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## Q4: 2023-02-14 Earnings Summary

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EPS of \$0.48 **beats by \$0.21** | Revenue of \$1.90B (24.14% Y/Y) **beats by \$41.30M**

Airbnb, Inc. (NASDAQ:[ABNB](#)) Q4 2022 Earnings Conference Call  
February 14, 2023 4:30 PM ET

### Company Participants

Ellie Mertz - VP, Finance & IR

Brian Chesky - Co-Founder, CEO, Head, Community & Chairman

David Stephenson - CFO & Head, Employee Experience

### Conference Call Participants

Jed Kelly - Oppenheimer

Richard Clarke - Sanford C. Bernstein & Co.

Ronald Josey - Citigroup

Stephen Ju - Crédit Suisse

Mario Lu - Barclays Bank

John Colantuoni - Jefferies

Deepak Mathivanan - Wolfe Research

Brian Nowak - Morgan Stanley

Justin Post - Bank of America Merrill Lynch

Thomas White - D.A. Davidson & Co.

Douglas Anmuth - JPMorgan Chase & Co.

Lee Horowitz - Deutsche Bank

Kevin Kopelman - Cowen and Company

Bernard McTernan - Needham & Company

Mark Mahaney - Evercore ISI

Nicholas Jones - JMP Securities

**Operator**

Good afternoon, and thank you for joining Airbnb's earnings conference call for the fourth quarter of 2022. 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**

Thank you. Good afternoon, and welcome to Airbnb's Fourth Quarter of 2022 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 fourth quarter of 2022. 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 will 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.

And with that, I will pass the call to Brian.

**Brian Chesky**

All right. Well, thank you very much, Elie, and good afternoon, everyone. Thanks for joining. Before I share our results, I want to tell a quick personal story. As you may have seen, I've started hosting again. Last November, I listed my guest room on Airbnb. My listing is called Beyond the Airbed. And the run guests is a histologically themed around the early years of Airbnb. There's memorabilia in the walls. From the receipt for the original airbed to old photos and me hacking boxes of Obama Os and Cat McCain breakfast cereal. When guests arrive, I have welcome basket waiting for them. And the first night we make dinner together, followed by desert. We bake [indiscernible] Chip, chocolate chip cookies from my cherished family recipe that I got off Google. The next day, we tour the airbnb office with my golden retriever, Seltenova, and I tell the story of building Airbnb.

Now why am I doing this? Well, because I love hosting. Joe and I were the first host on Airbnb 15 years ago. And having guests staying at your home with you is the original idea behind Airbnb. It's been an amazing way to connect with people. But I also believe that companies that makes the best products make products for themselves. And Airbnb will only be as successful as our host. And the best way to understand our host is to be one.

Since I've resumed hosting, I've got new first-hand insights that have informed some of the new products we'll be releasing, including some exciting updates this May as part of our 2023 summer release.

Now before we get into our quarterly results, I want to recap the full year of 2022. While we're 3 years out from the start of pandemic, we are still living with this impact. We've also seen high inflation, recessionary fears and the war in Ukraine, all of which we're still dealing with in 2023.

And yet, through all this, people continue to travel, and 2022 was a record year for Airbnb. Revenue of \$8.4 billion grew 40% year-over-year. And when you exclude foreign exchange, our revenue increased by 46% year-over-year. Net income was \$1.9 billion, which marks 2022 as our first profitable year -- full year on a GAAP basis. And finally, free cash flow was \$3.4 billion. And this \$3.4 billion of free cash flow represented a free cash flow margin of over 40%. And because of our strong balance sheet, we are able to begin buying back stock last year, and we repurchased \$1.5 billion in shares in just the past 5 months.

Now during the height of the pandemic, we made some very difficult choices to reduce our spending making us a leaner and more focused company, and we've kept this discipline ever since. In over each of the past 2 years, we've only modestly increased our headcount.

In fact, compared to 2019, our headcount is actually down 5%, while our revenue is up 75%. In every single quarter in 2022 outperformed past comparable periods. In Q4, net income was \$319 million. Now this is \$264 million higher than a year ago. Adjusted EBITDA was \$506 million, which is 52% higher than Q4 of 2021. And we generated \$455 million of free cash flow, and this is 20% higher than Q4 2021.

During the quarter, we saw a number of positive business trends. First, guest demand at Airbnb remains strong. Nights and experiences booked increased 20% in Q4. We had our highest number of active bookers ever in Q4, demonstrating guest excitement of travel on Airbnb despite evolving economic uncertainties. During the quarter, we also continued to see guest booking trips further advance supporting a strong backlog for Q1.

Second, guests are increasingly returning to cities and crossing border. And this is the bread-and-butter before the pandemic. Now both segments continue to accelerate while non-urban and domestic travel remains strong. Cross-border growth nights booked increased 49% compared to last year. High density urban nights grew 22%. And globally, we saw cross-border travel to all regions increased despite continued foreign currency volatility.

Third, the guests continue to book longer stays on Airbnb. During Q4, long-term stays remained stable from a year ago at 21% of total gross nights booked in Airbnb. And finally, we saw tremendous growth in our supply on Airbnb. We ended 2022 with 6.6 million active listings. Now excluding all the Mainland China listings we removed in July, we grew supply by 900,000 listings, or 16% compared to a year ago, representing an acceleration in growth in listings relative to Q3.

Now why are listings accelerating in growth? We believe there's probably 2 factors that drove this growth. First, demand to drive supply. Post or attracted the supplemental income that they can earn an Airbnb, which is often critical during tough times. Second, our product improvements are working. Over the past 2 years, we've made it more attractive and easier to become a host. Just this past November, we introduced Airbnb set up where prospective host can connect with Super Host for free one-to-one guidance all the way through their first reservation. The number of new active hosts recruited with the help of our super House increased by more than 20% compared to prelaunch. But we are not stopping there.

