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Airbnb, Inc. (ABNB)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

I will now hand the call over to Angela Yang, Director of Investor Relations. Please go ahead.

Angela Yang

Director-Investor Relations, Airbnb, Inc.

Good afternoon and welcome to Airbnb's Fourth Quarter of 2023 Earnings Call. Thank you for joining us today. On the call today, we have Airbnb 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 2023. These items were also posted on the Investor Relations section of Airbnb's website. During the call, we'll make brief opening remarks, and then spend the remainder of time on Q&A.

Before I turn it over to Brian, I would like to remind everyone that we 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 Investor Relations website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

With that, I will pass the call to Brian.

Brian Chesky

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

All right. Thank you and good afternoon, everyone. Thanks for joining. I am excited to share our results with you. We wrapped 2023 with another strong quarter. We had 99 million Nights and Experiences Booked in Q4, marking our highest fourth quarter ever. Revenue of \$2.2 billion grew 70% year-over-year. Net loss was \$349 million. But when excluding non-recurring tax items, adjusted net income was \$489 million, representing an adjusted net income margin of 22%.

For the full year, our free cash flow was \$3.8 billion, our highest ever. Because of our strong cash flow and balance sheet, we repurchased \$2.25 billion of our shares during 2023. And I'm excited to announce that today, our board of directors approved a new share repurchase authorization of up to \$6 billion of our Class A common stock.

Our strong results from 2023 were driven by our focus on three strategic priorities: making hosting mainstream, perfecting our core service and expanding beyond the core. First, we're making hosting mainstream. We've been

focused on making hosting just as popular as traveling at Airbnb. Our results show that our approach is working. In Q4, our host community grew to 5 million Hosts around the globe. Active listings exceeded 7.7 million by the end of 2023, increasing 18% year-over-year. And we also saw sustained double-digit supply growth across all regions. All in all, in 2023, Hosts earned more than \$57 billion. This year, we are going to continue to raise awareness around hosting and improve the overall host experience.

Second, we're perfecting our core service. Over the past three years, we've launched more than 430 new features and upgrades to our core service. We've made significant improvements to make Airbnb a more affordable and reliable option, and we are already seeing a positive impact.

For example, host cancellations have decreased by 36% in Q4 of 2023 and this is compared to the same period a year ago. And now, two-thirds of our Hosts offer a weekly or monthly discount. We will never stop perfecting our core service. In the year ahead, we'll remain focused on improving the quality and reliability of stays.

Finally, we are expanding beyond the core. Airbnb is at an inflection point. We spent the last three years perfecting our core service, and we are now ready to embark on our next chapter. We're focused on unlocking more growth opportunities by investing in underpenetrated international markets, and we're seeing some great results.

Following the success that we've seen in recent quarters in Germany, Brazil and Korea, we're now rolling out our playbook in other countries, including Switzerland, Belgium and Netherlands. But this is only one piece of a much bigger strategy. Because we've always believed that Airbnb was destined to offer more than just a place to stay, and now is the time for us to expand beyond our core business and reinvent Airbnb.

And there are a few reasons why. I mean, first, we want people to love our core service before offering them something new. And with hundreds of improvements we made over the past three years, the Airbnb service is now better than it's ever been. Second, we've been able to attract some of the best talent in the world and we now have the capabilities to do so much more. And third, there is a new platform shift with AI and it will allow us to do things we never could have imagined.

While we've been using AI across our service for years, we believe we can become a leader in developing some of the most innovative and personalized AI interfaces in the world. In November, we accelerated our efforts with the acquisition of GamePlanner.AI, a stealth AI company led by the Co-Founder and original developer of Siri. With these critical pieces in place, we're now ready to expand beyond our core business. Now, this will be a multiyear journey and we will share more with you towards the end of this year.

Now, looking back on Q4, we also saw a number of very positive business highlights. First, we surpassed 5 million Hosts in the platform and saw meaningful supply growth across all regions. We added nearly 1.2 million listings in 2023, ending the year with over 7.7 million active listings. Q4 supply growth grew 18% year-over-year. Now, this is a real highlight and we saw the highest growth in regions with the highest demand. So, obviously, there's a real strong network effect happening here. We also continue to see relatively similar supply growth among individual and professional hosts, with the majority of these listings exclusive to Airbnb.

Now, second, we continue to see strong demand on Airbnb. Now, this is especially true amongst first-time bookers, which is particularly encouraging. Nights and Experiences Booked grew 12% compared to a year ago and following some volatility in October, nights booked actually accelerated throughout the remainder of the quarter. And Q4 also marked the highest quarterly growth rate of the year for first-time bookers. And additionally,

we also gained momentum in app downloads and app bookings. 55% of gross nights booked were in our app. This is up from 50% a year ago.

And finally, we're driving affordability for guests. Throughout 2023, we introduced several features to make Airbnb more affordable, from new pricing tools for Hosts to increased pricing transparency for guests. Since launching these features, we've seen 1.4 million Hosts use Similar Listings, which lets Hosts compare the price of their listing to others in the area. Nearly 300,000 listings have removed or lowered their cleaning fee and by yearend, nearly 40% of our active listings didn't charge a cleaning fee at all.

So, our work around affordability is paying off. In December, the average nightly price of a one-bedroom listing on Airbnb was \$114 a night. This is down 2% from the same period last year, while hotel prices rose 7% to \$149 over the same period.

