



THE SHARING ECONOMY COMES HOME: AIRBNB'S IPO!

Look forward, you must!

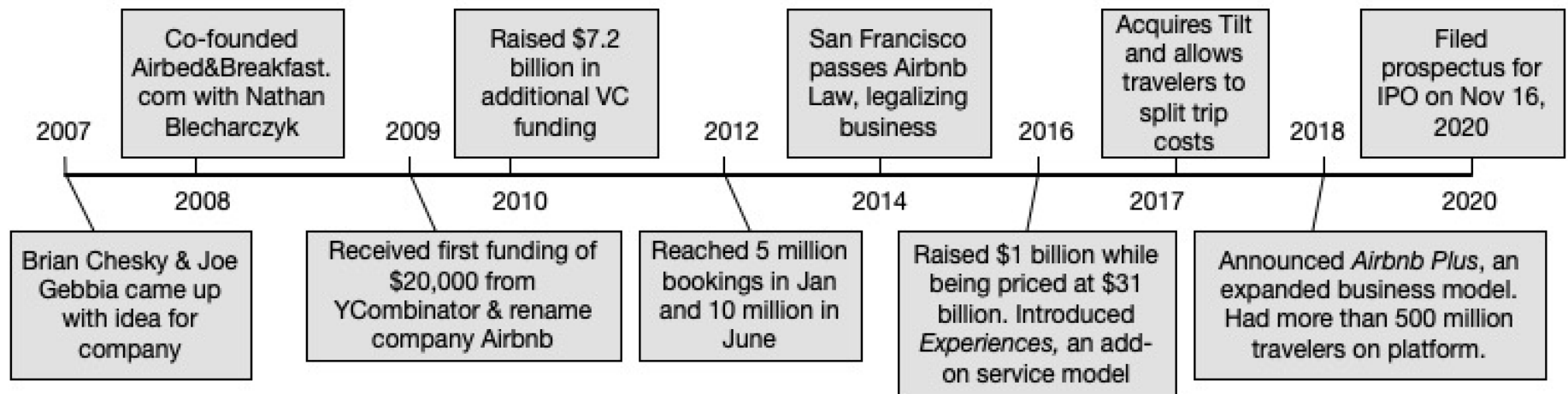
A Long Awaited IPO

- On Monday, November 16, Airbnb filed its preliminary prospectus with the SEC, starting the clock on its long awaited initial public offering.
- On the same day, rising COVID cases caused more shut downs and restrictions around the world, creating a clear disconnect: why would a company that derives its value from short term rentals by people who travel want to go public, when a out-of-control virus is causing its business to shut down?
- In this post, I will argue that there are good reasons for Airbnb's IPO timing, and make my first attempt at valuing this latest entrant into public markets.

Airbnb: A Time Line

Legal Challenges

Airbnb has been sued by cities for advertising illegal properties, not complying with local regulations and not paying taxes.



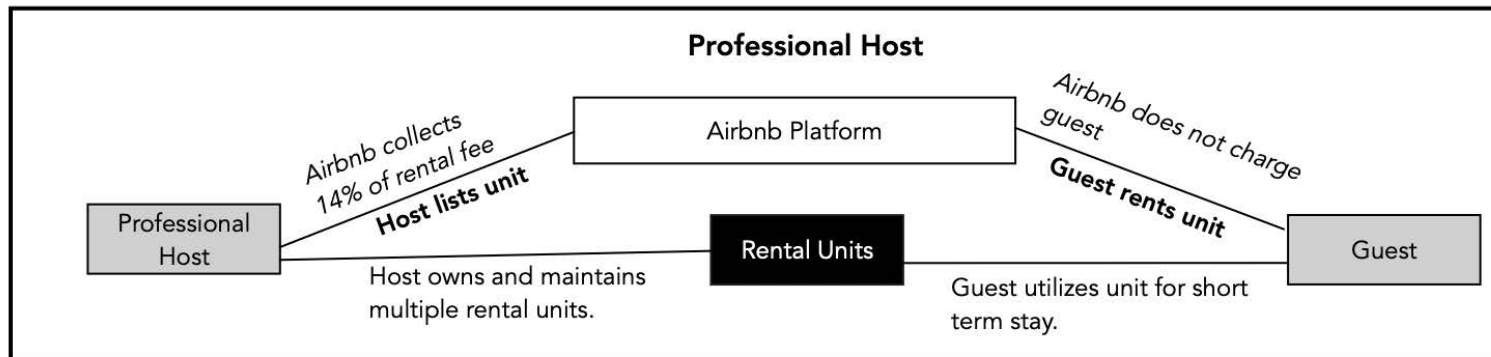
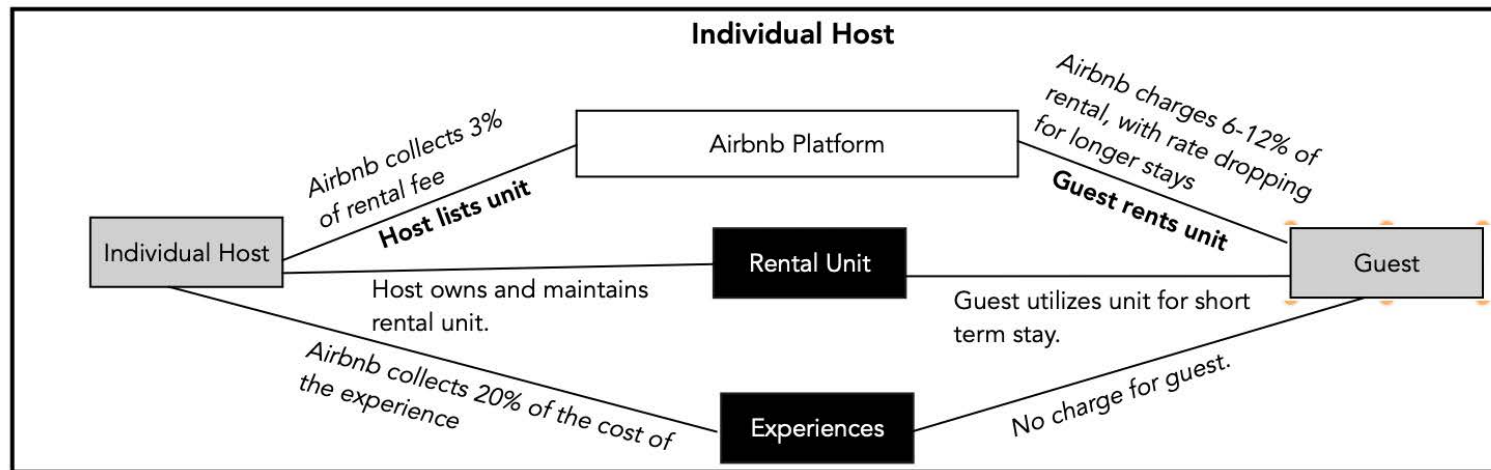
Acquisitions

Starting with Accoleo in 2011, Airbnb has acquired more than 20 small tech companies to build and augment their platform.

With key features..

- Legal Challenges: The company has faced multiple challenges from cities that feel that its business model violates local zoning laws and regulations, and evades taxes. While you can attribute some of this pushback to hotel company lobbying and the inertia of the status quo, there is no doubt that Airbnb, like Uber, pushes regulatory and legal limits, taking action first and asking for permission later. While Airbnb has found a way to co-exist with laws in different cities, the restrictions vary widely across the world, with some locations (like New York) imposing much more stringent rules than others.
- Acquisitions: As the number of hosts and guests on Airbnb have climbed over the years, the company has invested in building a more robust platform for its rentals. While some of that money has been spent on internal improvements, much of it has been spent acquiring more than two dozen companies, most of them small, technology businesses.

