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Airbnb, Inc. (ABNB)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for joining Airbnb's Earnings Conference Call for the Third Quarter of 2021. As a reminder, this conference call is being recorded and will be available for replay from the Investor Relations section of Airbnb's website following this call.

I will now hand the call over to Ellie Mertz, Vice President of Finance. Please go ahead.

Ellie Mertz

Vice President - Finance, Airbnb, Inc.

Good afternoon, and welcome to Airbnb's third quarter of 2021 earnings call. Thank you for joining us today. On the call today, we have Airbnb's Co-Founder and CEO, Brian Chesky; and our Chief Financial Officer, Dave Stephenson. Earlier today, we issued a shareholder letter with our financial results and commentary for our third quarter of 2021. These items were also posted on the Investor Relations section of Airbnb's website. During the call, we will make brief opening remarks and 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've 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.

And with that, I'll pass the call to Brian.

Brian Chesky

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

Thank you, Ellie, and good afternoon, everyone. Thanks for joining us today. I'm really excited to share our results with you.

The travel rebound that began earlier this year accelerated in the third quarter. Q3 was Airbnb's best quarter yet. Revenue of \$2.2 billion was our highest ever, surpassing 2019 by 36%. Net income of \$834 million was our highest ever, nearly 4x larger than a year ago. Adjusted EBITDA exceeded \$1 billion, also our best ever. Our EBITDA margin was 49%, an increase of 30% or 3,000 basis points compared to Q3 2019. Over the summer, we also reached a major milestone with 1 billion cumulative guest arrivals. This means that Airbnb has been used more than 1 billion times since we started.

Now, finally, I'm delighted to report that our Hosts earned a record \$12.8 billion in the quarter. Our results show that the growing strength in the travel rebound is here despite the continued pandemic. We saw continued strength in North America and EMEA, and an acceleration in Latin America, despite sequential increase of

cancelations. Now excluding APAC, our total global Nights and Experiences Booked exceeded 2019 levels. Gross booking value of \$11.9 billion shot above 2019 levels by 23%, driven by the strength of ADR.

But something bigger than a travel rebound is happening. The world is undergoing a revolution in how we live and work. The pandemic has suddenly untethered tens of millions of people from the need to go into an office. Technologies like Zoom make it possible to work from home. Airbnb makes it possible to work from any home. And this newfound flexibility is bringing about a revolution in how we travel. Because for the first time ever, millions of people can now travel anytime, anywhere, for any length and even live anywhere on Airbnb. And we believe that this trend towards more flexibility will only accelerate.

In recent months, some of the world's largest companies, Procter & Gamble, Amazon, Ford, PricewaterhouseCoopers, have announced increased flexibility for employees to work remotely, and we expect many more companies to follow their lead. And so, what we're seeing are several trends as a result of this travel revolution. First, people can travel anytime. Because many people don't have to be in the office at specific times, they have more flexibility on when they can travel. So, families are increasingly traveling outside the traditional weekend trip. And in fact, Mondays and Tuesdays are currently our highest growing days of the week to travel. This is really interesting.

The second trend we're seeing is that people are traveling everywhere, literally everywhere. During the pandemic, over 100,000 cities have had at least one booking on Airbnb and that includes 6,000 towns and cities who have received their first booking ever on Airbnb. The third trend we're seeing is people aren't just traveling in Airbnb, they are now living on Airbnb. Long-term stays of 28 days or more remained our fastest growing category by trip length. People are traveling on Airbnb for extended vacations, relocation, temporary housing, student housing and many other reasons.

Now finally, more people are also interested in hosting than ever before. We ended Q3 with the most active listings ever, and there are two reasons for this. First, our demand is driving more supply. In fact, our highest supply growth is in our highest-demand destinations, particularly North America and EMEA. And second, our marketing and product initiatives to attract new Hosts are working.

Now, we're constantly improving our service to meet this new way of traveling and the wave of guests it'll bring. On May 24, we introduced the Airbnb 2021 Release, which included more than 100 upgrades across every aspect of the Airbnb service. On November 9, which is next Tuesday, we'll be announcing the Airbnb 2021 Winter Release, and this release will include another 50 upgrades and innovations that will make it easier to host and support the changing needs of guests. And you can watch it right on our homepage next Tuesday at 8:00 AM Pacific Standard Time. So, I hope you can tune in to see it. I'm really excited about what we have to share.

So, now, let's turn to our progress on our 2021 plan. Now, as a reminder, our single priority in 2021 has been to prepare for the travel rebound. To do this, we've been perfecting the end-to-end experience of our core service, and this includes educating the world about hosting, recruiting more Hosts, simplifying the guest experience, and delivering world-class service. So, let me give you an update on each of these.