Now, before I turn to Q&A, I want to share the latest on two executive updates we announced at the end of last year. To start, Dave Stephenson is now Airbnb's first Chief Business Officer. Over the past five years, Dave has done an incredible job as CFO and our business is stronger than ever. One of the qualities that is so remarkable about Dave is that he's not just a world-class finance leader, he's also a world-class operator. And whenever I need someone to quickly drive a complicated series of operations together to clear an outcome that doesn't compromise our values, I turn to Dave.

As we expand the under core, it will be paramount to have an executive dedicated to our long-term growth plan and there is nobody better than Dave to do this. Dave will continue to drive growth across existing and new businesses and this includes driving international expansion, growing global host supply and leading all business and corporate development activities at Airbnb.

Now, as Dave takes on this position, I am thrilled that Ellie Mertz will be our CFO. You see, Ellie has been my right hand for 11 years and many of you already know her and are well aware of her impressive track record at Airbnb. She led our IPO during one of the most pivotal moments in our company's history and for the past several years, Ellie has overseen strategic finance and analysis, corporate development and Investor Relations. And under her leadership, our company grew from adolescence to adulthood, with revenue growing over 100x. I am thrilled that she's stepping into this role.

Dave has already started as Chief Business Officer and Ellie will officially transition to CFO on March 1. So, next call, you will hear from Ellie.

Before we go to questions, I'd just love to hand it over to Dave to share a few thoughts. Dave?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

Yeah. Thanks, Brian. I'm really excited about my new role as Chief Business Officer. In this role, I'm focused on driving Airbnb's growth by concentrating in three specific areas. First, continuing to grow our high-quality supply of stays and experiences around the world. Second, leading our global expansion efforts in underpenetrated countries. And third, developing and launching new businesses as we expand beyond the core. As Brian has said, this is a transformational year for Airbnb.

I look forward to Ellie becoming our CFO next month. I couldn't think of a better person to lead us into the next phase of growth.

And so, with that, let's open up the call for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Ron Josey from Citi. Your line is open.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. Dave, congrats on the role, and Ellie, to you as well. Brian, I wanted to ask a little bit more on just expanding beyond the core. I think you said now is the time to do it and to stay tuned towards the end of the year. But then, you also talked about being a leader in personalized AI. Can you just give us little more insights on how you're thinking about AI given the acquisition of GamePlanner?

And then, as we think about these newer, underpenetrated markets, Switzerland, Belgium, Netherlands, talk to us about just lessons learned from, call it, Germany, Korea, Brazil that you can apply to these newer markets. Thank you.

Brian Chesky

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

A

Yeah, absolutely, Ron. Thanks for asking the questions. So, yeah, let me start with AI. So, I think to talk about AI, it will be good to zoom out and just lay out the landscape. One way to think about AI is let's use a real-world metaphor. I mentioned we're building a city. And in that city, we have infrastructure, like roads and bridges. And then, on top of those roads and bridges, we have applications like cars.

So, Airbnb is not an infrastructure company. Infrastructure would be a large language model or, obviously, GPU. So, we're not going to be investing in infrastructure, so we're not going to be building a large language model. We would be relying on obviously OpenAI, Google makes a great model, Meta, a great model. So, those are really infrastructure. They're really developing infrastructure.

But where we can excel is in the application layer. And I believe that we can build one of the leading and most innovative AI interfaces ever created. And maybe one way to make this real is if you were to open, say, ChatGPT or Google, though the models are very powerful, the interface is really not an AI interface. It's the same interface as the 2000s in a sense, the 2010s. It's a typical classical Web interface. So we feel like the models, in a sense, are probably underutilized. Here's another way of saying it. Take your phone and look at all the icons on your phone. Most of those apps have not fundamentally changed since the advent of generative AI.

So, what I think AI represents is the ultimate platform shift. We have the Internet, we had mobile, Airbnb really rose during the rise of mobile, and the thing about a platform shift, as you know, is it's also a shift in power. It's a shift to behavior. And so, I think this is a zero-zero ball game, where at Airbnb, we have a platform that was built for one vertical, short-term stays. And I think with AI, generative AI, and developing a leading AI interface to provide an experience that's so much more personalized than anything you've ever seen before, imagine an app that you feel like knows you, it's like the ultimate concierge, an interface that is adaptive and evolving and changing in real-time, unlike no interface you've ever seen before. That would allow us to go from a single vertical company to a cross-vertical company, because one of the things that we've noticed is the largest tech companies aren't a single vertical. And we've studied Amazon in the late 1990s, early 2000s when they went from books to everything, or Apple when they launched the App Store.

And these really large technology companies are horizontal platforms. And I think with AI and the work we're doing around AI interfaces, I think that's what you should expect us. We're not going to talk specifically on this call about the specific product and service we're going to be offering, but you will see some very big announcements later this year. And as you know, we did an acquisition of GamePlanner.AI. It was from the creator of Siri. And that was just accelerating the efforts we are already endeavoring on.

Operator: Your next question...

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

And then, in terms – so, I was going to...

Brian Chesky

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

Oh, and sorry. I think...

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

question was – yeah, newer, underpenetrated markets. We've learned a few things. First, we just need to make sure that we have great supply. And great supply and specific nights or even the subtleties of local holidays and ensuring that we're there, so we have it at all price points. Different countries have different expectations on what the supply growth looks like.