Business Model

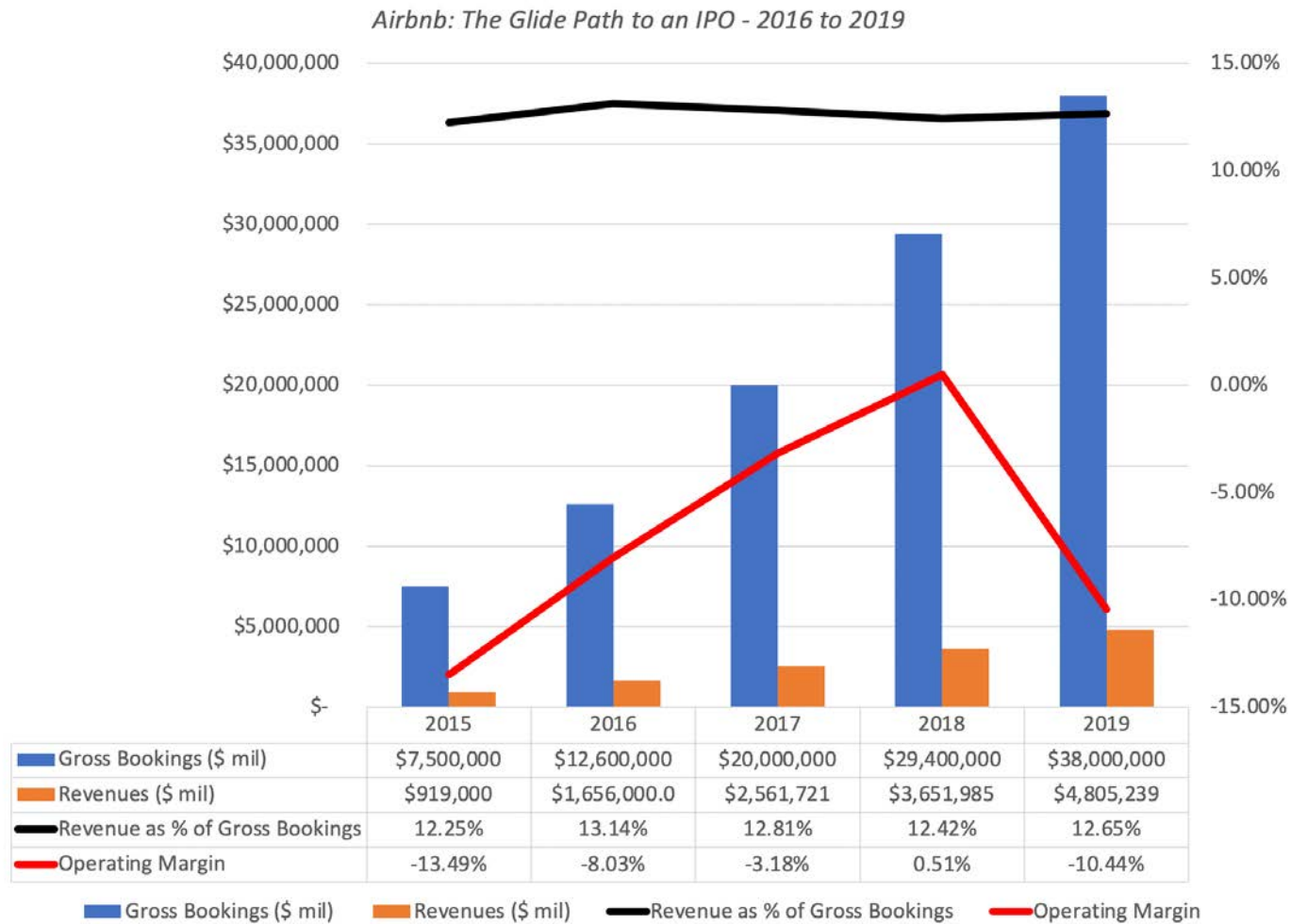


In 2019, there were 4 million hosts on the platform.

In 2019, there were 5.6 million units listed across 10,000 cities in 220 countries.

In 2019, there were 54 million travellers on the site, who booked 327 million nights.

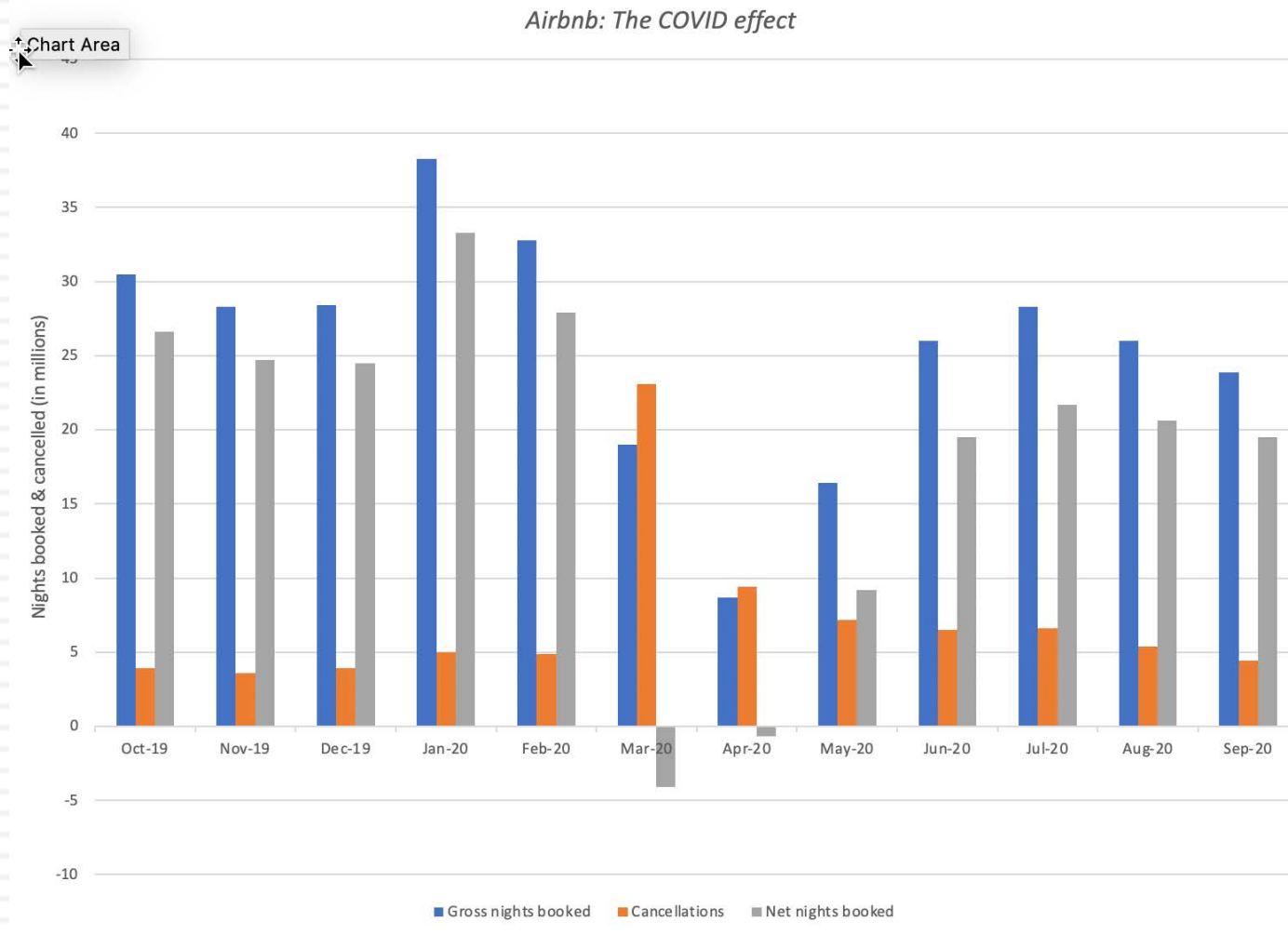
The Financial Payoffs..



