

Initiating Coverage:

Airbnb (\$ABNB)

Buy before it's booked!

Key Take-away: Airbnb (\$ABNB) has made its mark on the hospitality industry revolutionizing traditional travel with a market cap of \$81.68 B and a current share price of \$132.34. Airbnb provides a range of homes for guests to stay in for short periods of time, ranging from a few days to a few months. The flexibility of home type, size, and stay duration makes Airbnb an attractive option to travelers in the modern age, where vacation and work demand new accommodations. Its dominance has been limited by the concierge and amenities hotels offer, but now, Airbnb has introduced two new features, experiences and services, not only to compete with traditional hospitality, but to become what the CEO describes as the “Amazon of services.” This will bolster Airbnb as a service provider, tapping into a massive industry with plentiful room for expansion. They invested \$250 M into these additions — a miniscule amount compared with their annual revenue, which topped \$11B last year — proving that they maintain their low capital expenditures.

Hospitality Demands Malleability: Airbnb’s business model has proved effective, with a high source of revenue with little asset investment. This allows Airbnb to expand rapidly and at almost no cost. The platform serves as a connector, and in recent years, has proven to be mutually beneficial for both owners and guests. Owners have also found Airbnb to be profitable, so there is no shortage of Airbnb homes available. The decentralized platform is a modern concept that is ubiquitous across sectors spanning beyond the consumer industry, such as financial technology. To create more booking opportunities, they have introduced month-long stays with perks, homes geared towards family-style living, and suggested getaways near a user’s location for a quick, easy stay. As living demands shift, Airbnb has shown that it will quickly and effectively adapt to new trends and consumer desires, implementing new user-centered features and unique experiences that traditional hospitality cannot replicate.

Standing up Against Regulations: Various cities have stifled Airbnb renting due to complaints from residents. Most notably, New York City banned Airbnb in 2023 in Local Law 18. Last year, Airbnb fought back, suing the city on the claim that their business model was directly targeted. They believed that the law was too restrictive, and in response, began grassroots movements to sway lawmakers. Airbnb contended that their business would also boost the New York City economy in the long run. Before Law 18, Airbnb was a more affordable option, and former residents have since been forced to move to surrounding areas. Airbnb is still highly regulated in New York City, but they have been given more room to function than before they fought back. This demonstrates that Airbnb has the power to challenge lawmakers who hinder Airbnb’s commerce.

Valuation: Initiate a coverage with a \$174 PT.



Consortium Research Group
Travel | Hospitality
July 2nd, 2025

Stock Rating: Overweight

Price Target: \$174.00

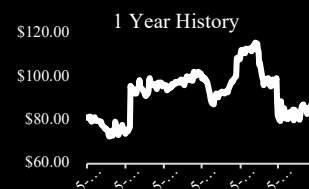
Price: \$135.39

Potential Upside/Downside: 28.77 %

Ticker: SABNB

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Company Overview

Airbnb was founded in 2007 by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk, when Gebbia and Chesky rented out a loft space in their apartment to make extra money. The idea gained traction from YC. In 2020, their IPO totaled \$100 Billion, one of the largest of 2020. Airbnb was particularly in demand that year due to the pandemic, following the boost in relocation during that time. Airbnb has maintained popularity because of its value to both hosts and guests. While many think of Airbnb as an accommodation service, its function as a source of revenue is notable, as outlined in a recent piece in Business Insider details a woman making significant profit from hosting an Airbnb offering. Hosts retain 3% of the booking subtotal and guests pay a service fee up to 14%.

Airbnb prides itself on being a disruptive force in the hospitality industry, creating a decentralized, user-first platform. Airbnb intends to improve their accommodations and better compete with concierges and amenities in hotels. Just two months ago, Airbnb announced two additional features that add to their core ethos: services and experiences. Before this addition, Airbnb lacked the built-in ease of staying at a hotel since it offered no guidance on where to go or what to do. Airbnb homes have no restaurants or spas. But now, private chefs or masseuses can offer services, and historians or fortune readers provide experiences. Not only are these experiences on demand as in hotels, but they have a greater variety and better immerse the guest in local life.

Looking beyond travel, Airbnb has longer term goals beyond improving travel experiences with the introduction of their new features. They intend to capitalize on the massive service market, which accounts for two-thirds of all American workers. Adopting a service-based model, Airbnb is rebranding itself as the “Amazon of services,” creating a platform based around a vast industry rather than hospitality alone. Thus, Airbnb can tap into other markets, which concurrently positively correlate to their primary service in the meantime. Airbnb’s amenities and services cater to consumers booking accommodations since they augment the overall consumer experience.

Industry Overview

Airbnb is in the consumer cyclical sector, specifically travel hospitality and services, and owns about 20% of the industry market share. Competitors have followed in Airbnb’s path, proving the validity of the rental business model. Airbnb has maintained strong growth in revenue, users, and coverage. Their sector is particularly appealing to a younger audience aged 18-45 seeking a more local travel experience and more versatile accommodations.