In 2023, we're focused on 3 strategic priorities. First, we want to make posting mainstream. If you're listening to this call, you've likely travel on Airbnb or you know someone who have. We want hosting on Airbnb to be just as popular and to achieve this, we'll continue to raise awareness around hosting, make it easier to get started and provide even better tools for hosts.

Second, we are perfecting our core service. We want people who love our service. And that means obsessing over every single detail, and we've listened to our hosting guests and based on their feedback, we're making a large number of upgrades to our service this year, including improving customer service, making it easier to find the right home and delivering greater value and much, much more. And you'll see more of this in the forthcoming in the coming months, especially our release.

And finally, third, we're expanding beyond the core. We have some pretty big ideas for where to take Airbnb next. And this year, we're going to build the foundation for future products and services that will provide incremental growth for many years to come.

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

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions]. Your first question today comes from the line of Jed Kelly with Oppenheimer.

### **Jed Kelly**

Great. Great quarter and great execution. Just 2, if I may. Just one, can you talk about how your urban supply is trending and sort of some of the initiatives you're doing around apartments?

And then, Brian, you did mention headcount. In Silicon Valley, there's obviously a lot of layoffs. You're one of the companies that are growing, having expanding margins. So can you talk about like your ability to attract top tech talent to execute on some of the initiatives you just talked about?

### **Brian Chesky**

Yes, absolutely. Yes. So let's start with the first one, urban supply growth. Let me kind of first start, Jed, by just talking a little bit more about how we think about supply. The great thing about our supply is that the vast majority of hosts that come to Airbnb come organically, and that's because of our global network. In fact, the #1 source of host are prior guests. And in Q4, 36% of our hosts were prior guests.

And one of the other things we see is the fastest-growing market where we have supply is also the fastest-growing market we have demand. And I think what's happening is a lot of our hosts are regular people. And as they get more bookings, they tend to tell their friends. And so this network is something that has a kind of self-growing effect to it. Now in addition to that, we've been doing a number of initiatives. Number one, we've been focused to make hosting easier with Airbnb set up. And between that and a new campaign we've been running Jed called Airbnb, which is basically this idea that if you have a space, you have an Airbnb. Between these 2 initiatives, we've seen twice the amount of traffic to our host landing page, the landing page to learn about hosting. And then we also have made big improvements to making hosting easier.

Now in addition, you might have seen that last November, we announced a new initiative called Airbnb from the apartment. Airbnb from the apartments, I think can unlock a large amount of inventory in multifamily homes in urban areas, and we worked with Greystar and a number of the other largest real estate developers in the United States. We have 175 buildings in Phoenix, in Jacksonville, in Houston and other cities. And the response from landlords have been very, very positive. So we are seeing a lot of traction on urban supply. I don't know, Dave, if you want to add anything before I talk of headcount.

**David Stephenson**



You covered really well because this has been a historic strength of ours has been kind of the urban part of the business, it's taken longer for that to kind of recover. It's now well above 2019 rates, and it's actually part of the areas that accelerated our growth in Q4. So we're very happy with where we're at with Urban. And as Brian said, the early days of Airbnb friendly apartments has been very well adopted, and we're excited about the potential in that part of the business.

### **Brian Chesky**

And just on your question, Jed, on headcount, something was really interesting happened. So obviously, in 2020, we had to make some really difficult decisions -- and we became a much smaller and more focused company. And the obvious result of that is that we got more efficient and more profitable. But there was a less obvious result. What ended up happening is we have fewer people in meetings and people can move a lot faster. And we concentrate all of our very best people and put them on only a few problems. And I think that's been an explanation for why the company has grown really quickly.

But also, I think it's made us a much more attractive place to work because it's much easier to get work done. And we have a general philosophy that we want the very best people in every field to come to Airbnb in every function. We're functionally organized. And I think that we're one of the few tech companies that isn't doing layoffs. We're not cutting. We're not freezing. We're actually stepping on the gas. But in our mind, stepping on the gas doesn't mean adding a huge amount of people, we're going to continue to stay really lean, but we're really focused on just really hiring in key positions.

And we -- and again, I kind of use this analogy that we're not building like a giant Navy, it's more like the special forces that's what we're focused on. So we've had a lot of success with talent. And of course, we're getting a lot of inbound.

## **David Stephenson**

Add to a couple of things. One is our headcount is actually still 5% below where it was in 2019. We have a revenue is 75% higher. So we're nearly twice as big as we were previously with fewer people. And I'd say the other is our Live and Work Anywhere approach, our approach to being very intentional about how we gather in person. We believe that actually working together in person is very important, just need to do it in a very coordinated way. So actually having people being back in the office on random days of the week is not very effective, but being -- doing it in a very controlled and planful way is respectful of employees' time and is more efficient for the company, and our employees love it. And I think that's also enabling us to attract great talent.

## **Operator**

Your next question comes from the line of Richard Clarke with Sanford C. Bernstein.

## **Richard Clarke**

Two, if I may. The first one, just around, I guess, some of the changes that might come over the coming years with regard to the distribution landscape. One of your rivals is going to wrap their vacation rental business into a loyalty program, lots of talk around conversational AI and what that can do to the distribution landscape. So just any comments to whether Airbnb needs to do anything further on the distribution platform? And then second one, a little bit more preset, but obviously, it looks like Q4 was a very good quarter for take rate. Have you done anything in particular there on take rate to achieve that result?

## **Brian Chesky**

Dave, do you want to start with take rate and I'll end with distribution after.