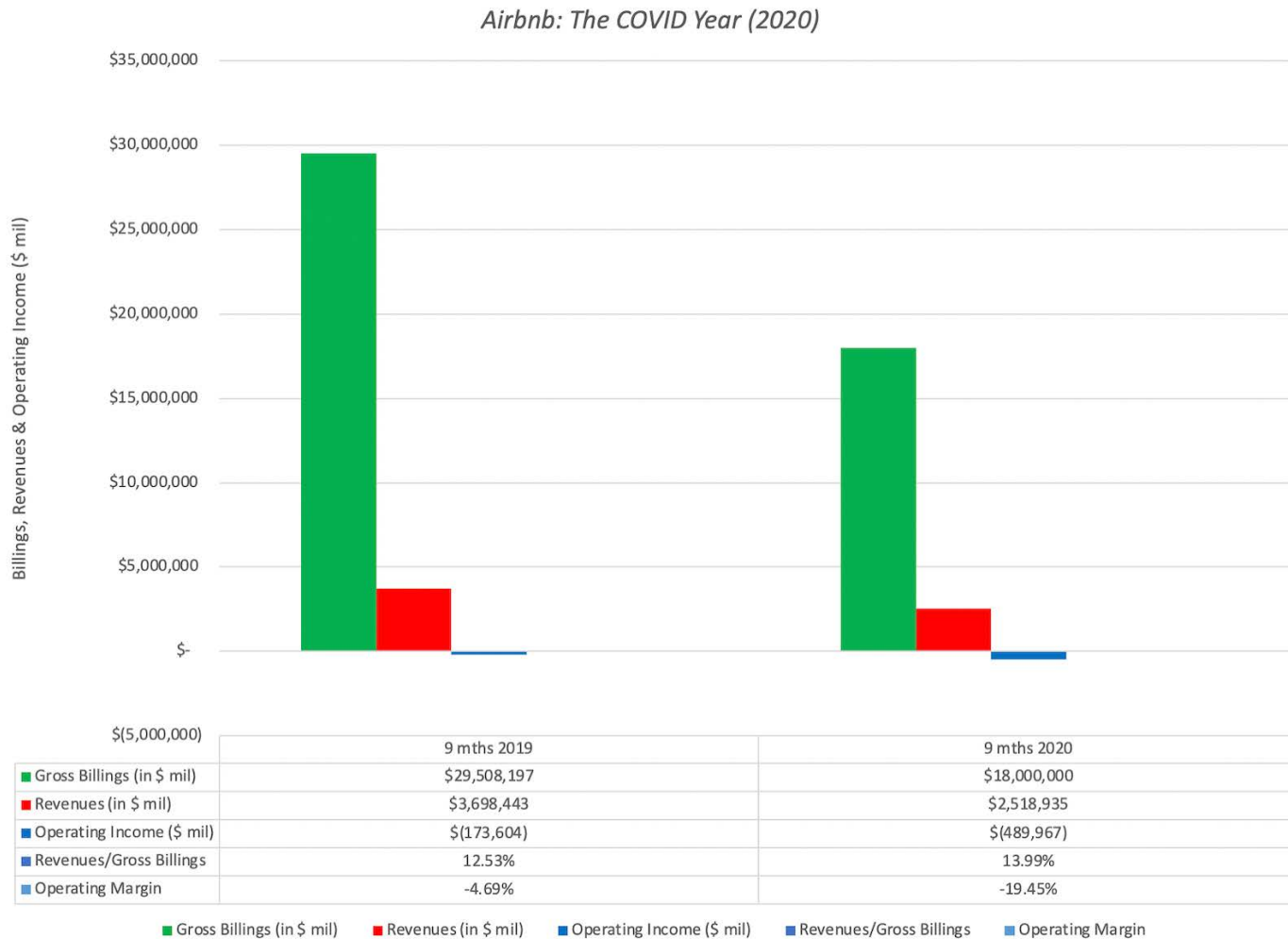
Breaking down history...

- Growth is high, but the rate is declining: It may seem churlish too take issue with a company that has grown its revenues more than five fold over a five-year period, but as the company's base gets bigger, its growth rate, not surprisingly, is also declining.
- Airbnb's revenue share has stayed stable: As gross bookings have increased, Airbnb's share of these bookings has remained stable, ranging from 12-13% of overall revenues. Note that the shift to the new business model for professional hosts (where Airbnb keeps 14% of the transaction revenue) is relatively recent, and it will take some time for that change to play out in the numbers.
- The company is edging towards profitability: To Airbnb's credit, it is closer to profitability than many of its high profile sharing-economy predecessors (such as Uber and Lyft) and the fact that it was able to report positive operating profits, albeit fleetingly in 2018, puts them ahead of the pack.

The COVID Effect.. In nights booked



And in financials..



Prospectus Revelations: On Costs

Airbnb: Cost and Profit Patterns

	2017	2018	2019	LTM
Gross Bookings	\$20,000,000	\$29,400,000	\$38,000,000	\$26,491,803
Revenues	\$ 2,561,721	\$ 3,651,985	\$ 4,805,239	\$ 3,625,731
COGS	\$ 1,043,429	\$ 1,473,234	\$ 2,011,387	\$ 1,722,568
Gross Profit	\$ 1,518,292	\$ 2,178,751	\$ 2,793,852	\$ 1,903,163
Product Development	\$ 400,749	\$ 579,193	\$ 976,695	\$ 973,576
Sales & Marketing	\$ 871,749	\$ 1,101,327	\$ 1,621,519	\$ 982,523
G&A	\$ 327,156	\$ 479,487	\$ 697,181	\$ 628,001
Restructuring Charges				\$ 136,969
Operating Profit	\$ (81,362)	\$ 18,744	\$ (501,543)	\$ (817,906)
Revenues/ Gross Bookings	12.81%	12.42%	12.65%	13.69%
Gross Margin	59.27%	59.66%	58.14%	52.49%
Operating Margin	-3.18%	0.51%	-10.44%	-22.56%
COGS/Revenues	40.73%	40.34%	41.86%	47.51%
Product Development/ Revenues	15.64%	15.86%	20.33%	26.85%
Sales & Marketing/Revenues	34.03%	30.16%	33.74%	27.10%
G&A/ Revenues	12.77%	13.13%	14.51%	17.32%

Revenues as a % of gross billings has been relatively stable between 2017-19. In 2020, it did increase, perhaps because of the new host model.

Barring 2020, the direct operating expenses have been fairly stable at 40-42% of revenues. There is little evidence that scaling up is lowering this number.

Non-direct operating expenses (G&A, Selling and Product development) are all increasing as revenues grow, suggesting that growth demands are drowning out economies of scale, at least for the moment.