And then, just make sure we have the right product. Things like we've done include installment payments in Brazil and Latin America, neighbor login in Korea, just making sure that we're showing up locally in the ways that they're expecting.

And then, the third is just to make sure we have a full funnel marketing approach. And some of these countries were now big enough where we can have a small team do very targeted social marketing, PR, communications, use influencers, search engine marketing that can build that on top of brand marketing and have that all work together in one full funnel approach.

Lower than – approximately 90% of our traffic remains direct or unpaid because the majority of Airbnb's stays are unique to us, and that continues to drive the flywheel. But having this full funnel approach is very effective when we implement it on the ground in these countries.

Operator: Your next question comes from the line of Eric Sheridan from Goldman Sachs. Your line is open.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thanks so much for taking the question. I'm just curious how the building blocks and sort of the way you're thinking about the macro environment and the idiosyncratic growth the company is sort of looking at for Q1 driven by elements both supply and demand and what you see as sort of the exit dynamics from 2023. Thanks so much.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Eric, again, what we saw exiting 2023 was interesting, right? When we were on this call a quarter ago, we had seen some softness in demand in October, and then what we – and so we guided to that kind of expectation, and then what we saw was accelerating demand in November and December. And then, as we come into – from that strength, 17% kind of revenue growth and 12% Nights growth in the fourth quarter, we're seeing really stable demand coming at the start of the year.

You have to actually rewind the tapes and remind yourself that we were just exiting kind of Omicron and there was a lot of pent-up demand in January of last year, which makes for some harder comps in Q1. But against those harder comps, we're continuing to see strong demand for travel. I think that we continue to see a very robust demand for people staying on Airbnbs versus just necessarily kind of buying other things. So, the experiences over things continues to be a big trend.

And we're excited to see the growth and we're continuing to see in our established businesses in North America and Europe and even greater growth in Latin America and Asia-Pacific. So as we do things, as we said on the last question, about doubling down and making sure that we invest in the – these expansion countries who were underpenetrated, I think that's going to continue to drive growth for us the rest of the year.

Operator: Your next question comes from the line of Justin Patterson from KeyBanc. Your line is open.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thank you very much. There's been a lot of investor interest around the cross-currency fee. How should we think about that phasing in over the course of the year and the potential financial impact from that? And then further, could you talk about just why you viewed now as the right time to pull that lever? Should we view this as a sign that you'll take pricing actions where there's a value disconnect more regularly than in the past? Thanks.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. To be clear, when we announced this recently, we updated our terms of service. And what it did is it gives us the ability to implement a cross-currency fee. So, we needed to update the terms of service just to allow us to do it.

Now, the fee only applies when the currency of the guest uses to pay differs from the currency that the host set for their listing. So, we don't anticipate this fee to affect the majority of our guests because the cross-currency transactions are only approximately 20% of the gross booking value. It's different than our cross-border, which is closer than 40%. And we anticipate the majority of the fee changes to be closer to 1%. So we're going to test and evaluate and just see what the results are, and that testing will begin in April.

Why now? There's just a point where we understand that the size and complexity of our business ensures that we should be making sure we're providing great value to our guests and our hosts. We did things like last year, we had a change to our long-term stay fees for beyond three months. And that was an opportunity where we saw that maybe the fees were too high relative to the benefit we're giving.

I think there's just a fundamental principle where we want to make sure that we're giving more value to our guests and our hosts than we take in our take rate over time, and we're going to continue to be more nuanced in how we make those choices going forward.

Operator: Your next question comes from the line of Brian Nowak from Morgan Stanley. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks for taking my questions. I have two, one big picture and one sort of accounting. So big picture one, you guys have made a lot of interesting changes to the US around I'm Flexible and new tools for hosts, et cetera. Brian, can you just sort of talk to us about areas of progress you've made on improving conversion or getting Hosts to lower prices in the US? And sort of what are the existing hurdles you have to overcome to kind of get power hosts and Hosts to kind of lower prices more in the US?

And then, second one, Dave or Ellie, there's a lot of moving pieces around this 1Q guide. If we're sort of thinking through gross bookings versus revenue and we're getting to room night growth in sort of the mid to high-single digits, is that right or are there some other moving pieces that were missing around the room night growth calculation? Thanks.

Brian Chesky

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

A

Yeah. Why don't I start, Brian? So, you could think of probably like three really big buckets of work that are going to drive conversion of Airbnb. One is our work on affordability. The next is really product optimization. And the third is really quality and reliability. So let me talk about all three, and I'll start with affordability.

A couple years ago, we noticed that there was quite a lot of feedback we were getting from our guests that Airbnb was getting more expensive. And so last year, we really like hunkered down and rolled out a suite of tools for guests and hosts to make Airbnb more affordable, starting with total price display, where you now can turn on a toggle and see the total price up front, including taxes and cleaning fees and service fees.

Now, this tool is really important because now, we are pushing more demand to listings with better prices. We've also seen some really positive knock-on effects. For example, 300,000 listings have now reduced or eliminated their cleaning fee and 40% of listings don't even have a cleaning fee.

The next thing we did is we encouraged more hosting to provide discounts for weekly or monthly stays. As you know, 19% of our nights are monthly stays and more than 40% are weekly. Well now, two out of three hosts have a monthly or a weekly discount. So, this has been a huge, huge improvement.

