



Airbnb Inc

Slowing travel demand

UNITED STATES | SERVICES | 2Q24 RESULTS

- 2Q24 revenue was within expectations due to seasonality weakness, while earnings was a miss on increased marketing spend and higher income taxes. 1H24 revenue/PATMI was at 44%/29% of our FY24e estimates. We expect PATMI to be backloaded into 2H24e driven by summer travel demand around the Olympics.
- For 3Q24e, Airbnb expects revenue to rise 9% YoY to US\$3.7bn. The company expects sequential moderation in the YoY growth rate of booking volumes due to slowing travel demand in the US and shortening booking windows globally.
- We maintain NEUTRAL recommendation but lower our DCF target price to US\$120.00 (prev. US\$150.00). We maintain a WACC of 7.0%, but lower our terminal growth rate to 3.5% (prev. 4%) due to slowing travel demand. We cut our FY24e revenue/PATMI by 1%/9% to account for moderating travel demand and higher expenses. We expect moderating travel demand as booking patterns normalise from its post-pandemic peak.

Results at a glance

US\$ mn	2Q24	2Q23	YoY	Comments
Revenue	2,748	2,484	10.6%	Driven by surge in booking volume and average daily rates
COGS	506	432	17.1%	
Gross Profit	2,242	2,052	9.3%	
Operating Expenses	1,745	1,529	14.1%	Higher due to increased marketing spend
- Sales and Marketing	573	486	17.9%	
Operating Income	497	523	-5.0%	
PATMI	555	650	-14.6%	Lower due to higher income taxes
EPS (\$)	0.86	0.98	-12.2%	
Nights and Experiences booked (mn)	125	115	8.7%	Strength in Asia-Pacific and Latin America regions
Average Daily Rates (\$)	170	166	2.1%	

Source: Company, PSR

The Positive

+ Latin America and Asia Pacific remain the fastest growing regions. In 2Q24, Airbnb reported revenue growth of 11% YoY to US\$2.7bn, which is in line with the company's guidance. The growth was driven by a 9% YoY increase in booking volumes to 125mn and a 2% YoY improvement in the average daily rates (ADRs) to US\$170. In the Asia Pacific region, booking volumes increased by 19% YoY, with cross-border travel to the region rising by 22% YoY. In Latin America, booking volumes grew by 17% YoY.

The Negatives

- Earnings dropped due to a jump in expenses. Airbnb reported a PATMI of US\$555mn for 2Q24, almost 15% lower than a year before. The significant drop was due to increased marketing spend and a significant rise in income taxes. Sales and marketing expenses grew 18% YoY to US\$573mn due to timing and increased investments in developing regions like Peru, Argentina, and Colombia, while income taxes spiked 385% YoY to US\$126mn.

- Soft 3Q24e revenue guidance. For 3Q24e, Airbnb expects total revenue to grow 9% YoY to US\$3.7bn at the midpoint. The company expects moderating growth in booking volumes due to slowing travel demand in the US and shortening booking windows globally. This indicates that travelers are delaying bookings due to cautious travel spending amid macroeconomic uncertainty. Booking Holdings also expects room nights booked growth to slow to 4% in 3Q24e, down from 7% in 2Q24.

13 August 2024

NEUTRAL (Maintained)

CLOSING PRICE	USD 113.62
FORECAST DIV	USD 0.00
TARGET PRICE	USD 120.00
TOTAL RETURN	5.6%

COMPANY DATA

Bloomberg CODE:	ABNB US
O/S SHARES (MN):	632
MARKET CAP (SGD bn / USD bn):	96 / 73
52 - WK HI/LO (USD):	170.1 / 110.38
3M Average Daily T/O (mn):	4.60