**David Stephenson**

Yes. With take rate, there's nothing in particular that we've done with take rate there. Absolutely, on a time-adjusted basis, the amount that we take from each night's day has been very stable. And so any variation in take rate of revenue over gross booking value is just variation quarter-to-quarter. So nothing on take rate.

**Brian Chesky**

And maybe, Richard, just if -- can you just clarify what you mean by distribution landscape? Do you mean like the competitive environment or how?

**Richard Clarke**

The competitive landscape, competitive environment with regard to distribution, whether you see any threat or increased threats from loyalty program wrapping around your competitors and maybe the conversational AI that's coming into various other search platforms at the moment.

**Brian Chesky**

No. I mean, like, I think there's just 2 things. On the competitive front, I mean, we have a lot of competitors and a lot of different categories. But I think Airbnb kind of stands in a class of its own. I mean we're now in over used all over the world. We're not just the U.S. business. We're not just the European business. We're a global business. We're not just vacation rentals. We're also urban and [indiscernible] and off the grid. We're known as an affordable way to travel, but we also have a lots of offering and everything in between.

So I think we have a pretty unique offering. And I think ultimately, 90% of our traffic comes direct. And that's because we have something that's unique. The vast majority of our homes don't exist anywhere else.

And what we're really just focused on doing is we're obsessing over providing the very best experience for guests. And if we do that and we perfect that experience and then we do really great marketing, I think we'll do quite well.

The only thing I'll say, Richard, on the distribution front is we have some unique assets that most other travel brands don't have. Let's take PR. There were 600,000 articles written about Airbnb last year. Airbnb is on social media a lot and a lot of people are talking about Airbnb on social media. So we generally have a slightly different approach to distribution, where we think just continually innovating on our product is great. The best loyalty program is building a product people love so much they want to come back and you have to pay them to come back. And we just take a full funnel approach to marketing around PR, and we think of our general advertising as really educating people on new products.

Now as far as the changing landscape for technology, I'm actually very excited about the possibilities of AI. I think Airbnb will uniquely benefit from this. And the reason why it's because Airbnb is a fairly difficult product challenge, which is unlike hotels, we don't have SKUs. There's no representative inventory. Every single 1 of our 6.6 million listings are unique guests left more than 100 million reviews last year. And to parse through all these reviews is very glorious. And I think that AI is going to really benefit our long tail of data. And the fact that our search problem isn't really a search problem, so much as a matching problem. -- right? If there's like 50,000 homes in a city, what's the right 1 for you, that's less of a search problem than a matching problem. And I think that AI is going to be a really good opportunity for us. And just stay tuned for some developments there.

### **Operator**

Your next question comes from the line of Ron Josey with Citi.

### **Ronald Josey**

Brian, you mentioned investments for 2023 and extending beyond the core, that's been a key question that we consistently get in terms of what's next. Any insights you can provide there would be helpful, maybe just is it building out the tech infrastructure? Or is it more sort of newer products that are coming down the pike?

And then I believe in the letter, we talked about 1.4 billion cumulative guest arrivals. And so I was wondering if you can talk more about the brand, the awareness overall and just that user mix in terms of returning users versus newer users.

### **Brian Chesky**

Yes. Awesome. Well, let me start with investments for 2023. So the good news is that -- though we're investing this year and some new products and services to expand beyond the core, I don't think you're going to see any material changes in the P&L. We kind of think like I started my in my 2 friends. We didn't have very many resources back then. And the great thing about Airbus business is we're essentially a global network. So I think that we can incubate new opportunities, products and services for a relatively low amount of investment.

And as far as what you're going to see, I'd say there's going to be innovations on the guest and host side. On the host side, our general principle is that we want to always deliver more value for host number charging. And we have a 3% take rate on the host side, and we've been giving away a lot of products for free, like AirCover. And we launched aircover for host 2 Novembers ago. NPS for claims, reimbursement claims has gone up 70 points, so it's been pretty amazing.

And our general view on host are we're going to primarily give away most of our product service and innovation to them. But we do think there's some opportunities for eco services that Host might pay for. On the guest side, we started very modestly. You might have seen that we launched travel insurance, which is now in 8 countries, and that's been really, really successful. But I think there's many more opportunities around the like services.

Obviously, Airbnb experiences is something that we're beginning to really ramp up. And I think you're going to see a lot more traction in that product in the coming years. And I think there's going to be just a lot more around creating a step change in new service level and matching people to the right homes and experiences for them. So that's what I would say. Services on the host side, services on the guest side, there's going to be a lot of opportunities to revisit some of the end-to-end travel opportunities that we have, and you'll stay tuned for some cool innovation.

Oh, I'm sorry, brand awareness, sorry. Yes, brand awareness. On the brand awareness, again, we generally try to -- as I said the last part, we generally focus on a full funnel approach. 90% of our traffic is now direct. It's sustained that since we went public, it's always been about 90%. We have extremely high efficiency on things like performance marketing. And generally, the way we approach our brand is that Airbnb is a pretty ubiquitous brand. So what we really want to do now is continue to invest in awareness around our different innovations.

And there are going to be 2 things. Number one, we're going to be focused on educating people on our new services and offerings. So for example, there will be categories we've been running campaigns around that. And people have viewed 500 million -- people viewed listings, 500 million times for every categories. We're also continuing to raise awareness around hosting. We're going to grow as fast as we have host.

Now as far as how much traffic is coming from new returning, I don't know, Dave, do you want to share anything about that on where branded?

**David Stephenson**

Yes. I mean the majority of our bookings come from past guests, and it's actually been the strong guest retention that we've had over years since the beginning of Airbnb, that's been a powerful driver of our growth. But I think what's also interesting is that we've introduced Airbnb to millions of new users since COVID. And the performance of those new users, the booking frequency of those new users from '21 that we saw into '22 has been very strong. And so really pleased with the new users that we've been able to track that look very, very similar to the historic type of users that we've had on Airbnb.