And we also launched a product called Compare Listings. One of the things we noticed is that hosts are more likely to have a competitive price if they see what other Similar Listings are charging in their neighborhood, and then we can see whether they're getting booked or not. Well, since we rolled out that tool, 1.4 million Hosts have turned the tool on, and this means they'll provide more competitive listings. The result of which, Brian, is that our prices year-over-year for one-bedroom apartments globally are down 2%, where hotels are up 7%. That's a 9% swing.

The next is product optimization. Here's a simple way to think about it. We did \$9.9 billion of revenue last year. So, let's round that to \$10 billion for really simple numbers. All we have to do is increase our Nights Booked by

100 basis points and that's \$100 million of revenue. And if we can increase \$100 million of revenue, it'd be \$100 million of very, like, high margin revenue because we're converting presumably traffic we already have on the website.

And so, there's a number of things we're doing just on product optimization to increase conversion rate. One of the big things, as you noticed is, I'm Flexible. Here's a simple way to think about it. We are never close to sold out on Airbnb. If we can just point demand where we have supply by getting people to be more flexible about their dates or a little more flexible about their radius or location, that'd be massive. We also made some optimizations to get more people to download our app. And now, we are very typically a top 50 application in the United States, and now, 55% of our bookings are now in a native application. So, those are some of the things on product optimization.

The last thing I'll talk about is reliability. We launched Guest Favorites. Guest Favorites, the reason we launched this is for every person who stays in a hotel, nine people stay in an Airbnb – sorry, for every person who stays in an Airbnb, nine people stay in a hotel. What if we could get just one of those people who stays in a hotel to stay in an Airbnb? We would quite literally double the size of our business.

So when you ask people who book hotels why they don't book Airbnbs, there's two reasons. One, well, it's habitual. They always book hotels. And the other is they are comforted by the reliability, the consistency of the hotel experience. And we ask what if we had a product that was as consistent as a hotel from a quality standpoint but had all the unique advantages of an Airbnb? It was more affordable, it was more unique with more character, and it's better equipped. And that's exactly Guest Favorites are. They're 2 million of the best listings on Airbnb based on rating, review and reliability data on 500 million trips in Airbnb.

Since we launched that product in November, we are seeing a shift in bookings towards guest favorites. That's, of course, good because number one, they get fewer customer service contacts, the customer service costs go down, they have higher five-star rating trips so we have better repeat bookings and we think this will attract people to Airbnb that never considered us before. So, those are just some of the things we're doing.

The last thing I'll say before I hand it over to Dave is that that's just what we did last year. We had about 200 upgrades last year, 430 in the last three years. But we are just getting started and we're going to have significantly larger upgrades this year. Dave?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

In terms of the Q1 guide on room nights growth, again, I think you have to remember that we have a hard comp versus Q1 of 2023, where there was a lot of pent-up demand coming out of the holidays and we saw much stronger growth in early in the year, especially in January.

I think the other thing that's unusual about Q1 this year is Easter moved from Q2 to Q1, so this actually helps our revenue by 100 basis points to 200 basis points in Q1, but actually is a drag on nights, because we actually get fewer nights booked in the period as people are actually doing their traveling around the holidays. So, it'll shift some nights from Q1 to Q2.

So, revenue is a little bit helped Q2 to Q1 and nights booked was slightly hurt Q1 to Q2 and then don't forget the hard comp. So, this is why we have the language of moderating from 12% growth in Q4.

Operator: Your next question comes from the line of Doug Anmuth from JPMorgan. Your line is open.

Doug Anmuth

Analyst, JPMorgan Securities LLC



Thanks so much for taking the question. Ellie, can you just help us understand the commentary on EBITDA a little bit better for 2024 or the incremental investments that could drag on the margins? Is that primarily about expanding beyond the core and tied to some of the new initiatives that Brian talked about that we'll learn about later this year or is that more around marketing or just something around kind of the existing business? Thanks.

Ellie Mertz

Vice President-Finance, Airbnb, Inc.



Thanks, Doug. I was actually going to start next quarter, but thanks for pointing it to me. So, what you saw in the guidance language that we've provided is that we are basically giving ourselves a floor in terms of the full-year EBITDA margin guidance. As we said, we will hold by a minimum of 35%, which is slightly down from what we delivered in 2023.

The intent here is really to ensure that we have flexibility over the course of the year to continue to invest in a variety of growth opportunities as they appear. So, what might those be? So, first, we have a pretty robust budget in terms of our international expansion. So, there's certainly opportunities at the margin to continue to invest in newer markets. Second, there's always opportunities in terms of looking at our high ROI marketing channels and adding marginally at the top. Third, what we note given the ambitions around our product development roadmap is that's obviously often constrained by our resources there. And so, we may look to add incremental product resources to increase the throughput of our overall product teams.

And then, finally, obviously, we haven't said much with regard to what the platform extensions will look like in the back of the year, but we also want to give ourselves flexibility there to ensure that we're able to share something broadly and meaningful by the end of the year.

Operator: Your next question comes from the line of Justin Post from Bank of America. Your line is open.

Justin Post

Analyst, BofA Securities, Inc.



Great. Thank you. Just want to ask about room nights. We all know there's a tough comp in Q1 and that was partially due to the reopening, but we're kind of over COVID now. And just kind of thinking about where you are in the room night cycle going forward and what are the key drivers for nights? Is it growing supply and just getting that conversion level better? The big picture, just saying it looks like a tough comp in Q1, but how do you think about the rest of the year and where nights can grow over the medium term? Thank you.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.