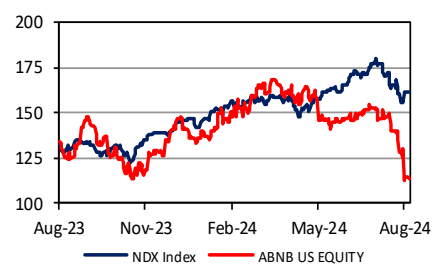
MAJOR SHAREHOLDERS

Vanguard Group Inc/The	7.8%
Capital Group Cos Inc/The	6.5%
BlackRock Inc	6.2%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(22.6)	(22.3)	(16.5)
NASDAQ RETURN	(8.8)	2.3	10.7

PRICE VS. NASDAQ



Source: Bloomberg, P SR

KEY FINANCIALS

Y/E Dec, USD (bn)	FY22	FY23	FY24e	FY25e
Revenue	8.4	9.9	11.0	12.2
EBITDA	1.9	1.6	2.5	2.9
PATMI, Adjusted	1.9	2.9	2.6	2.9
EPS, Adjusted	2.8	4.3	4.0	4.5
P/S (X)	9.2	7.6	6.7	6.0
P/B (X)	13.9	9.2	7.5	6.1
P/E (X) - Adjusted	40.8	26.3	28.6	25.4
ROE	34.0%	58.7%	26.2%	24.1%
ROA	11.8%	23.2%	10.9%	10.6%

Source: Company, PSR

VALUATION METHOD

Discounted Cash-Flow, WACC 7.0%, g 3.5%

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Outlook

For 3Q24e, Airbnb expects total revenue to grow 9% YoY to US\$3.7bn (3Q23: 18% YoY), taking the midpoint (Figure 1). The sluggish guidance reflects continued weakening trends in travel demand amid an uncertain macroeconomic environment. Airbnb expects a sequential slowdown in the YoY growth rate of booking volumes relative to 9% in 2Q24, though it anticipates average daily rates to be modestly higher compared to 3Q23. Despite softer-than-expected guidance, Airbnb highlighted a strong performance in the Paris region for the Olympics, with active listings up 37% YoY as of 2Q24. In addition, booking volumes in Paris increased by over 100% YoY, with more than 400,000 guests expected to stay in an Airbnb in the region throughout the event. Airbnb expects adj. EBITDA will remain flat YoY on a nominal basis, but management expects a contraction in the adj. EBITDA margin in 3Q24e due to higher marketing expenses.

For FY24e, Airbnb reiterated its prior guidance to deliver an adj. EBITDA margin of at least 35% (FY23: 37%) as it focuses on marketing, international expansion, and product development.

Airbnb is experiencing increased challenges in maintaining its growth momentum due to a combination of rising competition and economic uncertainties that are dampening travel demand. The company is also grappling with higher expenses, particularly in marketing, which has weighed on its profitability. While growth in emerging markets like Latin America and Asia Pacific is encouraging, the overall outlook remains cautious as travel trends continue to normalize post-pandemic.

Figure 2: Rule of 40 calculation meets 40% threshold

Rule of 40

3 Year Average Revenue Growth	+ EBITDA Margin	= Total
45%	16%	61%

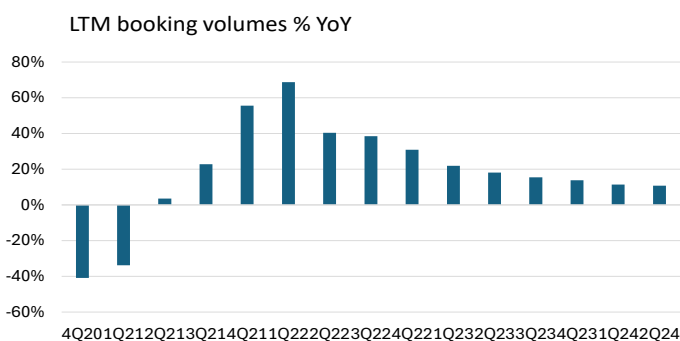
Source: Company, PSR

Figure 1: Airbnb expects revenue to grow 9% YoY in 3Q24e

US\$ bn	Airbnb 3Q24e	Airbnb FY24e	PSR FY24e
Revenue	3.67 - 3.73	N/A	10.96
- Revenue growth YoY	8% - 10%	N/A	10.5%