Prospectus Revelations: On Proceeds & Control

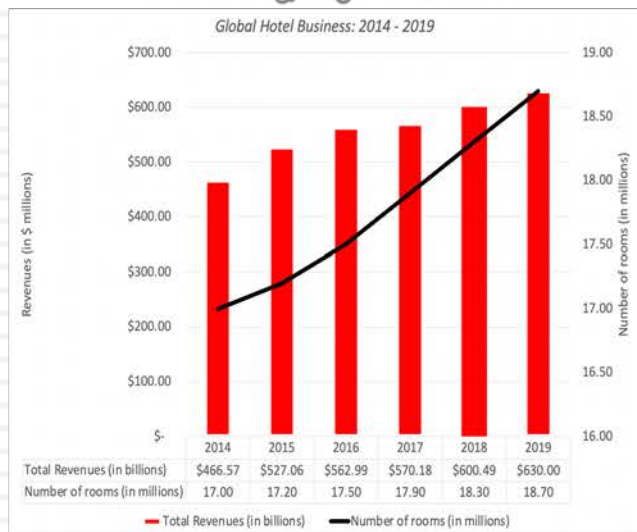
- Use of Proceeds: While the details are still being worked out, it is rumored that Airbnb is looking to raise about \$3 billion in proceeds on the offering date, and that while some of the proceeds will be used to retire existing debt, most of it will be held by the company to cover future investment needs.
- Share classes: In keeping with the practices of tech companies that have gone public in recent years, Airbnb has shares with different voting rights: class A shares with one voting right per share, class B shares with 20 voting rights per share, and class C & class H shares with no voting rights per share. Not surprisingly, the class B shares will be held by founders and other insiders, allowing them control of the company, even if they own well below 50% of all shares outstanding.

An ESG Twist?

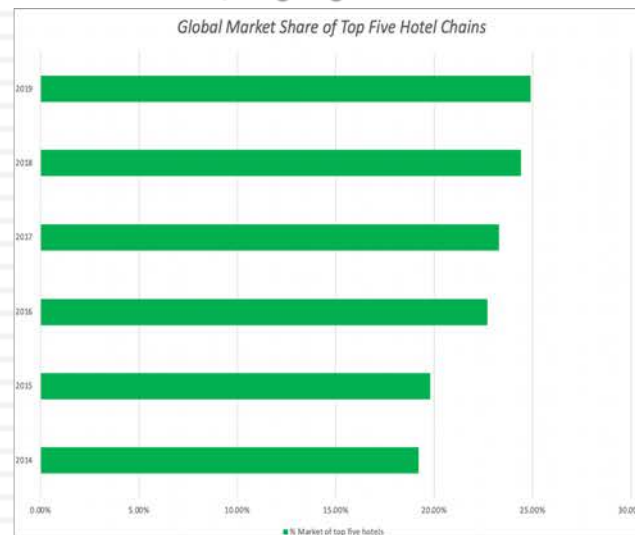
- It should come as no surprise that in an age where companies are valued on their "goodness", Airbnb is signaling it's intent to be socially responsible.
- Brian Chesky made explicit the corporate values for the company, including "having an infinite time horizon" and "serving all of our customers".
- In addition, the proceeds from the non-voting class H shares will be set aside is an endowment to serve Airbnb hosts, though it is not clear whether the primary intent is to give hosts a stake in the company's success, or to help them out during periods of need.
- I remain skeptical about ESG, but will hold off on passing judgment on whether this is just a public relations ploy.

The Hospitality Business

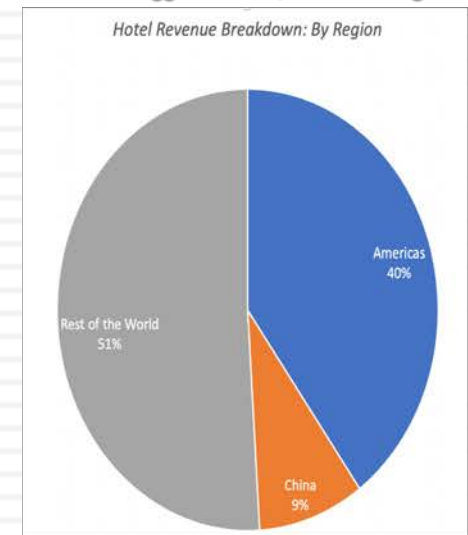
The market is big, but growth has slowed



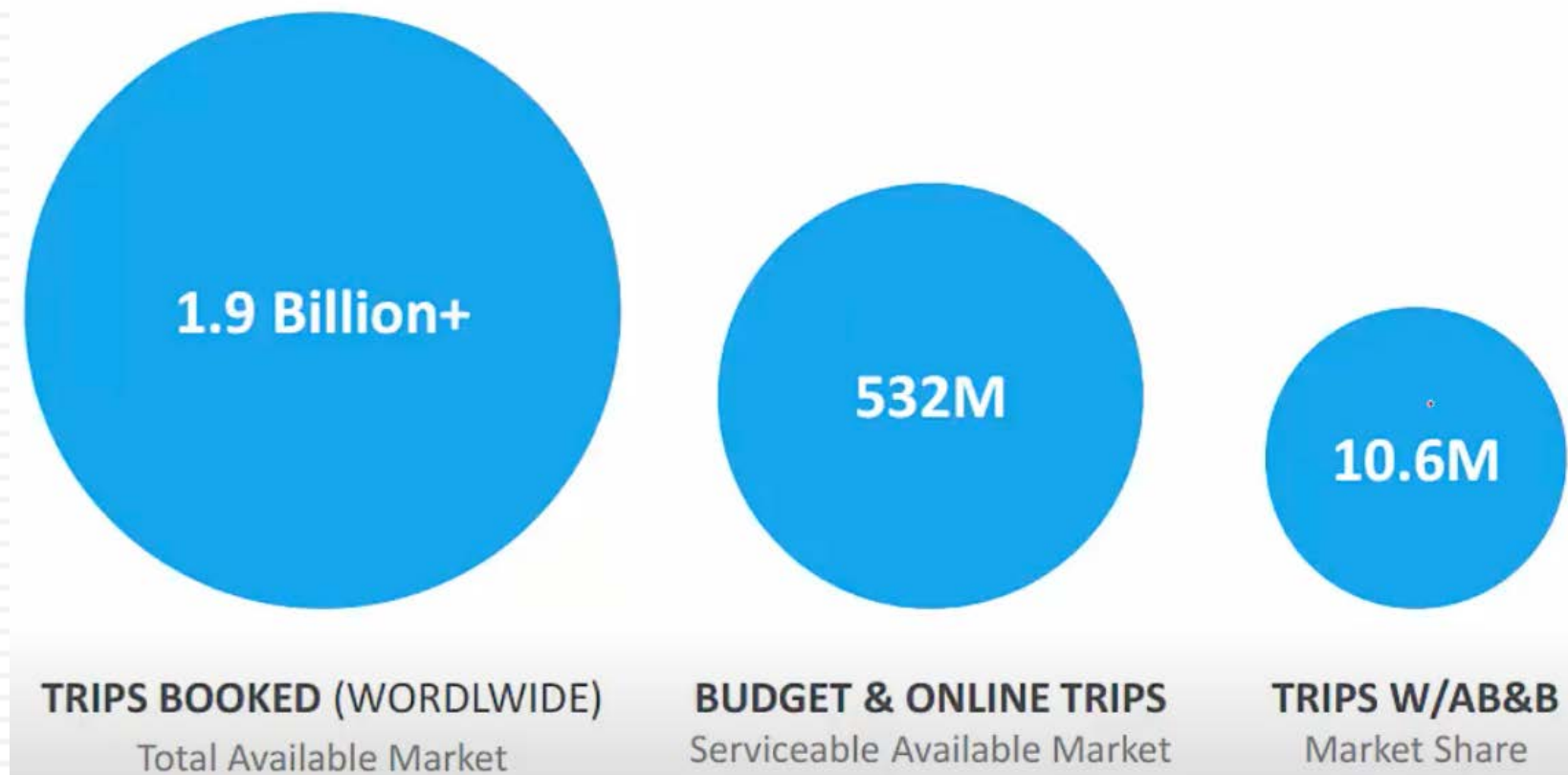
It is concentrated, and getting more so...