Yeah. Again, we are starting to see overall kind of demand normalize. I think if you also look at our nights' growth and the nights on Airbnb, we continue to see that we take share of overall accommodations globally versus kind of traditional accommodations and are either equaling or exceeding versus our peak competition. So, I think if you just look at room nights growth, we continue to see strength relative to traditional hospitality and our competition.

And you're exactly right, the key focus is around supply. There's been a lot of critique around whether or not we have sufficient supply growth. I hope that we continue to show that strength with the 7.7 million active listings. They're growing 18% year-over-year. We saw incredible strength throughout the year. 5 million hosts, the vast

majority of those listings being unique to Airbnb. And I think that that uniqueness also gives us a lot of the strength on, I'd say, conversion and a lot of the things that Brian talked about in terms of perfecting price, making it easier to shop and find the right home for each guest is incredibly important. So, perfecting the core service is there.

And then the last piece, which we also talked about, is just finding the areas where we are underpenetrated relative to where the opportunity is. And I think that's the vast majority of countries around the world. And when we make sure to apply a product view, a marketing view and a supply view in a targeted way in each country, we're unlocking incremental growth and that's what we've seen why Brazil has nearly doubled since 2019. So, yes, it's supply, it's product, it's full marketing and it's doubling down in underpenetrated countries.

Operator: Your next question comes from the line of Kevin Kopelman from TD Cowen. Your line is open.

Kevin Kopelman

Analyst, TD Cowen

Q

Thanks so much. I had a follow-up on the margin question. Could you give any more color on your kind of initial thinking for the year on growing head count and also how you're thinking about the marketing plan to support the growth initiatives that you talked about?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. In terms of head count, we grew head count last year about 1%. We're planning to grow at maybe slightly more than that. It could be kind of mid-single digits, low-to-mid single-digit percent. As kind of Ellie mentioned, I think we will see, depending on what our product development needs are, but it's not going to be above overall kind of revenue growth.

And then in terms of marketing, largely, we're going to keep marketing costs as a percentage of revenue largely the same as what it was in 2023. In some ways, we probably could see additional leverage on marketing but what we've seen is such great success with our brand marketing efforts and our core markets. We're actually expanding to 20 countries around the world. So, that's already included in this. And then, we'll see as there are other investments to support the newer business areas, but to the extent that there may be any incremental marketing, it's not going to be a materially larger percentage of revenue than it was last year.

Operator: Your next question comes from the line of Lee Horowitz from Deutsche Bank. Your line is open.

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Can you maybe spend some time talking through sort of the competitive dynamics and your expectations for the competitive side in the US in 2024, particularly as some of your larger competitors look to lean into share gains? Are any of these investments aimed at holding share or any of this type of investments sort of aimed at defending share against a more competitive environment? Thanks so much.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. We're going to continue to do what we're doing well, which is have unique supply that is outgrowing any of our competitors. And I think by having that, we're able to drive kind of incremental nights and take share from both

traditional hospitality and our competitors. I know competitors are trying to come in to North America and try to take additional share. Well, that's not what we're not seeing. We're not seeing success there. We're seeing that a lot of competition is focused on professional host supply, which is undifferentiated and often cross-listed. And I think the differentiated supply that we are able to bring on has been a material kind of net benefit to us. So, that's what the strength we're seeing.

Brian Chesky

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

A

Yeah. And I'll just add that we have a lot of competition for people choosing places to stay. Our main competition are hotels, first of all, and we're so much smaller than hotels. For every one who stays at Airbnb, nine people stay in a hotel. So I think the bigger opportunity is for us to take market share, because again, all you need is one of them to come to Airbnb and we've now doubled the size of our business. I think we are only scratching the surface. We grew in every region. We maintained or grew share in every region. As Dave said, we have – we are the brand in this category, a noun and a verb used all over the world. We are the only ones with a custom built platform and we're going to continue to strengthen our advantages, including like Guest Favorites, the only one to offer that. The only one that offer custom built tools on the Host side. So, the best game we can play is to continue to focus on executing ruthlessly, and if we continue to do that, we're going to continue to take share.

Operator: Your next question comes from the line of Jed Kelly from Oppenheimer. Your line is open.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Q

Hey. Great. Thanks for taking my question. Just a couple. Just one, can you talk about how we think of – we should think about demand and supply starting to converge? I know you've had great supply growth, up 18%. Should we start to see room nights catch up to that demand?

And then, can you just give us an update on the health for the US short-term rental market, how you're thinking about that going into this year after what was softness in a lot of those core vacation rental destinations last year? Thanks.

Brian Chesky

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

A

Yeah. So why don't I just start, Jed, talking about supply growth and I'll let Dave answer the rest. I believe in the long run that supply growth is a long-term indication of growth in Airbnb. And it's been healthy since we started the company, but you'll know that during the pandemic, one of the biggest questions I got asked when supply growth stopped is how we're going to restart supply growth.

The great thing about our supply growth is that most of it comes organic to us. In fact, 36% of our new Hosts are prior guests. That's the highest that number's ever been. And the reason people host is because their friends typically tell them about it.