First, we are educating the world about what makes Airbnb different, and that is hosting. Earlier this year, we launched our first large-scale marketing campaign in five years, Made Possible by Hosts. We're educating guests about the benefits of being hosted, and we're also inspiring more people to become Hosts. And we continue to be encouraged by the results of this campaign. Second, we are recruiting more Hosts and setting them up for success. On May 24, we launched a completely redesigned Host onboarding flow that makes it simpler for anyone to start hosting. Throughout the process, potential Hosts can now be paired with Superhosts to answer

their questions or concerns. We began Ask a Superhost in nine countries, and we've since expanded the program to over 30 languages in 196 countries.

Third, we're simplifying every part of the guest experience. Earlier this year, we introduced I'm Flexible, a whole new way to search on Airbnb when guests are flexible about where or when they're traveling. Now since launch, guests have used I'm Flexible more than 500 million times. That's due to the popularity of this feature. We're soon making it even more flexible by expanding the date-ranges feature as well as adding more categories of unique stays. So, we're really excited about the progress of this feature. And finally, four, whenever a Host or guest need us, we must deliver world-class service. In September, we launched dedicated Superhost support in North America, giving our most experienced Hosts priority access to our most experienced support agents. We're expanding this support to all Superhosts globally by the end of the year.

So, that is our plan for 2021. Now, before I go to questions, I have one update that's bittersweet. Three years ago, Ann Mather became the second independent director to join our board after Ken Chenault. Since then, our team has benefited from her guidance. Now, Ann recently made the decision to reduce the number of boards she sits on, and sadly for us, that means she'll be departing our board of directors on December 15. Now, Ann's been a critical member of our team as we transitioned from a private to public company, and we appreciate everything she's done. And we look forward to having another independent director as soon as possible. And I know that being on the Airbnb board in the midst of global pandemic is no easy task, and I want to once again thank you, Ann, for everything you've done.

So, to recap, Q3 was Airbnb's best quarter ever. Revenue, adjusted EBITDA, and net income were our highest ever. Travel is undergoing a revolution. People are now taking longer trips, traveling to more locations, and even living on Airbnb. As the world changes, we continue to innovate. We've made more than 150 upgrades innovations this year alone.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Eric Sheridan from Goldman Sachs. Eric, please go ahead.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much for taking the questions. It's been a big year in terms of innovation and investing behind supply. Brian, would love to get a little bit more color on what you see as the key learnings from rolling some of those investments out into the marketplace and how they can inform the way investors should be thinking about supply growth and innovation in the years ahead. Thanks.

Brian Chesky

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

A

Yeah. Thank you very much, Eric. So yeah, this has been a really great year for supply growth. We have more active listings on Airbnb today than we ever have. And it's important to just share a few thoughts on supplies. Number one, we are quite different than our competitors. Airbnb, we have 4 million Hosts, and 90% of our Hosts are individuals. That means they could never have hosted if not for the tools that we provide. And the vast majority are only listed on Airbnb. And we find that if we make hosting easier and if more people know about hosting and we give Hosts more support, more people will become Hosts. And so, our strategy is a full lifecycle. It starts with making sure more people know about hosting. You see, the Airbnb brand is very mainstream. Our brand is a noun and verb used all over the world, but hosting is not as mainstream.

And so, the first thing we're doing is we're raising awareness about hosting. This year, we did our first brand campaign in five years, Made Possible by Hosts. It uses real photos from real trips to highlight what makes Airbnb different, and that's Hosts. The great thing about that ad is it also is able to attract more Hosts to Airbnb as well. So, once we're able to increase awareness of hosting, then the name of the game is making it easier to host. And on May 24, we had showed a simple 10-step process to become a Host where we've radically reduced the number of steps and made it easier to host, and conversion rate for people starting to List Your Space flow is up.

Third, if a Host needs help, we're going to give them support. So, we launched Ask a Superhost. Ask a Superhost pairs prospective Hosts with our very best Superhosts on Airbnb. And since we launched this feature in May, more than 50,000 prospective Hosts have used it, and we're now expanding this to 196 countries globally. And finally, we're continually investing in more tools to allow Hosts to expand their business. And what all this means is that you're going to see a continued innovation from us. What we've seen is an increase in the trajectory of number of people becoming a Host.

The other point, though, Eric, I just want to make is the following. On no night are we ever supply constrained globally on Airbnb. The vast majority of Hosts only rent occasionally. And so, the Holy Grail of travel is pointing demand to where we have supply. Before the pandemic, most people were very fixed in their search parameters. They had a destination in mind, and they had dates in mind. But now because many people don't have to go back to an office, they're more flexible. And this means that we can point them to where we have supply.