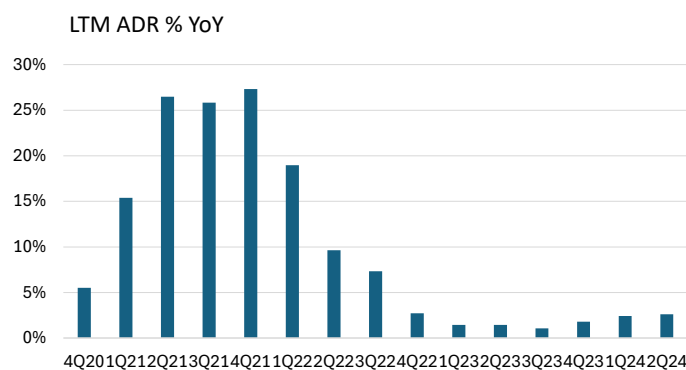
Source: Company, PSR

Figure 3: Booking volumes growth rate decelerating as travel demand moderates from its post-pandemic peak



Source: Company, PSR

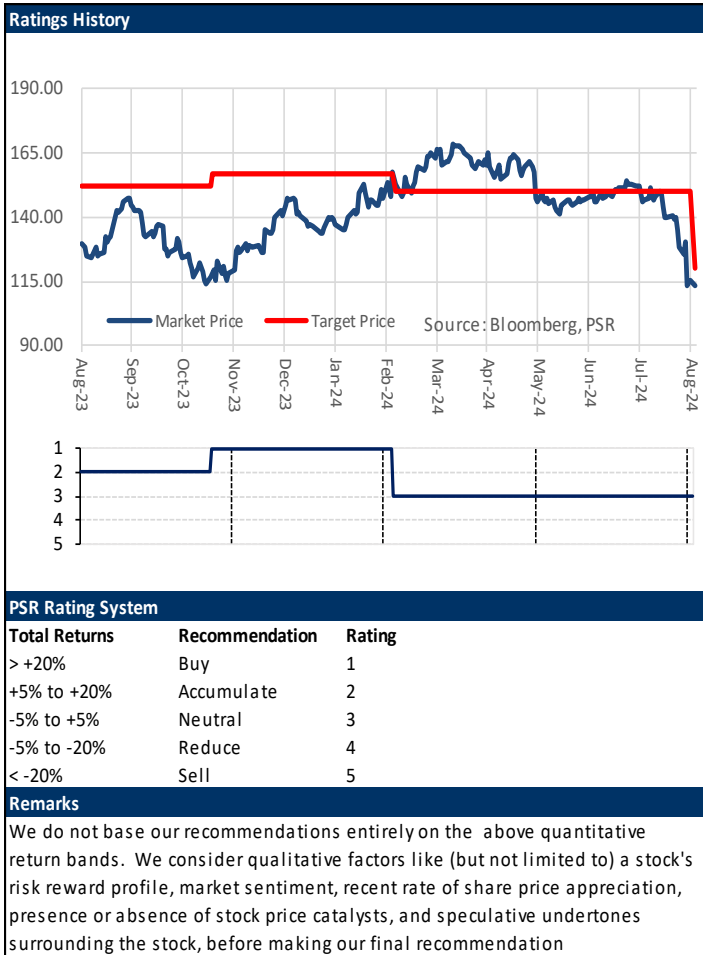
Figure 4: ADR growth rate growing modestly



Source: Company, PSR

Maintain NEUTRAL with a lower TP of US\$120.00 (prev. US\$150)

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Financials

Income Statement

Y/E Dec, USD mn	FY21	FY22	FY23	FY24e	FY25e
Revenue	5,992	8,399	9,917	10,963	12,222
Gross Profit	4,836	6,900	8,214	9,066	10,156
EBITDA	568	1,883	1,562	2,459	2,860
Depreciation & Amortization	(138)	(81)	(44)	(35)	(40)
EBIT	429	1,802	1,518	2,424	2,820
Interest and Others	(730)	187	584	663	663
Profit before tax	(300)	1,989	2,102	3,087	3,483
Benefit from (provision for) income taxes	(52)	(96)	2,690	(505)	(594)
PATMI	(352)	1,893	4,792	2,582	2,889
PATMI, Adjusted	(352)	1,893	2,856	2,582	2,889

