	KOR	Home and Office Software	95
Supplier	Blackhawk Network Holdings, Inc.	USA	Consumer Finance Services	-
Supplier	MuleSoft LLC	USA	IT Infrastructure Software	-
Supplier	SendGrid, Inc.	USA	Enterprise Management Software	-
Supplier	Sumo Logic, Inc.	USA	Enterprise Management Software	-
Supplier	YOC	DEU	Enterprise Management Software	41
Supplier	TDCX ADR	SGP	Consulting/Business Process Outsourcing Services	703
Partner	cyber Folks	POL	Internet Support Services	272
Supplier	Worldline	FRA	Consumer Finance Services	3,851
Supplier	SiteMinder	AUS	Accommodation Providers	816
Supplier	GB Group	GBR	Enterprise Management Software	804
Supplier	Llorente & Cuenca	ESP	Marketing and Advertising Services	109
Partner	Temairazu	JPN	Accommodation Providers	107
Supplier	Access Intelligence	GBR	Enterprise Management Software	89
Supplier	SKS Technologies	AUS	Other Electrical Equipment/Power Systems Makers	16
Partner	InsuraGuest Technologies	CAN	Property and Casualty Insurance	1
Supplier	Datora Participacoes e Servicos SA	BRA	Wireless Services	-

Millions, Sources: FactSet Revere, FactSet Fundamentals, FactSet Prices, FactSet Mergerstat, FactSet Estimates, and the World Bank

Figure 2: Airbnb Supply Chain (Suppliers and Partners)

Customers' bargaining power

Airbnb's customer base includes institutional clients such as Sonder Holdings and Vacasa Inc. Vacasa helps people buy, manage, and list vacation homes, and it uses Airbnb and VRBO to list their properties. As a result, Vacasa acts as an intermediary between its clients and Airbnb; thus, its bargaining power is limited as any conflict that it may have with Airbnb could adversely affect its own clients, and in effect, its revenue stream.

Moreover, since hosts determine prices rather than Airbnb, customers have limited bargaining power. Nevertheless, since there is a wide range of options available on Airbnb, customers can choose properties that suit their personal preferences and requirements. Consequently, there is no need for customers to haggle over prices.

Peers

Competitors analysis



Booking Holdings, previously known as Priceline, was founded in 1997 by Jay Walker in the USA and is currently led by Glenn D. Fogel, a veteran who has been in the firm since 2000. The company went public in 1999 and has since grown through multiple mergers and acquisitions. Notable acquisitions include booking.com in 2005 and agoda.com in 2007. In 2010, Booking Holdings surpassed Expedia to become the world's largest online hotel reservation service. The company operates in over 220 countries and has over 28 million listings. As of 2022, Booking Holdings and its subsidiaries had the highest number of downloads for an online travel agency app with over 101 million downloads, compared to Airbnb's 52 million. In 2022, Booking Holdings reported an EBITDA of \$4.9 billion (up from \$2.4 billion in 2021), compared to Airbnb's \$2 billion. Currently, the firm's efforts to acquire Etraveli Group are being stymied by the European Commission due to antitrust concerns that the acquisition would hurt its rivals. However, if the deal were to follow through, the European Commission believes it would allow Booking Holdings to strengthen its advantage in the hotel sector.



Expedia Group is an online travel agency founded by Rich Barton in 1996 in the USA. The company operates through various segments, including Retail, B2B, and Trivago, and is led by Peter Kern, who joined the firm as Vice Chairman in 2018. Expedia Group is the parent company of several notable brands, such as Expedia.com, Hotel.com, Trivago, and vrbo. As of 2022, the company and its subsidiaries had over 73.7 million app downloads. In 2021,

Expedia Group reported an EBITDA of \$1.1 billion, which increased to \$1.6 billion in 2022 and currently stands at \$2.3 billion (TTM). The company has a global network of over 70 countries and offers more than 3 million properties, 220 thousand unique activities, and over 500 airlines, cruises, and car rentals. In addition to the vacation rentals sub-segment operated, Expedia Group also operates in the Package Holidays, Hotels, and Cruises sub-segments.