The recent shift in nomadic lifestyle due to evolving jobs that allow for more geographic flexibility has bolstered Airbnb’s popularity. As opposed to hotels, Airbnb offers a more adaptable experience, especially for those living in one place for a few months. This is attractive to professionals seeking working either short-term or remotely. Airbnb is also a better option for larger groups of people traveling since homes can accommodate various sizes. Tech integration, from high-speed Wi-Fi to sound-proof rooms present a more suitable landscape for professionals. Since rentals are unique, they have more range than the typical hotel. Homes have a direct pipeline to a local experience, can host social gatherings, and may sit in unique locations in exotic, hard-to-access areas. This adds appeal that traditional hospitality cannot compete with.

As Airbnb grows in popularity, competitors have emerged that stymie Airbnb’s growth. Marriot and Vrbo (owned by Expedia Group) offer similar home options, and HomeToGo and Outdoorsy mirror Airbnb’s alternative location experiences. While competitors pose a threat to Airbnb, legal regulations are more stifling and often impose challenges. Laws that require certain permits for Airbnb limit its widespread capacity. Some

buildings and neighborhoods have even banned Airbnb. Hosts are also constrained by caps on number of guests and nights they can rent, impeding on the flexibility that brings in so many of its customers. Short-term rentals are also taxed, adding costs to hosts who saw Airbnb as a sound source of revenue. This is an issue for the portion of revenue that is driven by users who invest in properties to rent them out on Airbnb, a now common practice on the platform.

Peer Comparisons

Comparable Companies						
\$						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
SEXPE	\$22,100	\$23,700	20.2x	\$13,900	\$2,600	
STRIP	\$1,962	\$1,750	22.1x	\$1,838	\$466	
SMAR	\$76,160	\$91,490	0.0x	\$25,390	\$4,338	
SHST	\$11,220	\$16,220	16.8x	\$5,807	\$1,704	
AIRBNB	\$83,564	\$74,360	34.2x	\$11,232	\$2,566	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
SEXPE	9.1x	89.5%	20.3%	9.9%	8.5%
STRIP	3.8x	81.1%	26.1%	5.0%	5.1%
SMAR	21.1x	20.3%	17.1%	15.1%	4.8%
SHST	9.5x	54.3%	28.6%	13.7%	7.5%
AIRBNB	29.0x	83.1%	22.5%	22.2%	11.9%

High	28.98x	89.5%	28.6%	22.2%	11.9%
75th Percentile	21.09x	83.1%	26.1%	15.1%	8.5%
Average	14.49x	65.7%	22.9%	13.2%	7.6%
Median	9.52x	81.1%	22.5%	13.7%	7.5%
25th Percentile	9.12x	54.3%	20.3%	9.9%	5.1%
Low	3.76x	20.3%	17.1%	5.0%	4.8%

Airbnb Valuation		
Implied Enterprise Value (25th Percentile)	\$	23,390
Implied Enterprise Value (Median)	\$	24,425
Implied Enterprise Value (75th Percentile)	\$	54,118

Implied Share Price (25th Percentile)	\$	61.66
Implied Share Price (Median)	\$	63.33
Implied Share Price (75th Percentile)	\$	111.14

Source: Cap IQ, Macrotrends

Our data shows that Airbnb is trading at a premium with an LTM EV/EBITDA of 29.0x compared with the median 9.52x. This means that investors are confident that its growth will exceed its current value in the vacation-rental model. Airbnb has also demonstrated high growth with gross margins at 83.1%, on par with high-performing competitors.

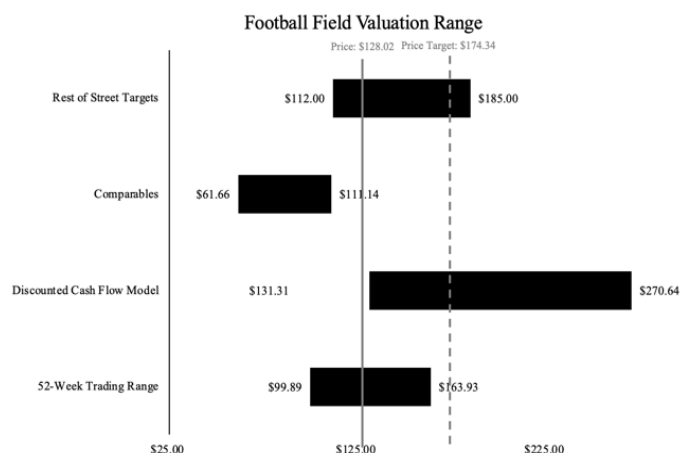
Investment Theses

On-demand Expansion: Airbnb is revolutionizing the hospitality industry by finally taking the step up, mirroring a traditional hotel's concierge services which will drive growth and level out competition. Based on the additions of new features and strategic marketing and partnerships, significant growth is expected in Airbnb as its new features launch and catch on. These features will establish Airbnb as a robust, well-rounded competitor for traditional hospitality, and could dominate the industry because consumers will be more inclined to stay at Airbnb homes. The services and experiences can be utilized without booking Airbnb, so it will turn into a marketplace that any user can take advantage of, not just travelers. This will be a revolutionary business model that transcends hospitality and become the forefront of the consumer service industry.