The US is the biggest market, but China is growing.



Airbnb's TAM in 2011



Airbnb's TAM in 2020

- In its prospectus, Airbnb has expanded its estimate of market potential to \$3.4 trillion, as evidenced in this excerpt from the prospectus:
 - *We have a substantial market opportunity in the growing travel market and experience economy. We estimate our serviceable addressable market ("SAM") today to be \$1.5 trillion, including \$1.2 trillion for short-term stays and \$239 billion for experiences. We estimate our total addressable market ("TAM") to be \$3.4 trillion, including \$1.8 trillion for short-term stays, \$210 billion for long-term stays, and \$1.4 trillion for experiences.*
- In my view, Airbnb's targetable market falls somewhere in the middle, clearly higher than just the hotel business of \$600 billion, but below Airbnb's upper end estimate of \$2 trillion for this business.
- Given how much trouble Airbnb has had in the experiences business, I think Airbnb's estimate of \$1.4 trillion for that business is more fictional than even aspirational.

The Players: Hotels

Company Name	Country/Region of Incorporation	Revenues (2019)	Revenues (LTM)	Operating Income (2019)	Operating Income (LTM)	Revenue Growth Rate (2015-2019)	Revenue change in LTM	Operating Margin (2019)	Operating Margin (LTM)
Marriott International, Inc. (NasdaqGS:MAR)	United States	\$ 20,972.00	\$13,770.00	\$ 2,070.00	\$ 675.00	14.41%	-42.93%	9.87%	4.90%
Hilton Worldwide Holdings Inc. (NYSE:HLT)	United States	\$ 9,452.00	\$ 7,248.00	\$ 1,565.00	\$ 288.00	3.83%	-29.81%	16.56%	3.97%
Huazhu Group Limited (NasdaqGS:HTHT)	Cayman Islands	\$ 1,724.92	\$ 1,667.38	\$ 302.70	\$ (50.10)	15.00%	-4.42%	17.55%	-3.00%
InterContinental Hotels Group PLC (LSE:IHG)	United Kingdom	\$ 4,627.00	\$ 3,595.00	\$ 837.00	\$ 392.00	13.22%	-28.57%	18.09%	10.90%
Accor SA (ENXTPA:AC)	France	\$ 4,543.80	\$ 3,421.10	\$ 557.70	\$ (405.10)	-7.20%	-31.50%	12.27%	-11.84%
Hyatt Hotels Corporation (NYSE:H)	United States	\$ 5,020.00	\$ 4,772.00	\$ 234.00	\$ (334.00)	-1.13%	-6.53%	4.66%	-7.00%
Choice Hotels International, Inc. (NYSE:CHH)	United States	\$ 1,114.80	\$ 826.00	\$ 335.10	\$ 180.90	8.02%	-32.95%	30.06%	21.90%
Marriott Vacations Worldwide Corporation (NYSE:VAC)	United States	\$ 4,355.00	\$ 4,262.00	\$ 564.00	\$ 163.00	19.74%	-2.84%	12.95%	3.82%
Wyndham Hotels & Resorts, Inc. (NYSE:WH)	United States	\$ 2,053.00	\$ 1,675.00	\$ 464.00	\$ 301.00	NA	-23.76%	22.60%	17.97%
Minor International Public Company Limited (SET:MINT)	Thailand	\$ 4,110.10	\$ 2,359.80	\$ 351.00	\$ (415.90)	28.52%	-52.28%	8.54%	-17.62%
Wyndham Destinations, Inc. (NYSE:WYND)	United States	\$ 4,043.00	\$ 1,947.00	\$ 828.00	\$ 198.00	-5.20%	-62.25%	20.48%	10.17%
Shangri-La Asia Limited (SEHK:69)	Bermuda	\$ 2,431.20	\$ 1,689.80	\$ 241.10	\$ (133.10)	2.86%	-38.43%	9.92%	-7.88%
BTG Hotels (Group) Co., Ltd. (SHSE:600258)	China	\$ 1,193.60	\$ 833.00	\$ 191.80	\$ (48.90)	21.54%	-38.10%	16.07%	-5.87%
TUI AG (XTRA:TUI1)	Germany	\$ 21,551.00	\$15,999.40	\$ 462.00	\$ (1,191.30)	-0.82%	-32.78%	2.14%	-7.45%
Pandox AB (publ) (OM:PNDX B)	Sweden	\$ 594.40	\$ 277.90	\$ 323.30	\$ 210.70	8.62%	-63.71%	54.39%	75.82%
Hilton Grand Vacations Inc. (NYSE:HGV)	United States	\$ 1,670.00	\$ 835.00	\$ 328.00	\$ 67.00	6.66%	-60.31%	19.64%	8.02%
Mandarin Oriental International Limited (SGX:M04)	Bermuda	\$ 566.50	\$ 382.40	\$ 71.00	\$ (45.80)	-3.58%	-40.79%	12.53%	-11.98%
Extended Stay America, Inc. (NasdaqGS:STAY)	United States	\$ 1,201.50	\$ 1,052.30	\$ 324.50	\$ 175.50	-0.20%	-16.20%	27.01%	16.68%
Shanghai Jin Jiang International Hotels (SHSE:900934)	China	\$ 2,168.50	\$ 1,593.20	\$ 226.00	\$ (55.70)	35.79%	-33.70%	10.42%	-3.50%
The Indian Hotels Company Limited (BSE:500850)	India	\$ 660.10	\$ 385.70	\$ 99.90	\$ (18.10)	-0.27%	-51.15%	15.13%	-4.69%
Resorttrust, Inc. (TSE:4681)	Japan	\$ 1,734.40	\$ 1,528.60	\$ 190.60	\$ 125.90	11.76%	-15.50%	10.99%	8.24%
NH Hotel Group, S.A. (BME:NHH)	Spain	\$ 1,916.80	\$ 1,066.70	\$ 303.70	\$ (167.00)	4.89%	-54.23%	15.84%	-15.66%
The Hongkong and Shanghai Hotels, Limited (SEHK:45)	Hong Kong	\$ 754.10	\$ 569.90	\$ 102.80	\$ 13.40	0.03%	-31.16%	13.63%	2.35%
GreenTree Hospitality Group Ltd. (NYSE:GHG)	Cayman Islands	\$ 156.80	\$ 135.20	\$ 72.10	\$ 49.30	NA	-17.93%	45.98%	36.46%
Meliá Hotels International, S.A. (BME:MEL)	Spain	\$ 2,008.20	\$ 1,025.50	\$ 246.50	\$ (426.60)	2.10%	-59.18%	12.27%	-41.60%
Kyoritsu Maintenance Co., Ltd. (TSE:9616)	Japan	\$ 1,582.90	\$ 1,253.50	\$ 135.70	\$ (22.30)	11.69%	-26.74%	8.57%	-1.78%
Fattal Holdings (1998) Ltd (TASE:FTAL)	Israel	\$ 1,546.70	\$ 1,095.30	\$ 227.20	\$ 11.60	35.86%	-36.88%	14.69%	1.06%
Fosun Tourism Group (SEHK:1992)	Cayman Islands	\$ 2,489.90	\$ 1,812.30	\$ 291.90	\$ 135.10	NA	-34.53%	11.72%	7.45%
Aggregate		\$106,242.22	\$77,078.98	\$11,946.60	\$ (327.50)	5.23%	-34.81%	11.24%	-0.42%
Median						6.66%	-33.33%	14.16%	1.71%

Margins vary widely, and are higher at fee-based, asset light firms, where another entity owns the real estate, and lower at asset-heavy model, where the hotel company owns the real estate.