Per share data (USD)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
Diluted EPS	(0.57)	2.78	7.24	3.98	4.46
Diluted EPS, Adjusted	(0.57)	2.78	4.31	3.98	4.46
DPS	-	-	-	-	-
BVPS	7.75	8.18	12.33	15.16	18.50

Cash Flow

Y/E Dec, USD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit after tax (GAAP)	(352)	1,893	4,792	2,582	2,889
Adjustments	1,904	1,218	(1,628)	1,273	1,420
WC Changes	638	319	720	319	319
Cash Flow from Operations	2,190	3,430	3,884	4,174	4,628
CFI					
CAPEX, net	(25)	(25)	(47)	(57)	(65)
Others	(1,327)	(3)	(995)	(928)	(928)
Cash Flow from Investing	(1,352)	(28)	(1,042)	(985)	(993)
CFF					
Change in funds payable to customers	1,626	1,330	936	936	936
Others	(195)	(2,019)	(3,366)	(2,142)	(2,142)
Cash Flow from Financing	1,431	(689)	(2,430)	(1,206)	(1,206)
Net Change in Cash	2,059	2,376	564	1,983	2,430
CCE, end	9,727	12,103	12,667	14,651	17,080

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, USD mn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Cash & Cash Equivalents	6,067	7,378	6,874	7,921	9,415
Others	6,319	7,483	9,635	11,725	13,815
Total current assets	12,386	14,861	16,509	19,646	23,230
PPE & IA	1,134	943	913	894	877
Others	189	234	3,223	3,223	3,223
Total non-current assets	1,322	1,177	4,136	4,117	4,100
Total Assets	13,708	16,038	20,645	23,763	27,330
LIABILITIES					
Funds payable to customers	3,715	4,783	5,869	6,805	7,741
Unearned fees	904	1,182	1,427	1,707	1,987
Accrued expenses and other liabilities	1,740	2,013	2,654	2,878	3,102
Total current liabilities	6,359	7,978	9,950	11,390	12,830
LT Debt	1,983	1,987	1,991	1,991	1,991
Operating lease liabilities	372	295	252	252	252
Others	218	218	287	287	287
Total non-current liabilities	2,573	2,500	2,530	2,530	2,530
Total liabilities	8,933	10,478	12,480	13,920	15,360
Equity					
Share Capital & APIC	11,140	11,557	11,639	10,735	9,973
Shareholder Equity	4,776	5,560	8,165	9,843	11,970

Valuation Ratios

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/S (X)	11.7	9.2	7.6	6.7	6.0
P/E (X) - Adjusted	nm	40.8	26.3	28.6	25.4
P/B (X)	14.7	13.9	9.2	7.5	6.1
EV/EBITDA (X)	116.1	38.2	45.0	27.6	23.1
Growth & Margins					
Growth					
Revenue	77.4%	40.2%	18.1%	10.5%	11.5%
EBITDA	-116.4%	231.7%	-17.0%	57.4%	16.3%
EBIT	-112.0%	319.7%	-15.8%	59.7%	16.4%
Net profit, Adjusted	-92.3%	-637.7%	50.9%	-9.6%	11.9%
Margins					
Gross margin	80.7%	82.2%	82.8%	82.7%	83.1%
EBITDA margin	9.5%	22.4%	15.8%	22.4%	23.4%
EBIT margin	7.2%	21.5%	15.3%	22.1%	23.1%
Net profit margin, Adjusted	nm	22.5%	28.8%	23.6%	23.6%
Key Ratios					
ROE	nm	34.0%	58.7%	26.2%	24.1%
ROA	nm	11.8%	23.2%	10.9%	10.6%
Net Gearing	nm	nm	nm	nm	nm
Net Debt/EBITDA (X)	nm	nm	nm	nm	nm

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