Non-traditional Accommodation Boom: Airbnb opened the door to non-traditional vacationing, where users can now book a wide variety of rentals tailored to their exact need. Even the most unique hotels are rigid in function, whereas home rental services have the flexibility to accommodate every request, from a small remote

cabin to a penthouse in a major city. This amplifies Airbnb's presence for a wider range of travelers. Their feature geared towards users looking for longer-term stays has become more feasible as well. As mentioned in my description of Airbnb's business model, the modern workforce has allowed for more location-changing than ever. Remote workers may opt to live somewhere else from the city their company is based in; the self-employed can choose where they work; and management consultants may be tasked with a project for months on end away from home. Its popularity has led to a drastic shift in consumer behavior in both travel and living situations. Airbnb has and will continue to capitalize on the desire for on-demand services and nomadic living styles.

Price Target & Valuation



Potential Downsides to Our Rating

New Features Fail: My expectations for Airbnb's growth are largely based on the success of their two new features. These are unprecedented in the consumer industry and are fundamentally different from the home bookings that are the cornerstone of the company. Since untested in the real world, the features may very well underperform, or even flop catastrophically. This could dilute the company and hurt the image of Airbnb as a future-oriented innovator, instead painting it as a trend in the hospitality space.

Laws Limit: Airbnb faces regulations from governments seeking to manage residential standards. Cities aim to mitigate loud gatherings and extended stays, especially in upscale or residential areas. Renting Airbnb's to large groups for parties or guests for long stays has been a robust income source for homeowners. If this is no longer possible, hosts on Airbnb who use the service as a side hustle, or in some cases a primary source of income, will dwindle. This will lead to a loss in supply, which Airbnb relies entirely on the user for, and will have to find new ways to entice homeowners to rent on their platform.

Operations and Logistics: Airbnb's new features present countless operational questions about their gig-based service. They must balance the expansion with making sure that services and experiences are as up to standards as their homes. As Airbnb attempts to create a marketplace out of these features, they will straddle the line between ubiquity and quality. They will face more questions as regulations limit their reach, as was mentioned in the Law 18 example in New York City. If they are stretched too thin fighting legal battles, then their progress towards bettering the consumer experience will be further obstructed. As Airbnb grows, these legal concerns may increase as communities in historically residential areas will rally against short-term rentals that infringe on the long-term nature of these neighborhoods.

Our Price Target: **\$174.00**

Our PT case assumes that Airbnb's revenue will continue to rise from both bookings and added services and experiences. The new features are successful, and demand for the accommodations Airbnb provides steadily grows.

Our Upside Case: **\$270.00**

Our upside case assumes significant growth because of the services and experiences features, which propel Airbnb past traditional hospitality. They will not only purchase these features, but the services and experiences further entice guests to book, bumping bookings revenue even higher. In this case, Airbnb solidifies itself as the preeminent leader of hospitality and services, creating a cross-industry consumer attraction. The upside's monumental growth posits that the services and experiences not only add additional revenue streams but are directly correlated to bookings. Stays at Airbnb homes become more desirable to the consumer because the on-demand features improve the quality and ease of the stay.

Our Downside Case: **\$131.00**

Our downside case assumes that the services and experiences do not work out, and instead complicate and dilute Airbnb's original purpose. They lose their investment in these new features, and the company's reputation wanes. The case also entertains that Airbnb living may fizzle out as regulations and security issues complicate its ability to function and company image.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	11,102	11,432	11,987	12,574	13,177	5.9%
EBITDA	5,110	5,047	5,035	5,180	5,325	1.4%
EBIT	2,553	2,490	1,438	1,564	1,697	-12.7%
NOPAT	(3,422)	563	1,879	1,505	2,554	-190.7%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	46.0%	44.1%	42.0%	41.2%	40.4%	42.8%
EBIT Margin	23.0%	21.8%	12.0%	12.4%	12.9%	16.4%
Revenue Growth	11.9%	3.0%	4.9%	4.9%	4.8%	5.9%
EBIT Growth	68.2%	-2.5%	-42.2%	8.7%	8.5%	8.1%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	47.3x	49.0x	19.7x	19.3x	19.0x	30.9x
EV/Sales	7.9x	7.6x	7.3x	6.9x	6.6x	7.3x
EV/EBITDA	17.1x	17.3x	17.3x	16.8x	16.4x	17.0x
FCF Yield	2.1%	2.0%	5.1%	5.2%	5.3%	5.3%

These projections show volatility in growth, specifically in EV/EBITDA compressions. Airbnb went public in 2020, so some volatility is expected. Additionally, the steady increase in cash flow and revenue with little debt presents a strong case for its intrinsic value equivalent to its trading price.