### **Operator**

Your next question comes from the line of Mark Mahaney with Evercore.

### **Mark Mahaney**

Okay. Two questions, please. I know you mentioned that guess to host ratio, I think you said something like 36% or something. I imagine you've got cohort data that shows that the percentage of guests that have converted into being host or and additionally, our host is actually higher, maybe much higher. Could you just qualify that or quantify that at all? I'm sure that's a pipeline, but just how robust is that pipeline when you look at the cohort data?

And then just very briefly on China. Just on the China outbound, can you just remind us how material that was to your business back when back in 2019, so we can get a sense of -- I know you've said that the China outbound market will gradually reopen -- but as it fully reopens, how much of an opportunity that is for you?

### **Brian Chesky**



Yes. I mean I'll start, Mark. Yes. We've seen that third in Q4 2022, 36% of new available hosts who started out as guest in Airbnb. This is more than prior year. So this has been going up actually like year-over-year. So that number is going up. And it makes sense as Airbnb becomes more ubiquitous, but also it makes sense because a lot of people, they'll connect with a host, and they realize, wow, I can do this too. And the vast majority of our new listings are by individuals, not property managers. So there's this kind of interesting network effect where guest becomes host and then host becomes guest.

As far as China, we expect the recovery to be pretty gradual in China. We think the big prize in China is the outbound business. We think that there are going to be hundreds of millions of people that want to leave China to travel the world, and we think is going to be the best way for essentially Gen Z people to travel. I think they really want an authentic experience when they're traveling around the world. That being said, we are expecting a pretty gradual recovery in China.

### **David Stephenson**

And China kind of pre-COVID was in the kind of low single-digit percentage of our gross booking value. So it gives you some perspective of our opportunity. I think we think very -- could be large over an extended period of time, but it will take a while for it to be larger.

### **Brian Chesky**

And Mark, And just 1 other thing, yes, you are right that the cohorts are trending up. So for example, I think in Q4 2021, 33% of guests became host. In 2020, 28%. In 2019, 23%. So it is picking up.

### **Operator**

Your next question comes from the line of Brian Nowak with Morgan Stanley.

## **Brian Nowak**

I have two. Just the first one, and I'll talk about guests and hosts. Could you just sort of help us understand a little bit how fast did your new guests grow in 2022? And how are you thinking about sort of new guest growth in '23 sort of talk about EBITDA margins? Or what's your first cut and how fast guests could grow this year?

And then the second one, just any update on metrics or quantifying adoption around unflexible or any of the other tools that you've rolled out to sort of better improve the load balancing between supply and demand.

## **Brian Chesky**

Great. Yes, Dave, if you want to.

## **David Stephenson**

Yes. No, sure. On the new guests, we don't disclose the exact number of the new guest growth. Like I said, I think the thing that I'm really pleased is that we've introduced Airbnb to millions of new guests since COVID and that they're performing similarly, not even stronger than kind of historic guests in terms of their rebooking rates. So I feel really good about the position we have for new guests.

A big piece of it is some of the brand marketing that Brian kind of mentioned earlier, is just making sure we have a lot of awareness of Airbnb, but just to also make sure that we're getting strong consideration of Airbnb as a true option for them. And again, in this last several years, we've been able to introduce Airbnb to millions of new people that might not have thought about trying us before. So I think that's been really helpful.

And I don't have a lot to say on flexible except that we have a very strong adoption of the feature that -- and we think that it's a great way for us to distribute demand to where we have supplied. And the flexibility features are a key benefit for Airbnb because we have this more difficult problem, as Brian mentioned earlier, of matching and trying to match the right guest to the right host and the flexible gives us the ability to do a better match.

### **Brian Chesky**

Yes. And one of the things I'd just say, Brian, is that we've seen a permanent like shift in some of the travel booking behaviors on Airbnb since before the pandemic. And a lot of those changes have endured. And probably one of the most pronounced ones is just is incremental flexibility for people. We noticed more people are searching with more locations and using more flexibility features. And even before we built these features, we were seeing people entering a lot of different gate variations when they were searching. And so we were just really responding to where things are going.

And I think where this goes down the road is there's always going to be business travelers and families that know exactly where they want to go and when they want to go. But I think the long-term game here is increasingly, we're in 100,000 markets, people have not heard of 100,000 places. So the name of the game is pointing demand to where we have available supply, and that's kind of a big part of our product strategy.

### **Operator**

Your next question comes from the line of Lee Horowitz with Deutsche Bank.

### **Lee Horowitz**

So maybe on ADRs, you guys continue to surpass expectations with FX-neutral growth that probably came in the quarter at mid-single digits up year-on-year. Would appreciate that looking at the '23 pricing initiatives and mix will impact your ability to grow. but we've seen underlying pricing continue to offset these mix impacts.

So when you think about 2023, why can't ADRs grow again, given the strength of the overall industry is supportive of pricing for you guys.

### **David Stephenson**

Yes. Thanks on the ADRs. Yes, we were pleasantly -- there's 2 edges of the ADR. ADRs were up 5% year-over-year in Q4, excluding the impact of foreign exchange. Obviously, foreign exchange brings you down to kind of minus 1% when you bring back nights that come, say, from euro or our GBP-denominated nights. And what we forecasted for going forward is modest decline year-over-year in ADRs largely driven by changes in mix, right? People going back to cities, cities are accelerating more cross-border travel mix towards lower ADR regions. It's a double-edged sword, clearly for the financials. It's helpful to have the higher ADR rates because they drive greater revenue, greater flow-through and greater profitability. But obviously, also ADRs are 36% higher than they were in 2019. So it's more expensive for guests to stay on Airbnb and frankly, other places.