So last year, actually, the year before, we actually began, and we really put the throttle on it last year, a new strategic priority to mainstream hosting. And we did a few things. We really focused on making hosting easy, to get started and increasing awareness. Now, one of the reasons that we're so excited about the growth being 18%, and we hope it grows even faster, is as you know, the more supply you have, the more pricing pressure you relieve on the inventory. So when you're supply constrained, what you typically see is prices go up. When prices go up, nice growth is typically diminished.

So we believe that, again, the total addressable market for Airbnb stays is every single person with very few exceptions who stay in a hotel. So we can get the right supply at the right price, and we believe we can capture that demand and build the company significantly larger. Additionally, by having a surplus of supply, we think that that will allow us to have even tighter quality control.

So to answer your question, we do think that that healthy supply growth of 18% could be a great leading indicator down the road of where demand could be, and we'd love for supply to grow even faster.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. I think what's also interesting is if you actually back up and look out over multiple years, if you go back four years or so and look at the total amount of supply growth versus the total amount of Nights growth, it's actually fairly consistent. So, there are times that supply leads demand and times that demand leads supply. But I think as Brian mentioned, over time, those things equalize out and the greater supply definitely helps our overall performance.

I'd say in terms of US very specifically, a couple things. Just we're seeing overall very stable growth in the US. We're seeing strong inbounds, cross-border growth in nights, and I think unlike others that we're seeing in the US, we've seen very healthy growth in the non-urban markets, right? Urban markets have been traditionally our areas of strength. Non-urban grew substantially kind of during COVID and coming out of COVID. We've continued to hold really great share and growth in the non-urban areas, and now, urban is coming back stronger, and that has been our traditional area of strength.

Maybe a last area is our long-term stays. So, 19% of our stays were of 28 days or longer in the last quarter. So, I was giving up a little bit from 18% prior to that. I think there's been a lot of critique of, well, long-term stays, that's a post-COVID benefit that's going to go away. Well, it's materially bigger than it was back in 2019 when it was closer to 13%, 14% of our nights growth. So, we're seeing really great strength there. So, that's what we're seeing in North America.

Operator: Your next question comes from the line of Timothy Shubsda from JMP Securities. Your line is open.

Nicholas Jones

Analyst, JMP Securities LLC

Q

Hi. This is Nick Jones on. You talk a lot about focusing on international expansion and kind of underpenetrated in many of these markets. And you're rolling this playbook out to, I think it was Switzerland, Belgium, Netherlands. And just kind of the cadence we should expect the playbook to kind of continue to expand into additional countries, just kind of three or four at a time, and I guess how are you balancing rolling this playbook out to more countries with kind of these new initiatives that we're looking forward to hearing from later in 2024?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. I think this is what you'll continue to see. We're being very judicious about putting a small team on the ground in each of these locales, making sure that we have the full funnel marketing approach working well, establishing what product adjustments might be unique to a specific location that's helpful, and then we're going to – we're working down our list, what's the largest opportunity, what do we have the capabilities for and how do we kind of do it. None of these are perishable things. We're just kind of working our way down kind of a prioritized

list of our capabilities. And then, this sets us up well as we expand beyond the quarter to make sure that we have strong established base of business to kind of build from.

Brian Chesky

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

A

And I'll just add that I think that there's some massive opportunities in front of us, especially with Asia. We really did focus on Korea, but I think the point that should be made is if you look at our penetration in, say US, Australia, Canada, France, and to maybe a lesser extent, United Kingdom, they're significantly higher than other parts of the world. In fact, United States is more than an order of magnitude higher penetration than Asia. There is no reason why we cannot get to today's US penetration and the equivalent penetration in most of the major tourism markets around the world. And we think we're only scratching the surface in our more mature markets.

So again, we are going to continue to add these countries one by one. But the other thing is we're just getting started in Korea, we're just getting started in Germany, we're just getting started in Brazil. Brazil is now double the size it was pre-pandemic, but it's going to double again. And so, we're going to continue. We have multiple phases of this playbook. And the first phase is playing out in Korea, Japan and Brazil, but we're going to go on to the next phase as we continue to add more countries.

Operator: Your next question comes from the line of James Lee from Mizuho. Your line is open.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Great. Thanks for taking my questions. My question is about booking window. I think in 1Q last year, booking window was extended as consumers try to lock in high prices for accommodation. And just curious what you're seeing this quarter so far. Are you seeing any differences, booking window by region also? That would be helpful. Thank you.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. Booking window has been relatively stable. We've come back to a little bit more normal booking windows over time. So, there's actually not a lot to say on it. It's pretty consistent now globally as things are returning to a more normal state.

Operator: Your next question comes from the line of Bernie McTernan from Needham & Company. Your line is open.

Bernie McTernan

Analyst, Needham & Co. LLC

Q

Great. Thanks for taking the questions. Brian, just on cross-vertical, when you're talking about the new product initiatives, were you meaning more of like a full OTA and thinking about cross-vertical within travel or was this more about thinking about like Amazon and AWS moving beyond retail to all industries?

And then, bringing in more first-time bookers to the platform, any specific drivers there? Is that just international or anything else we should be aware of? Thank you.

Brian Chesky

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

A

Yeah. Hey, Bernie. I think that Airbnb can go far beyond travel in the coming years, but I think we're going to start with our core. So, I think what we're going to do is start with travel, and then down the road, we can move beyond travel. So, you should – we should start by seeing us do the thing that is the most logical extension of what we already provide, and then we will move further and further out from our core as the things we launch are successful.