Trip.com Group offers a range of travel-related services, including airline tickets, hotel accommodations, corporate travel management services, packaged tours, property management systems, and advertising services. The company was established in June 1999 by Jian Zhang Liang, Min Fan, Nan Peng Shen, and Qi Ji and is headquartered in Shanghai, China. It was listed on the NASDAQ in 1999 and on the HKEX in 2021. As of 2022, the company and its subsidiaries have over 30.8 million app downloads. Locally, its well-known subsidiaries in China include Ctrip and Qunar while its international network comprises trip.com and Skyscanner. Currently, Trip.com operates in 39 countries with 1.2 million hotels and flights covering over 200 countries. In 2022, the company's EBITDA was \$4.1 billion, and it is currently trading with the second-highest EV/EBITDA multiples at 24.5x compared to other online travel companies (and Airbnb which trades at 19.7x EV/EBITDA ratio).



HomeToGo SE was founded in 2014 by Patrick Andrä & Wolfgang Heigl and is headquartered in Luxembourg. The company was listed on the ETR in September 2021. It provides a selection of vacation rentals and operates local apps and websites in 25 countries across Europe, North America, South America, Australia, and Asia-Pacific. Some of these brands include Agriturismo.it, AMIVAC, Casamundo, CaseVacanza.it, e-domizil, EscapadaRural, Tripping.com, and Wimdu. In 2022, the company's EBITDA was -\$44 million, a vast improvement from 2021 which stood at -\$157 million. Most recently, the company has reported all-time high Q3 results and positive adjusted EBITDA in November 2023.

Valuation

Historical Price Performance



The price of Airbnb has been characterized by a considerable fluctuation due to several factors, such as high IPO cost that the company has faced in 2021, the global situation that our society has faced in the last years because of COVID 19 pandemic which had a great impact on the tourism sector which has been subject to a great volatility. Nowadays, the tourism sector is in recovery, the current price is about 140\$ and based on our assumption the price will increase even more surpassing 170\$.

WACC

Airbnb is fully equity funded, so our WACC has been calculated by using only the cost of equity measured with the CAPM. The cost of equity of Airbnb is equal to 8.8% which is quite low considering a risk-free rate of 4.42% and a risk premium of 5.7%. This is due to the beta, which has been calculated using a bottom-up approach, of 0.76.

DCF

	1	2	3	4	5	TV
USDm	2023	2024	2025	2026	2027	
FCFO	\$ 3.550,87	\$4.004,99	\$5.300,27	\$6.468,47	\$ 7.478,25	\$132.746,46
WACC	8,80%					
l-t growth	3,00%					
USDm						
PV FCFO	\$ 3.263,59	\$3.383,17	\$4.115,11	\$4.615,80	\$ 4.904,63	
PV Terminal Value	\$ 87.062,04					
Enterprise Value	\$ 107.344,34					
Net Debt	\$ 5.391,00					
Surplus assets	\$ 279,00					
EqV	\$ 113.014,34					
NOSH	648,44					
Target Price	\$ 174,29					

Revenues: Forecasting on revenues of 2023 has been made accordingly to Airbnb report and for next years we considered a high growth in the tourism sectors that is still in recover from COVID-19
COGS: They have been estimated as a percentage of sales and will remain constant during the forecasted period. While, SG&A, which are linked to inflation, will decrease as percentage of sales in the next years.

CAPEX: we assumed that capex during the years will remain constant, since Airbnb business is based online. So, the only expenditure of the company will be related to the acquisition of new technologies to improve the targeting of users and the management of the platform, with an increase of intangible assets.

Multiples

Company	EV/Sales	EV/Sales Forward	EV/EBITDA	EV/EBITDA Forward	EV/EBIT	EV/EBIT Forward	P/E	P/E Forward
EXPE.OQ	1,2x	1,0x	7,4x	5,7x	14,5x	7,8x	16,9x	10,1x
BKNG.OQ	5,1x	4,1x	15,8x	14,1x	16,0x	15,3x	24,7x	19,4x
TRIP.OQ	1,1x	0,8x	9,5x	6,0x	22,1x	16,6x	107,3x	14,0x
HLT.N	4,8x	4,2x	19,3x	16,2x	19,9x	18,7x	30,5x	24,8x
MAR.OQ	2,9x	2,5x	15,5x	14,5x	16,3x	16,9x	21,3x	21,8x
ACCP.PA	2,1x	1,6x	10,9x	10,6x	18,3x	13,5x	14,7x	16,5x
ABNB.O	7,5x	6,2x	34,2x	19,7x	25,0x	29,7x	34,7x	30,9x

Conclusions

In the light of our valuation of Airbnb, the company seems to be undervalued by the market since the firm's share price is currently at \$128. The target price that we have projected for Airbnb is \$174, and this is consistent with the growth of the company and the growth of the whole hospitality sector which is recovering from the last period characterized by Covid-19.

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