I think the benefit that we've had is that even while ADRs are higher, we're providing great value. right? The ADRs on Airbnb still can provide a great location, maybe a fully stocked kitchen, a washer and dryer, all the reasons why you might want to stand at Airbnb versus other alternatives.

And so as we look forward in the year, we just want to make sure that we continue to provide great value to our guests. And that's why we're building some of the tools that Brian's talked about, which are things like giving tools to host to make sure that they understand the prices that guests are paying and making sure that they are providing -- continue to provide great value to guests.

So then the other thing we're doing is, even as ADRs might come down modestly through the year through -- largely through mix, and maybe some through pricing. It's just making sure that we're being really rigorous in our cost structure to kind of support declining ADRs, which is why we anticipate our EBITDA margins for the full year to be roughly the same as 2022 in that the headwinds from lower ADR rates will be offset by our efficiencies that we kind of drive internally.

### **Lee Horowitz**

Great. Helpful. And then one follow-up on supply, if I could. Clearly, the product initiatives are driving impressive supply growth as everyone by seller rates and you guys are showing at this point. When I think about how that plays through into 2023, is there anything that we should be thinking about that can keep you from maintaining at these elevated rates, particularly given the fact that you will continue to iterate on the supply funnel to make it easier for hosts to come to the platform?

### **David Stephenson**

Yes. Very proud of the continued growth in our supply. And we highlighted in the letter because it's super important that we do our best to get a -- have a balanced marketplace, right? If we get too much supply too quickly, then hosts aren't happy because they're not getting enough bookings. We don't get enough supply early enough, then guests are not happy because they don't get the kind of selection they want. And actually, what we highlighted in the letter is that we have grown our supply by 26% since 2019, and yet our nights and experiences booked have grown by 24%. So we've actually had a nice balance in that, and then I'm very proud of the fact that we've had 6.6 million active listings here in the last year and \$900,000 more from the beginning of the year, which just shows the strength of Airbnb and why host want to come to where there is demand. And then we'll just make it easier for hosts to become host on Airbnb.

So this will be a forever journey for us to keep providing supply where there is demand. And I think we've been doing it incredibly well for the last 10, 12 years, and we'll continue to do that.

### **Brian Nowak**

Yes. I think we just say, look, I think we're I think we're building a bit more of a muscle to around this. And I think it's been a really big focus of ours. So whether it's the product innovations, the awareness, focusing on even building, supply in key markets. I think it's been a really great muscle the team has built.

### **Operator**

Your next question comes from the line of John Colantuoni with Jefferies.

### **John Colantuoni**

I wanted to start with the new pricing and discounting tools that you're rolling out. It sounds like the expectation is that they're going to be sort of a net headwind to ADR. So can you just walk through the strategic rationale for the new products. I assume it's about sort of improved customer experience, but it would be great to get your perspective on that.

And second, nights and experiences on a quarter-on-quarter basis in 4Q and 1Q seem to be back on trend with the historical seasonality we saw pre-pandemic. Is this sort of the right way to think about the trend in nights and experiences throughout the cadence of the year?

### **Brian Chesky**

John, I'll start. On pricing and discounts, let's just take a step back. Airbnb, we started 15 years ago. And when we started, we started as an affordable alternative to hotels. And I think that affordability and great value is 1 of the key reasons that people use Airbnb, and we have to continue to make sure that we have that value. And as long as people feel like they have the best product at the best value for Airbnb, I think we're going to deliver a huge amount of growth in years to come.

And so there's really 3 things that we're doing. The first thing is transparent pricing with all-in pricing display. In Europe, in many countries around the world, we actually do show total price. But in the United States, the convention for travel companies show a low base rate. And then when you get to check out, there's additional fees. But we spent a lot of time listening to our guests and hosts. And we've heard from our guests, it's not -- a lot of them want to be able to see the total price upfront. And we spent a bunch of time in December, we rolled out total pricing includes all fees before taxes -- Since we've rolled it out, the impact on our bookings has been neutral.

Now I know there was a lot of -- we did -- there was a lot of speculation around what happened to show up on pricing. But I think that the response has been very positive. And we chose a very specific implementation and implementation we chose as a price toggle where you can turn it on or off. The basic idea is if people to control of how they want to see prices but also the active can the toggle on helps people understand why our prices are changing and why they might be displayed different than competitors.

So again, the impact has been neutral on bookings in the short run, but I actually think the impact on booking in the long run is going to be very positive because it's just a better experience, and it gives people more control.

The second thing is we are now prioritizing better value listing in search results. So in other words, we're going to take the total price in the total price into account when we're prioritizing bookings.

And then the third thing we're going to be doing is we're building new tools, pricing tools for hosts so that they understand the final price that they're showing to guests. One of the things we learned when we talk to hosts, they don't know the final price guests are paying. And if they did, they modulate some of the fees.

I think in the short run, it may have some modest impacts on ADR, but in the long run, I think what it's going to do is drive a lot more demand here at Airbnb, I don't know, Dave, do you want to add anything or take the second question.

**David Stephenson**



No, I think you hit on all the key points on ADR. We're not anticipating a significant decrease in ADR as a result of the pricing tools. We just want to make sure that we're being transparent and helping host make sure that they're setting prices that are appropriate for their listings. So I think that on the nights and experiences trends, we're finally beginning to reach a point where the year-over-year comparisons are much more consistent. And so I think 2023 won't look exactly like 2022, but it's a much better guide than kind of historic years. So we are getting back to -- you'd be able to use year-over-year as a trend line for your forecasting.

### **Operator**

Your next question comes from the line of Mario Lu with Barclays.