And then, what was the second part of the question?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

It was about first-time bookers

Brian Chesky

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

A

Yeah – oh, first-time bookers, yeah.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

...and what we're seeing the growth of first-time bookers. I'll start, Brian, and you can wrap it up if I miss anything. But a key part is the reliability, making sure that they feel like we have – that the service is going to be reliable. So, things like AirCover has been an area that we've been promoting to get people comfortable on booking Airbnb, doing things like reducing cancelations has been great, the work that we've done to make sure that prices are moderating and then just general awareness, making sure that they're aware of it, which is the full funnel marketing approach we do to all of these international countries. We're seeing strong strength in mobile downloads as we highlighted at the top of the call and just overall strong organic trends across the business.

Brian Chesky

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

A

Yeah. I mean, I'll just like highlight a few things in addition to what Dave said. I mean, first of all, our traffic and our top of funnel results are really good. And one of the reasons why is, number one, we're having a really successful advertising campaign. As you know, we have a very different approach to marketing than our competitors. We're not really typically trying to buy customers through [indiscernible] (44:54) marketing. We generally, as Dave mentioned, have a full funnel approach and we think of advertising more as education than sales.

And one of the things we noticed was that we want to educate people about how there are some trips that are really just always better in Airbnb. If you're staying – if you're traveling with your family, if you're traveling in groups, being able to share a house and have your own bedroom and save money rather than getting different hotel rooms or cram in one hotel room makes complete logical sense. And so, we have this campaign running, it's called Get an Airbnb. It's the most successful digital advertising campaign we've ever done and is now running on television.

We also are tapping into the biggest moments in pop culture. Last year, for example, the Barbie movie came out and we partnered with Mattel to turn a mansion in Malibu into a Malibu Barbie DreamHouse. That became a phenomenon on social media and it got more press, more articles than our IPO. In fact, three times as many articles were written about the Barbie Malibu DreamHouse as Airbnb's IPO, just to give you a sense.

So, we have a lot of traffic coming to Airbnb. We're going to continue to hopefully stay relevant within culture. And if we can then convert that traffic, as Dave said, through product optimization, reliability efforts, improved customer service, then I think there's a lot of opportunities. And again, we have an entire roadmap where you can imagine hundreds of basis points of conversion of nights growth increase through some of these efforts. So, we've got a pretty big arsenal of levers.

Operator: Your next question comes from the line of John Colantuoni from Jefferies. Your line is open.

John Colantuoni

Analyst, Jefferies LLC

Q

Great. Thanks for taking my question. Just looking across your regions, EMEA is where you've sort of seen the biggest moderation in incremental Nights and Experiences this year. I know there's some big travel markets where you're still underpenetrated like Germany and, now, Switzerland, Belgium and the Netherlands. Maybe you could talk to why consumer adoption has lagged in some European markets versus others and any key areas of investments you still need to make to help drive adoption rates higher in that market. Thanks.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. We continue to see strength in our growth in our more established markets, North America and Europe. But we're actually seeing still stronger growth relatively in Latin America and Asia. And so, any kind of moderation is still just coming off of high overall growth. I mean, I'd say APAC, we're really encouraged to see China outbound gathering kind of additional momentum and we expect by the end of the year China outbound travel should be above 2019 levels.

So, I'd say that we're continuing to see great strength and this international expansion playbook that we have, I think, is going to continue to be a tailwind for growth, especially in Latin America and Asia for the rest of this year.

Operator: Your next question comes from the line of Ken Gawrelski from Wells Fargo. Your line is open.

Kenneth James Gawrelski

Analyst, Wells Fargo & Co.

Q

Thank you very much. And I'm sure you'll tell us more later this year, but could you talk about how you think about either the build, buy or partner strategy with respect to expanding beyond the core?

Brian Chesky

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

A

Yeah, absolutely. So, I think one of the great things about Airbnb is that most of our innovation and most of our business is developed organically. And that just becomes from our DNA. Like Airbnb was started by three product people and engineers, two designers and engineer, and we created – Joe, Nate and I created this company from nothing with really no capital whatsoever to speak of. So, I think build and the organic growth is in our DNA and it's always going to be our predisposition.

That being said, with the scale that we have, the scale we have having nearly 2 billion guest arrivals and more than 70 billion GBV, that is a huge asset to be able to partner. And a number of brands have reached out to us

telling us they want to partner Airbnb not just because of the traffic we have, but also because of the strength of our brand. So, we think that there's a myriad of opportunity to partnership.

Now, in the buy, we're going to be – we're going to have a very high bar for ROI for acquisitions. We've done a number of acquisitions in the past. Some have been very successful. And with our free cash flow, we have generated \$3.8 billion of free cash flow. We absolutely have the cash and, obviously, the currency of our stock to make acquisitions, but we're going to be very, very thoughtful. And it's always going to be build, then partner, then buy, probably in that order of prioritization.

Operator: Your next question comes from the line of Mark Mahaney from Evercore ISI. Your line is open.

Mark Mahaney

Analyst, Evercore ISI

Q

Yeah. Let me try two questions. There's some discussion in your Shareholder Letter about take rates. Just take rates have been relatively consistent in the last couple of years. Is there any reason to think that that pattern won't change going forward or will change going forward? Is there a reason why take rates would actually go up?