About \$ABNB

Airbnb (\$ABNB), founded in 2007 operates as a connector between homeowners who wish to rent their spaces and travelers seeking a unique and local experience. Airbnb is unique because they are trailblazers in their business model, and they differentiate from competitors due to brand name recognition and home ubiquity. They aim to revolutionize the hospitality industry by providing a versatile range of home options and authentic, local experiences.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

AIRBNB																
Discounted Cash Flow																
Active Case: 2 Base																
Current Share Price \$139.34																
DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035
Stub						0.35	1.55	2.55	3.55	4.55	5.55	6.55	7.55	8.55	9.55	10.55
Discount Period						0.22	0.95	1.95	2.95	3.95	4.95	5.95	6.95	7.95	8.95	9.95
Revenue	3,378	5,992	8,399	9,917	11,102	11,432	12,212	13,068	13,990	15,015	16,100	17,322	18,615	20,033	21,553	23,244
Revenue Growth		77%	40%	18%	12%	3%	7%	7%	7%	7%	7%	8%	7%	8%	8%	8%
Booking Fees	3,378	5,992	8,399	9,917	11,102	11,232	11,962	12,753	13,610	14,540	15,550	16,647	17,840	19,138	20,553	22,094
Experiences + Service Rev	0	0	0	0	0	200	250	315	380	475	550	675	775	895	1,000	1,150
EBIT	(3,439)	542	1,893	1,518	2,553	2,490	1,832	2,004	2,193	2,400	2,623	2,878	3,152	3,450	3,777	4,133
EBIT Margin	-102%	9%	23%	15%	23%	22%	15%	15%	16%	16%	16%	17%	17%	17%	18%	18%
Tax Expense	(17)	(21)	14	13	(1)	(1)	421	461	504	552	605	662	725	794	869	951
Effective Tax Rate	0%	-4%	1%	1%	0%	0%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
NOPAT	(3,422.00)	563.00	1,879.00	1,505.00	2,554.00	2,491.00	1,410.96	1,543.05	1,688.45	1,848.31	2,023.82	2,216.20	2,426.73	2,656.83	2,908.06	3,182.30
D&A	2,241	2,233	2,275	2,370	2,557	2,557	5,131	5,344	5,568	5,801	6,043	6,294	6,550	6,812	7,078	7,347
Capex	3,620	3,607	4,940	3,284	4,626	4,626	0	0	0	0	0	0	0	0	0	0
Changes in NWC	3,099	(1,898)	148	(1,989)	(1,357)	(1,357)	281	325	375	450	492	560	637	721	815	918
UPCF	(7,900)	1,087	(934)	2,580	1,842	1,779	6,261	6,562	6,881	7,219	7,576	7,950	8,341	8,748	9,172	9,611
PV of FCF						1,750	5,839	5,686	5,541	5,402	5,267	5,136	5,007	4,880	4,754	4,629

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	20.05%
Beta	0.77
Risk Free Rate	4.44%
Cost of Equity	7.62%
Weighted Average Cost of Debt	4.54%
Tax Rate	23.00%
Cost of Debt	1.00%
Total Equity	\$86,002,415,357
Total Debt	(\$14,900)
Equity/Total Capitalization	38.33%
Debt/Total Capitalization	28.70%
WACC	8.62%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$9,611
Growth	2.50%
Terminal Value	\$156,975
PV of Terminal Value	\$68,936
PV of Projection Period	\$53,890
PV of Terminal Value	\$68,936
Implied TEV	\$122,826
(-) Debt	\$2,280
(+) Cash	\$17,180
Implied Equity Value	\$137,726
Basic Shares Outstanding	621
Implied Share Price	\$221.78
Upside/Downside	59.17%
Implied Exit BF N/A	29.7x

Terminal Value	
Exit Multiple Method	
2034 EBIT	\$4,133
N/A Exit Multiple	20.0x
Terminal Value	\$82,657
PV of Terminal Value	\$36,299
PV of Projection Period	\$53,890
PV of Terminal Value	\$36,299
Implied TEV	\$90,189
(-) Debt	\$2,280
(+) Cash	\$17,180
Implied Equity Value	\$105,089
Diluted Shares Outstanding	621
Implied Share Price	\$169.23
Upside/Downside	21.4%
Implied PGR	-14.1%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$169.23
Upside/Downside	25.50%