### **Mario Lu**

First one is on the listings growth number, the \$900,000 year-over-year. I was wondering if you could help break down that number further. For example, were most of these listings completely new listings or were a good portion of it reactivated say in urban areas? Just trying to see how this growth organic versus travel normalizing?

### **David Stephenson**

Yes. I mean the real thing about listings is think about how all listings work. In any given year, we have brand new listings, we have reactivated listings and then we have deactivated listings and some combination of each of those 3.

I'd say that the trends of each of those have been kind of up and to the right. In other words, I think we're showing improvement in fewer deactivations and strengthening of our new activations. And so the sum total of each of those is all contributing towards our growth, but I don't have any other more specific breakout to give to you.

I mean I think the other -- maybe the only other highlight I would give is it wasn't in just kind of 1 region, like we were seeing broad-based growth of listings around the world and then even by listing type. It was like 1 of the earlier questions about how is the listing growth around urban again, in Urban was 1 of the accelerating areas. So we've seen really nice growth in the urban where that comes back.

It just leads back to this marketplace dynamic that we have for Airbnb, which is we both work hard to get listings, proactively on our own and get them more organically where there's demand. and where there's not demand, that's also where you'll see deactivations or fewer listing growth. It tends to be self-healing over time.

### **Mario Lu**

And the second one is on the lead time for bookings. In your outlook, you mentioned Europeans were booking summer travel earlier this year. So any commentary you could provide on just globally how lead times look thus far versus pre-pandemic? And any puts and takes to consider when thinking about the 20% room night growth is sustainable for the rest of the year?

### **David Stephenson**

Yes. We're really pleased with the European lead times coming up. Europeans will tend to book their summer travel here in the beginning of the year. and to see them booking even earlier on Airbnb relative to our historic rates has been really great to see. Just, I think, shows the optimism that they have to kind of travel this summer.

And then broad-based, we are just seeing a slightly longer lead time more generally across Airbnb overall. So again, I just think that shows a nice optimism for people feeling confident that they can book for their summer travel season. So I think not much more to say than that.

## **Operator**

[Operator Instructions]. Your next question comes from the line of Justin Post with Bank of America.

## **Justin Post**

Great. I think you give it in the K, but can you give us the mix of Asia in '22? I don't know if you can now -- And then secondly, how do you think about the Asia recovery in China cross-border impacting results over the next 12 months?

## **David Stephenson**

Yes. The -- in the next 12 months, Asia is still recovering, right? Asia has still been down versus 2022 -- I mean 2019 and -- but they were the fastest kind of growing region in the fourth quarter. So we think it's pretty optimistic about the opportunity. And as Brian even mentioned about China, like the long-term outlook for, for example, Chinese outbound travelers is something that we feel very bullish on for over the long term. And in terms of the fourth quarter, APAC was 12% of the business in the fourth quarter.

## **Brian Chesky**

And maybe I'll just say that I think the Asia Pacific is a huge growth area for us going forward. And it's been a little bit of a slower recovery. And I think the reason why is Asia is historically more of a cross-border market. a lot of people in Asia is basically travel across countries. They don't have as big of a domestic market in any of these countries for the most part. And that's just been a slower recovery. But I think the one thing we've seen is that just means probably more pent-up demand, and Asia index is even higher on Gen Z travelers, which is a strong suit of Airbnb. So we're really bullish over the next few years on Asia.

## **Operator**

Your next question comes from the line of Lloyd Walmsley with UBS.

**Unidentified Analyst**

This is Chris on for Lloyd. Just can you start by helping us think about the range of outcomes for ADRs in the 1Q '23 guide? I guess as we kind of lay out your guidance saying that take rates would be very similar to 1Q '22 levels and gets you to, say, \$20.7 billion potentially of gross bookings in 1Q, '23, and you assume maybe a slight detail on room nights.

I could get to a situation where ADRs are potentially flat to better. I guess, is you're talking to ADRs being down slightly on a year-over-year basis. I guess, is -- what would need to happen here for ADRs to be flat to better on a year-over-year basis in 1Q?

**David Stephenson**

Well, to be flat to better would be if there's stronger overall just pricing? And if the mix came in differently, for example, maybe urban didn't come in quite as strong as or cross-border Latin America, Asia didn't come in quite as strong. So a lot of our ADR forecast for Q1 comes from the anticipated continued growth of urban, cross-border and regional mix. And that's why we're forecasting it down for just down slightly year-over-year. the implied take rate, it should be directionally the same as last year and maybe not precisely the same, I think you look back in 2022 and it will be a good guide for your take rate.

**Unidentified Analyst**

Okay. Got it. And just maybe 1 quick follow-up question on the product side as you guys were talking about really kind of expansion opportunities. How should we be thinking about hotel within that? Or should we be thinking about more of the expansion opportunities being related to the core business and experiences in '23.

## **Brian Chesky**

Chris, I would just say, I mean all of the above, I think hotels are important ways to fill a network gaps. I think people come to be here because we have something unique they can't get anywhere else. But we also have a huge amount of traffic, and so we want to make sure people come here to me they don't leave without finding something.

So I think you can think about our product a few ways. Number one, our core business has a huge amount of growth ahead of us. And so we just want to first perfect the core experience by making it easier to find the right Airbnb, providing better service each step of the way and providing better value. Next, we have a lot of emerging use cases. those emerging use cases are longer stays, obviously, which is more than 1/5 of our nice book. We also have experiences that we're really focused on and continuing to fill out our network gaps. And then finally, beyond just all those are obviously new products and services over the horizon. So we kind of have a very balanced portfolio of all of the above.

## **Operator**

Your next question comes from the line of Kevin Kopelman with Cowen.