Revenues have been growing at a moderate rate (6.66%) from 2014-19, but dropped 33.33% in LTM 2020.

The Players: Booking Companies

	Expedia			Booking.com		
	2019	LTM	% Change (Annualized)	2019	LTM	% Change (Annualized)
Gross Bookings	\$107,870.00	\$52,470.00	-61.75%	\$96,400.00	\$48,752.00	-59.71%
Revenues	\$ 12,067.00	\$ 7,026.00	-51.38%	\$15,066.00	\$ 8,897.00	-50.46%
Operating Income	\$ 961.00	\$ (892.00)	NA	\$ 5,345.00	\$ 1,831.00	-76.03%
Revenues/Gross Bookings	11.19%	13.39%		15.63%	18.25%	
Operating Margin	7.96%	-12.70%		35.48%	20.58%	

Business Mix

Airbnb derives almost of its revenues from acting as a booking intermediary. Expedia & Booking.com derive some of their revenues from bookings (agency services), but also have a merchant business (where they buy hotel rooms at discounted rates & sell them at higher prices) and an advertising revenue stream.

Expedia: Merchant (40%), Agency (47%), Ads (13%)

Booking.com: Merchant (25%), Agency (68%), Ads (8%)

Status Quo vs Disruption

Expedia & Booking.com derive most of their revenues from traditional hotel companies, whereas Airbnb plays a more disruptive role, allowing home owners to list their housing units for rent.

The COVID effect

With the COVID shutdown, both Expedia & Booking.com saw a sharp drop in revenues in 2020, with the second quarter of 2020 being the worst hit.

Airbnb vs Booking Companies

- Other businesses: Both Expedia and Booking.com also operate in other businesses that drive revenues and margins. First, they generate revenues by buying blocks of hotel rooms at a discount from hotels, and then reselling them at a higher price, in what they call the "merchant" business. Second, they also derive revenues from online advertising by hotels and travel providers. Expedia gets a much larger share (47%) of its revenues from the merchant business than Booking.com (25%), which may explain its lower margins.
- Status Quo vs Disruption: Both Expedia and Booking.com were designed to make money off the status quo and derived all of their revenues until recently from existing hotels and airlines. In reaction to Airbnb's success, both companies have tried to expand into the home and apartment rental businesses, but these listings still represent a small fraction of overall revenues.

The Airbnb Story

- Continued Growth: Airbnb will continue to grow, while finding a pathway to profitability. Airbnb's growth in gross bookings will come not only from disrupting and taking market share from the hotel business, bad news for conventional hotel companies and travel providers who serves them, but also from continued expansion of non-conventional hospitality providers (home and apartment owners).
- Revenue share stable + Improving margins: As it grows, Airbnb's share of those gross bookings is likely to plateau at close to current levels, but its operating margins will continue to improve towards travel booking industry levels, as product development, marketing and G&A costs decrease, not in dollar terms, but as a percent of revenues.
- Experiences business is tangential: While Airbnb is enthusiastic about the experiences business, it is likely to remain a tangential business, contributing only marginally to revenues and profitability.
- Low Risk, for a young company: Since Airbnb has a light debt load and is closer to profitability than most of the sharing-economy companies that have gone public in recent years

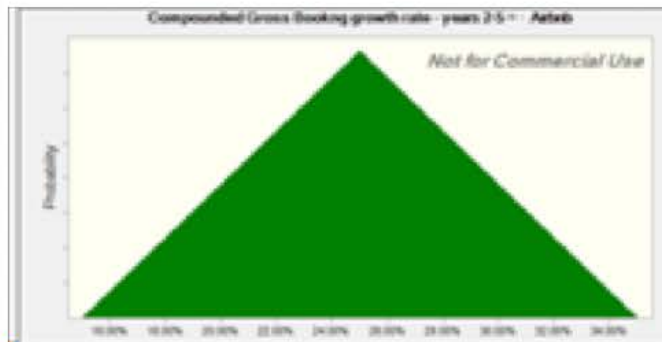
Airbnb					Nov-20	
The Story						
Airbnb has brought the sharing economy to housing, connecting home owners (hosts) who own units or houses that they want to rent with renters (guests) online, collecting a percentage of the transaction revenues from both sides of the transaction. Its low capital intensity model and extended reach has allowed it to expand not only to almost every part of the world (220 countries) but also provide an unmatched range of offerings. The growth in gross bookings has started to slow down, as the company gets bigger, and the COVID shut downs made 2020 a regressive year. That said, as its competitors in the hotel business have been damaged far more by the crisis, Airbnb will be able to recover quickly from the crisis, and continue on its growth path. Economies of scale will allow for only mild improvements in revenues as a % of gross billings, but the brokerage-based business will generate high margins, in steady state, and require relatively little reinvestment.						
The Assumptions						
	Base year	In 2021	Years 2-5	Years 6-10	After year 10	Link to story
Gross Bookings & Growth Rate	\$ 26,491,803.00	40.00%	25.00%		2.00%	Growth continues, as hotels scale back growth plans after COVID shock.
Revenues as % of Gross Bookings	13.69%	12.65%			14.00%	Mild economies of scale allow slight increase in percent over time
Operating margin (b)	-13.69%	-10.0%			25.00%	Higher margins than the hotel business, but lower than ad driven businesses.
Tax rate	25.00%	0.00%			25.00%	Global/US marginal tax rate, after NOLs are used up.
Reinvestment (c)		Sales to Capital =		2.00	20.00%	Low capital intensity business
Return on capital	-25.61%	Marginal ROIC =		65.81%	10.00%	Networking benefits allow for high value growth
Cost of capital (d)			6.50%	7.23%	7.23%	Cost of capital moves up over time.
The Cash Flows						
	Gross Bookings	Revenues	Operating Margin	EBIT (1-t)	Reinvestment	FCFF
1	\$ 37,088,524.20	\$ 4,691,698	-10.00%	\$ (469,170)	\$ 532,984	\$ (1,002,153)
2	\$ 46,360,655.25	\$ 5,989,797	-3.00%	\$ (179,694)	\$ 649,049	\$ (828,743)
3	\$ 57,950,819.06	\$ 7,565,479	0.50%	\$ 37,827	\$ 787,841	\$ (750,014)
4	\$ 72,438,523.83	\$ 9,554,641	4.00%	\$ 382,186	\$ 994,581	\$ (612,395)
5	\$ 90,548,154.79	\$ 12,065,542	7.50%	\$ 777,799	\$ 1,255,450	\$ (477,651)
6	\$ 109,019,978.36	\$ 14,674,089	9.52%	\$ 1,047,952	\$ 1,304,274	\$ (256,322)
7	\$ 126,245,134.94	\$ 17,163,026	13.39%	\$ 1,723,792	\$ 1,244,469	\$ 479,323
8	\$ 140,384,590.06	\$ 19,274,804	17.26%	\$ 2,495,269	\$ 1,055,889	\$ 1,439,380
9	\$ 149,649,973.00	\$ 20,748,969	21.13%	\$ 3,288,271	\$ 737,082	\$ 2,551,189
10	\$ 152,642,972.46	\$ 21,370,016	25.00%	\$ 4,006,878	\$ 310,524	\$ 3,696,354
Terminal year	\$ 155,695,831.91	\$ 21,797,416	25.00%	\$ 4,087,016	\$ 817,403	\$ 3,269,612
The Value						
Terminal value	\$ 62,516,491					
PV(Terminal value)	\$ 32,633,194					
PV (CF over next 10 years)	\$ 1,234,582					
Value of operating assets =	\$ 33,867,776					
Adjustment for distress	\$ 1,693,389		Probability of failure =		10.00%	
- Debt & Minority Interests	\$ 2,192,381					
+ IPO Proceeds	\$ 3,000,000		Based upon early news stories. May change as final offering details are set.			
+ Cash & Other Non-operating assets	\$ 4,495,211					
Value of equity	\$ 37,477,217					
- Value of equity options	\$ 1,351,835					
Number of shares	935,298.09		Filler for the moment. Will update when final prospectus is filed			
Value per share	\$ 38.62		Stock was trading at = \$35.00			