And then, secondly, Brian, you talked about the ability to really expand in Asia, and I don't know – and I understand the momentum that you've got in Korea. Asia seems like it's generally been a tough market for a lot of Internet companies that have tried to expand there and there's China, so it seems to be relatively off limits. So, just talk through a little bit more about why you see grounds for optimism in that region. And I know there's a lot more to Asia than just China, but wanted to ask that question. Thank you.

Brian Chesky

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

A

Hey, Mark. Yeah. Why don't I – [indiscernible] (50:31) Asia and then Dave will do take rates. So I mean, no doubt that Internet companies have struggled in Asia. I think particularly, they struggled in China and we do not have a inbound business, a domestic business in China any longer. Although obviously, there's a lot of stories of companies doing well in other countries in Asia.

So, let me just talk about why I think Airbnb is unique. The reason why, as you know, is that we're a global travel network. And so, 44% of our Nights Booked were cross-border. And if you're in Japan and you want to stay in Germany and you don't want to stay in a hotel, then where are you going to go? You're going to want to go to a global platform, probably not a Japanese platform. And the reason if you're going to Germany from Japan and you're not going to use a Japanese platform is because a Japanese platform would have to get German homes on that platform, and that is probably not going to happen.

And so, we think that – we think this is a global market. This is a global network, not a regional network. And one of the things we've noticed is that Airbnb seems to work about as well in every single country that we've entered. There's a big question about Latin America, for example. We were massively underpenetrated. And there was a question, well, this is an emerging market, will Latin America work well, and then of course, Brazil, Ecuador, Peru have grown very, very quickly. And we – and also, I'd just say the success of Korea has been phenomenal.

And the other thing is that the population in Asia is generally younger than the population in Europe and North America. And the other thing we know is that young people tend to gravitate more to Airbnb than older cohorts. So, I just think the amount of people that are mobile applications, that are young, where they're not predisposed to book a hotel, the strength of network effect, and the fact that there's going to be really strong cross-border travel

and Airbnb is a cross-border network, are all of the reasons why I think Asia will be no different than any other region on Airbnb and might just take a little bit more time. Dave?

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. And then, Mark, in terms of take rates, no, they should be consistent. There's no real reason why they should be going up on kind of a time-adjusted basis. We've not materially changed our pricing as a percentage of GBV when you adjust for timing. So we are testing the cross-currency feed, as we mentioned earlier in the call, but shouldn't count that as a major expansion of fees this year. In Q1, the implied take rate revenue over gross booking value is going to be higher. But again, that's marginally during to timing, right, a little more revenue coming in Q1 largely due to the Easter timing.

So longer term, I am excited about the opportunity for revenue driving with our experiences and services and that ability to drive incremental revenue and incremental margin. So over a longer period of time, I think our margin expansion will absolutely come from hosting guest services and experiences, but during the short term, there's no real change on a time-adjusted basis towards fees.

Operator: [Operator Instructions] Your next question comes from the line of Alex Brignall from Redburn Atlantic. Your line is open.

Alexander Robert Lyon Brignall

Analyst, Redburn (Europe) Ltd.

Q

Good evening. Thank you very much for taking the question. First one would just be on the Q1 guide. Just trying to understand what you're implying on the take rate expansion because there's obviously one comment, which is Easter timing, which is 1% to 2% of revenue. But it seems like they commented notably higher take rates would be more than just 1% to 2% extra on the revenue. So, if you can just phase that out, obviously phase back into the room nights.

And the second one, just in terms of a little bit more detail on the cross-currency, it sounds like what you're saying is that it now is another lever that you have, which is fantastic, but it's something that you're going to test with. Is there an amount of friction that you expect when you add it? Do people have the chance to not pay the fee? Where will it be displayed to consumers?

And your last comment, Dave, on the take rate not expanding, presumably, that means that in terms of the contributions to take rate, it's going to be relatively immaterial. Thank you so much.

David E. Stephenson

Chief Business Officer & Head-Employee Experience, Airbnb, Inc.

A

Yeah. So, the tour is – the reason why we say the take rate expansion Q1 is because there's a double hit. You have the increased revenue in Q1 due to the timing and you have decreased gross booking value that shifts Q1 to Q2. So, we both increased revenue and decreased gross booking values in the period by some amount, say 100 to 200 basis points, and then you get that greater expansion of fees, revenue, over gross booking value. So, that's why we give the guidance that way.

Yeah. In terms of cross-currency, we will – we're going to be testing it. We'll be launching it in April. We need to understand what the impact is to demand overall. And then if you just step back to it, it's actually a unique capability that the vast majority of other platforms either don't have or they charge a substantial premium for. So,

we've been largely giving away this benefit for no incremental cost. And we're just monitoring and now have the capability of adjusting that fee if we so chose. And we will – but we'll be mindful about it to make sure that we're thoughtful in terms of the impact on overall demand.

Operator: We have reached the end of our question-and-answer session. I will now turn the call back over to Mr. Brian Chesky for some closing remarks.

Brian Chesky

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

All right. Well, thanks, everyone, for joining us today. Just to recap, revenue was another incredibly strong quarter. Revenue was \$2.2 billion, 70% higher. Adjusted net income and adjusted EBITDA were both Q4 records, and our trailing 12-month free cash flow of \$2.8 billion. And this, of course, represents a free cash flow margin of 39%.

I'm really proud of what we've been able to accomplish this past year and there's more to come. 2024 marks the beginning of a new chapter for Airbnb, and I look forward to sharing more throughout the year. Thank you all very much.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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