## **Kevin Kopelman**

So a quick one. Given you have \$10 billion in cash on the balance sheet and generated \$3 billion in cash flow last year, not including the funds held on behalf of guests. Can you just give us an update on how you're thinking about capital allocation and share repurchases? And do you see a potential for repurchases to go beyond offsetting stock comp?

## **David Stephenson**

Yes. really pleased with our cash position, right? We ended with \$9.6 billion of cash on the balance sheet at the end of the year. That is after buying back \$1.5 billion of stock.

We have \$500 million left on the existing repurchase approval, and we anticipate that will be executing early in the year. But clearly, we're also in -- still in growth mode like we are using this balance sheet to make sure that we can invest in growth for the business in the future. Clearly keep enough cash for potential M&A opportunities, which could exist. And then to the extent that we can return stock and cash to shareholders through share repurchases that will be our primary vehicle that you would anticipate this year.

We're going to have about \$1 billion of stock-based compensation. We'll at least be offsetting that through share repurchases and -- but I don't have anything more to say beyond that at this time, but we'll continue to evaluate what the appropriate amount of cash is to keep and how much we should continue to return to shareholders. But remember, we are still heavily in growth. We want to be able to invest in the long-term growth of this business.

### **Operator**

Your next question comes from the line of Stephen Ju with Credit Suisse.

### **Stephen Ju**

So can you talk about the typical behavior from the new host when they're onboarded? Do they start making only a small number of days available. And as time goes on and they get more comfortable with hosting they maybe make more time slots available throughout the course of the year because it seems like we're really preoccupied with the total host number because honestly, as disclosed, but I'm wondering if the aggregate availability growth has historically been a number that's been much higher than the property host growth?

## **Brian Chesky**

Yes, Stephen, I can start. The general trend we see is that most people come to Airbnb with kind of more casual intent to host occasionally. Sometimes people come and host on a one-off basis, for example, on this past weekend in Phoenix, we saw a really big surge of new listings for Super Bowl.

What we noticed is that over time, hosts generally increase the number of days available and they tend to get more productive every year. And so more and more nights get booked on a single listing. And then we also see a number of hosts add a second, third or fourth listing depending upon what markets they're in. So the general idea is that hosts get more productive, they eventually book more nights. Their ADR typically goes up as they accumulate more reviews. One of the things we recommend new hosts do is when they don't have reviews to start a little bit more affordably.

And then as they accumulate more reviews, they can command a little bit higher kind of market pricing. And so those are the general trends we see a general uptick in ADR is to get more reviews and to build a reputation. They add more nights. And then occasionally, you'll see some people add additional listings depending upon the kind of segment they're in.

## **Operator**

Your next question comes from the line of Doug Anmuth with JPMorgan.

## **Douglas Anmuth**

I just wanted to circle back on your comments on EBITDA margins for '23. You talked about maintaining margins with the variable cost efficiencies kind of being the offset to lower ADRs? Can you just walk us through a little bit more on those cost efficiencies that you're thinking about?

And then kind of related, how should we think about marketing spending? It sounds like you're going to shift more of the brand into 1Q. Is that just driven by a pull forward in bookings or more of just a shift in your strategy?

### **David Stephenson**

Yes. The way we anticipate our EBITDA margins for this year is that one of the headwinds is this anticipated ADR decline that we talked about earlier on the call, and that the ways in which we are going to be able to offset the margin impact of those declines will be through fixed cost discipline. We're going to continue to grow, but we're going to grow modestly. So think of our headcount growth being in the 2%, 3%, 4% range. So we'll keep having very good fixed cost discipline.

We've already addressed marketing in a minute because we've already addressed a lot of the marketing reductions, but we're just seeing strong improvements in our variable cost reductions as well, everything from community support costs, cost of payments costs, infrastructure costs. All those areas are just important and ongoing efforts for us to drive profitability.

As I mentioned earlier, we're still in heavy growth mode. I am not in profit maximization mode. I have a long list of things that we can invest in to drive further profitability. But I know that I can also afford with our headcount growth profitability improvements that can offset the ADR declines, and that's what we'll be investing in this year. And then we can keep working on the other variable cost improvements over time.



And then in terms of marketing, we've had the major step change reduction in our marketing expense. That was actually a strategic change all the way back in 2019. That's proven to be incredibly effective from 2020 all the way through 2022.

And what we've seen in 2023 is that marketing costs as a percentage of revenue for the full year will be about the same as what it was in 2022. But what we are doing is shifting some of the timing. We're just getting even earlier in the year to make sure that we're getting our message out to guests around the world. So they're ready to kind of make their bookings for kind of peak summer travel season, which is in the summer.

And so I think it's just we're getting more efficient and effective at the timing. And we think bringing forward a little bit more marketing into Q1 as a more effective use of our dollars.

### **Operator**

Your next question comes from the line of Nick Jones with JMP Securities.

### **Nicholas Jones**

Can I go back to kind of the Airbnb friendly apartments. What does it look like to get property managers on board with this? And I guess, how much of the apartments that they're managing start to get unlocked? And I guess, what kind of runway do you see in these key markets to add on kind of meaningfully more property managers?

### **Brian Chesky**

Yes, I can start, Nick. So yes, I mean this new program is something that we developed because actually, we started getting a lot of inbound from real estate developers. And they started -- we started saying if we made our buildings Airbnb friendly, would it make the building more appealing, especially to young people that are moving to markets in certain cities. And so we did a partnership. We started with working with Greystar, Equity Residential, over 10 other companies, and we've launched. We have 175 buildings in like Houston, Phoenix, Jacksonville -- and the vast majority of these units are kind of -- we expect if they were put on Airbnb, that would be a typical kind of ADR. They're usually 1 bedroom studios.