The Key Drivers

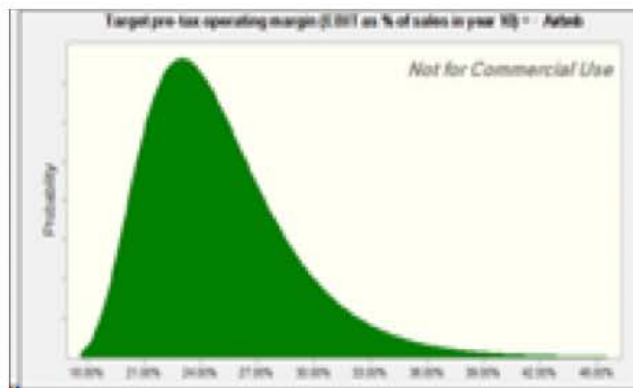
Value of Airbnb Equity today (in \$ billions)					
	Target Operating Margin (in 2031)				
Gross Billings in 2031 (in \$ billions)	15%	20%	25%	30%	35%
\$100.00	\$14.44	\$19.83	\$25.22	\$30.61	\$35.99
\$125.00	\$16.86	\$23.52	\$30.17	\$36.82	\$43.87
\$150.00	\$19.42	\$27.40	\$35.38	\$43.34	\$51.30
\$175.00	\$21.78	\$30.97	\$40.16	\$49.35	\$58.53
\$200.00	\$24.22	\$34.67	\$45.11	\$55.54	\$65.98

Airbnb IPO: Simulation of Equity Value in November 2020

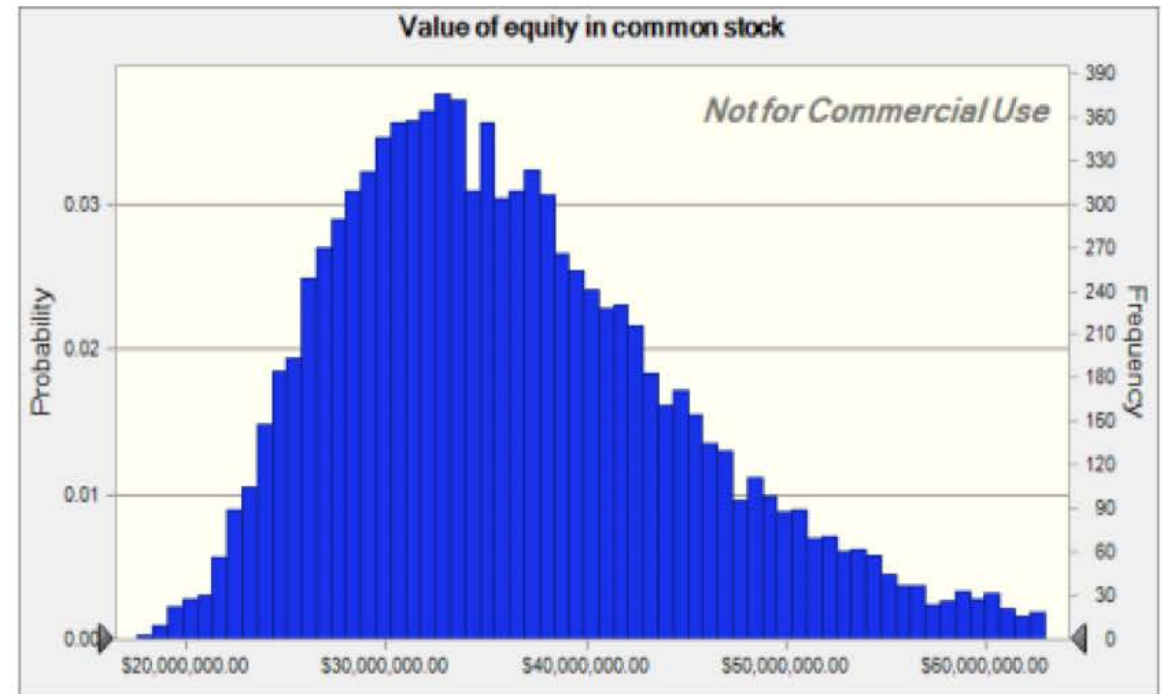
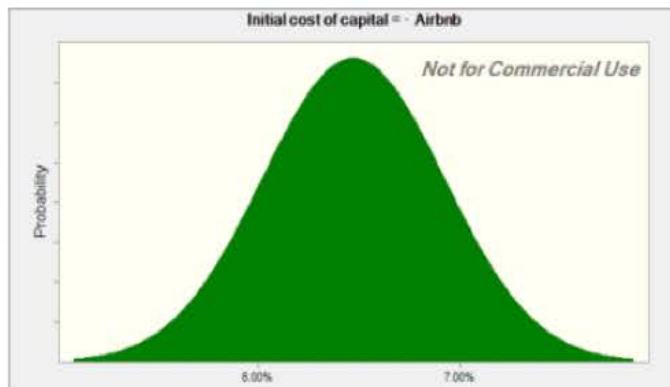
Growth rate in Gross Bookings: 2022-2025
Expected = 25%, Max = 35%, Min = 15%