The tenants sign a sublease to a fixed number of days a year, they can rent typically less than 180 days. So the whole idea is these are people's primary homes, and they rent them when they're gone. And I think we're going to get a lot of demand because there's a lot of benefits to landlords.

Number one, a landlord get visibility control around who's doing what in their building. Number two, they get a lot of free demand of people that want to lease their apartments. And three, they get a cut on the commission. So based on what we're seeing, there's been a lot of positive word of mouth, many REITs and developers are engaging with Airbnb. We think we're going to be able to send a lot of traffic to them. And so I think this is a program that's going to grow quite a lot. And I also think what is strategic to us beyond all the incremental apartments that unlocks is we're now developing relationships with many of the biggest landlords in United States. And if that happens, I think you're going to see leases generally being more friendly to Airbnb.

### **Operator**

Your next question comes from the line of Bernie McTernan with Needham.

## **Bernard McTernan**

On margins. So 2 impacts on ADRs, the mix shift in the pricing. It sounds like mix shift is contemplated in that flat EBITDA margin guide for '23, but can you still achieve flat EBITDA margins if that pricing benefit does come out modestly of ADRs. And as a follow-up, just if there's an estimate for how much FX weighed on EBITDA margins in '22, that would be helpful.

## **David Stephenson**

Yes. On the 2 impacts, I mean, as you said, large forecast that we have for ADR moderation is due to the mix shift. Clearly, we want to make sure that we are giving tools to host to price effectively so that we have great value. We're not -- it will be -- time will tell how much change we're seeing ADR from those overall changes. I do have a fair amount of levers, as I said, over time, that I can pull in order to continue to improve the cost efficiency.

And if ADRs come down more, then I may need to pull a few more levers, but I feel confident we can deliver our EBITDA margin neutral in the face of whatever ADR headwinds that we see this year. So I think that's the main end piece. And then your second question again?

## **Bernard McTernan**

Just if there is an estimate for how much FX weighed on EBITDA margins this year given the differential between where revenues are generated and where the costs are in the U.S.

## **David Stephenson**

Maybe we can follow up off-line on that. I mean it was a material probably several hundred million dollars, but we would have to give you the -- maybe we work off-line on a specific calculation.

**Operator**

Your next question comes from the line of Tom White with D.A. Davidson.

**Thomas White**

Any color or metrics you guys can provide on how cohorts of guests that you acquired during the height of the pandemic have been performing over the last several months kind of relative to customers acquired pre-pandemic. I'm just curious whether it looks like there might be any meaningful differences when it comes to, I don't know, frequency, spend levels, repeat rates, anything like that?

**David Stephenson**

No, the actual frequencies take rate spend rates have obviously been very consistent with kind of pre-COVID acquired guests. So we feel really good about the new guests coming on and having them look very similar to historic guests, and so very consistent.

**Operator**

Your next question comes from the line of Deepak Mathivanan with Wolfe Research.

**Deepak Mathivanan**

Just a couple of ones. First, it's nice to see the supply growth, but can you talk about trends on the utilization side? I know you don't look at occupancy in a traditional sense. But any color on how the product initiatives like changing the search experience or I'm flexible from 2022 is kind of helping with utilization or occupancy on the platform?

And then second question, mix of long-term stays remains stable near 20%. How should we think about that for 2023? Is that a potential opportunity and an area of focus for 2023? What sort of product initiatives can you do to kind of take that mix higher given that it obviously helps with the marketplace balance.

### **David Stephenson**

Yes. Deepak, on the supply growth, I think the best measure to look at is you just look at the growth in supply that we had versus 2019 that we grew at 26% and our nights and Experiences book grew 24%, kind of largely in line -- we're not seeing any major shifts in overall kind of utilization rate that give us any concern. We feel like we continue to keep, in aggregate this nice balance of growing supply and growing demand, and we want to keep that relative balance, as I mentioned earlier in the call. If one gets out of whack too much than either the host aren't happy or the guests aren't happy. But I'm very pleased with the way in which we've been able to keep that balanced.

And then in terms of long-term stays, I mean, if you actually rewind the tape all the way back to pre-COVID time. Q1 of 2019, our long-term stays were about 13% of nights. By the end of the year, it was maybe 16% at nights. So I think 13% to 16%. Last year, it was kind of 19% to 21% or so, 21%, obviously, in the fourth quarter. So it's been elevated and fairly stable.

I think we see in Q1 this year is that we continue to see really strong growth in short-term stays and short-term stays kind of outpacing our growth a little bit in -- versus long-term stays here in the first quarter. So I anticipate it coming down just a little bit here in the first quarter on a mix basis, but it's largely just driven by the short-term acceleration that we're seeing and it's still remaining significantly elevated over 2019 rates.

### **Operator**

This concludes our Q&A session for today. I turn the call back over to Brian for closing remarks.

### **Brian Chesky**

All right, everyone. Thank you for joining us today. To recap, we had another record year in 2022. Revenue and adjusted EBITDA were both record high and free cash flow was \$3.4 billion. I'm really proud of these results. And before I go, I just want to say how proud I am of our team. If you think about what we -- what this team has been through the last 3 years, initially losing 80% of our business, kind of rebuilding the company from the ground up and now just becoming a much more focused, disciplined company. This is a lot of momentum inside the company. And looking forward, we're already seeing some really strong demand in Q1. Consumer confidence to travel remains really high.

I think part of that is like no matter what happens in the world, people want to travel. And for many people, the office is now Zoom, the Mall of now Amazon, the theater is now Netflix. Travel is going to become a very important way that people experience the world this year. And so therefore, this is going to be an exciting year for Airbnb and for traveling all around the world. So with that, thank you all, and we'll talk to you next quarter.

### **Operator**

This concludes today's conference call. Thank you for attending. You may now disconnect.

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