Target Operating Margin in year 10
Expected = 25%, Std Dev = 4%



Cost of Capital (initial)
Expected = 6.50%, Std Dev = 0.45%

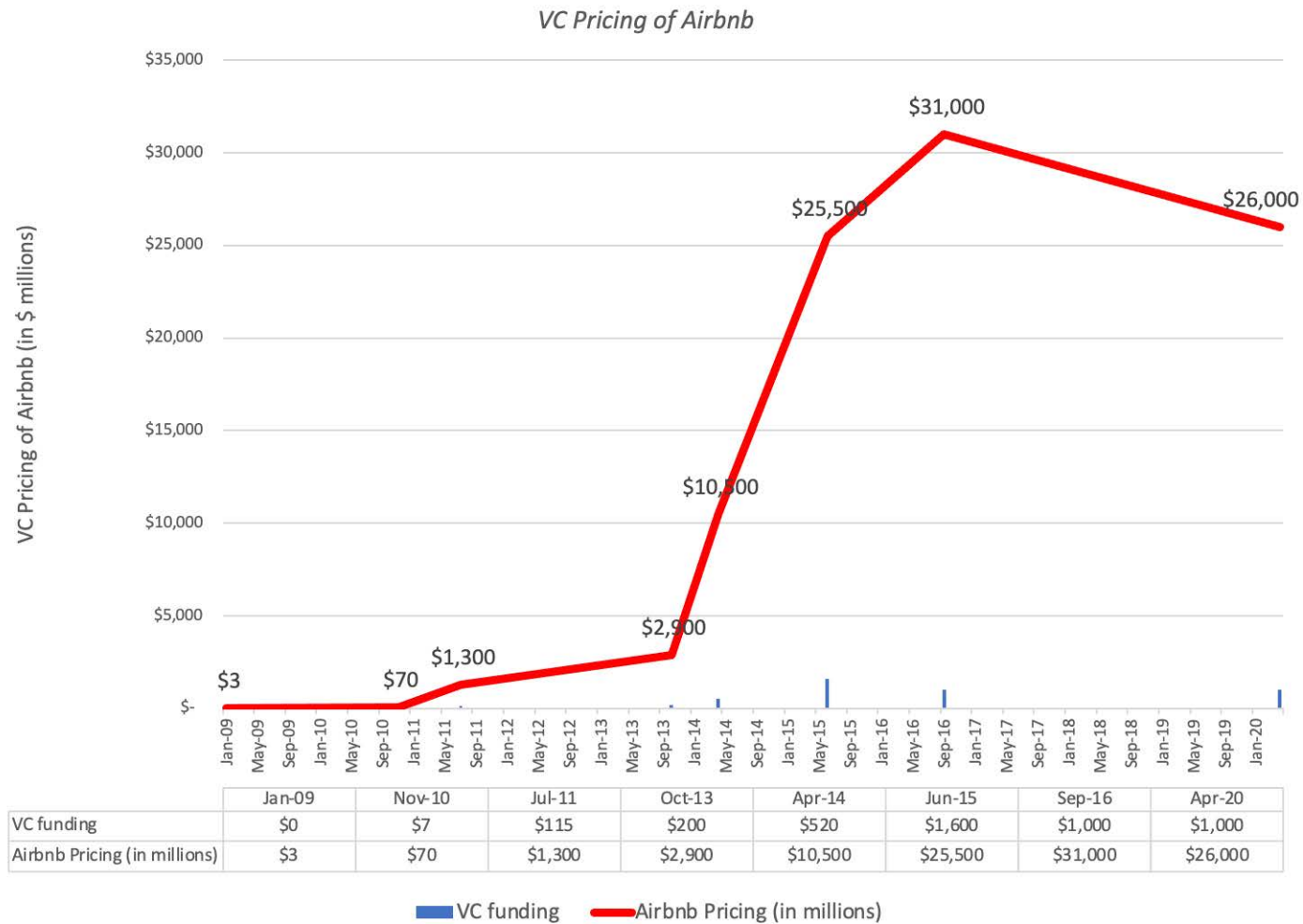


Percentile	Forecast values
0%	\$17,591,165
10%	\$26,150,864
20%	\$28,790,133
30%	\$30,952,251
40%	\$32,981,840
50%	\$35,114,898
60%	\$37,463,932
70%	\$40,181,915
80%	\$43,595,272
90%	\$49,120,328
100%	\$100,382,037

Previewing the IPO Pricing Game

- A Pricing Game: While we can debate what Airbnb's value truly is, an IPO is a pricing game.
 - ▣ Put simply, rather than operate under the delusion that it is value that drive decisions, it is healthier to recognize that bankers price IPOs, not value them, for the offering
 - ▣ Much of the trading on the offering day and the weeks thereafter is driven by traders, trying to gauge mood and momentum.
- To price an IPO, traders look at two places for guidance.
 - ▣ The first is the VC pricing of the company in the rounds leading into the public offering.
 - ▣ The second is the market pricing of publicly traded companies in the peer groups, companies that investors will compare the company to, in setting prices.

The VC Pricing of Airbnb



Peer Group Pricing

	Largest US-based Hotel Chains									
	Market Cap	Enterprise Value	Revenues	EBIT	Net Income	PE	EV/Sales	EV/EBIT		
Marriott	\$ 41,620	\$ 52,150	\$ 20,972	\$ 1,938	\$ 1,273	32.69	2.49	26.91		
Hilton	\$ 28,960	\$ 37,530	\$ 9,452	\$ 1,576	\$ 881	32.87	3.97	23.81		
Intercontinental	\$ 11,642	\$ 13,430	\$ 4,627	\$ 764	\$ 385	30.24	2.90	17.58		
Hyatt	\$ 7,439	\$ 9,010	\$ 5,020	\$ 197	\$ 766	9.71	1.79	45.74		
Choice Hotels	\$ 5,682	\$ 6,600	\$ 1,114	\$ 334	\$ 222	25.59	5.92	19.76		
Wyndham	\$ 5,402	\$ 7,500	\$ 2,053	\$ 442	\$ 157	34.41	3.65	16.97		
Aggregate	\$ 100,745	\$ 126,220	\$ 43,238	\$ 5,251	\$ 3,684	27.35	2.92	24.04		
	Largest US-based Travel Booking Companies									
	Market Cap	Enterprise Value	Gross Billings	Revenues	EBIT	Net Income	PE	EV/Gross Billing	EV/Sales	EV/EBIT
Booking.com	\$ 84,067	\$ 85,530	\$ 96,400	\$ 15,066	\$ 5,345	\$ 4,865	17.28	0.89	5.68	16.00
Expedia	\$ 17,503	\$ 22,480	\$ 107,870	\$ 12,067	\$ 961	\$ 565	30.98	0.21	1.86	23.39
Aggregate	\$ 101,570	\$ 108,010	\$ 204,270	\$ 27,133	\$ 6,306	\$ 5,430	18.71	0.53	3.98	17.13

Pricing Airbnb

	2019	2025
Gross Bookings (Airbnb)	\$38,000	\$90,548
Estimated EV (with Booking.com #s)	\$33,715	\$58,720
Estimated EV (with Expedia #s)	\$7,919	\$13,792
	2019	2025
Revenues (Airbnb)	\$4,805	\$12,065
Estimated EV (with Booking.com #s)	\$27,278	\$50,062
Estimated EV (with Expedia #s)	\$8,951	\$16,428

Current Multiples

To estimate the pricing today, based upon 2019 numbers, I apply the multiple of gross bookings or revenues to these numbers.

Forward Multiples

To estimate the pricing today, based upon 2025 numbers, I first estimate the enterprise value in 2025, and then discount it back 5 years at Airbnb's 6.50% cost of capital.

Pick your game..

- Play the trading game: In the trading game, value is a minor factor, at best. Your success will depend upon gauging the market mood and momentum on Airbnb and getting ahead of it.
- Play the investing game: Make your best assessment of value, and then base your decision on that value assessment. With my value assessment of \$36 billion for the equity value:
 - If equity is priced at <\$28 billion (20th percentile): A bargain
 - If equity is priced between \$28 & \$33 (40th percentile) billion: A solid buy
 - If equity is priced between \$33 (40th percentile) & \$38 billion (60th percentile): A fair value
 - If equity is priced between \$38 (60th percentile) & \$44 billion (80th percentile): Too richly priced
 - If equity is priced > \$44 billion: Over valued