And this is the power of I'm Flexible. Over 500 million searches have used flexibility. More than 40% of our searches, guests are flexible on where or when they're traveling. So, this is what we're doing. We're focused on a

full funnel approach to supply acquisition, and we're pointing demand to where we have supply. And I expect we'll have plenty of supply for years to come.

Operator: Our next question comes from Mario Lu from Barclays. Mario, please proceed.

Mario Lu

Analyst, Barclays Capital, Inc.

Q

Great. Thanks for taking the question. I have a couple on the long-term stays of 28 days or more. You guys mentioned that it was roughly 20% of room nights booked in 3Q. But I think in the first quarter, it was around 24%. Was this mostly due to seasonality that it declined slightly since then? And then at a higher level, any updated views on how large a TAM these volumes could attract over time? Thanks.

Brian Chesky

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

A

Yeah, Mario, why don't I give the mix shift to Dave, and I then can talk a little more broadly about the strategy. Dave?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yes. The majority of the decrease is simply the increase of short-term stays kind of coming back. It still remains to be – long-term stays has been one of the fastest-growing parts of our business pre-COVID. It was a trend that we were seeing in the pre-COVID era. It just continued to be strong during COVID, and it remains strong today. And so, yeah, the decrease is just the fact that short-term stays continue to come back.

And in terms of the market opportunity of long-term stays is we think this adds hundreds of billions of dollars to our overall long-term TAM opportunity with long-term stays.

Brian Chesky

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

A

And I'll just share a few more thoughts, Mario. We've just seen a major paradigm shift in travel. Before the pandemic, short-term stays was really the primary business that we were in. What we actually saw was that long-term stays was our fastest growing segment of business even before the pandemic. So, I think what the pandemic did is it accelerated an inevitable trend. There was already this emerging category between classic traveling and really kind of permanent housing, which was people seeking stays of weeks at a time or even months at a time. And I think what the pandemic has done is just accelerated this.

We're going to see I think we're going to see a lot more people going away as they have newfound flexibility, even people with families who can't go away during the year, they may be able to travel a little bit longer during summers as well. So, this is really exciting. And the only other thing I'd just add is nearly half of our business is for more than a week as well. So, these are really exciting categories, and I think it's a huge amount of growth going forward for these different segments.

Mario Lu

Analyst, Barclays Capital, Inc.

Q

Great. Thanks, Brian. Thanks, Dave.

Operator: Our next question comes from the line of Jen Shi from Bank of America. Jen, please go ahead.

Jen Shi

Analyst, BofA Securities, Inc.

Q

Thanks for taking the question. This is Jen on for Justin. Just wondering, so you guys mentioned that with the Host initiatives you're gaining supply in very popular areas like North America and Europe. Just wondering, are you seeing supply opening up in urban areas? And as mix shift kind of comes back to urban and cross-border travel, how should we think about the impact on ADRs, take rate and maybe margins in future years?

And then just one follow up on marketing spend. Looking at marketing spend trends, obviously this year has been super positive compared to pre-pandemic spending. You have a lot of leverage there. Just wondering, do you see a scenario where maybe you would have to be more aggressive on marketing if hotel travel was coming back? Thanks.

Brian Chesky

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

A

All right. So, thank you, Jen. I heard three questions. One is about supply growth in urban. The next is mix shift that's impacting ADR. And then marketing spend. Dave, do you want to take these? I think these would be great for you to take.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. In terms, again, one of the things to remember is the reason why we kind of highlight on the call the growth in our supply in the non-urban areas of North America and Europe is that we get the supply when we have the demand. And that's why it's gone up 15% since the beginning of the year, because that's also where there's the biggest demand.

Now, we're obviously seeing greater demand pickup in our more urban areas, so the percentage of nights in the urban areas is starting to increase. They're now maybe 46% of our nights, which is still down from maybe 60% of our nights kind of pre-COVID, and so we'll continue to see listings growth in those more urban areas as the demand kind of keeps coming back. So, until I think we'd be back to full demand, we actually don't need incremental growth because we're still below our nights that we had back in 2019. But again, the important part is that we get the supply when we need it because the supply will follow that demand. And we're continuing to make it easier for new supply to come on board.

In terms of forward-looking ADRs, the high average daily rate we've seen throughout this last year has been primarily driven by the mix of types of stays and the locations, so it's a mix of Europe and North America have higher average daily rates, non-urban, whole home, larger homes, all of those reasons have been driving up the rates overall. And the other thing we start seeing a little bit more in Q3 was some price appreciation in high demand areas. And so, it was a combination in Q3 of both a mix of types of stays and some of the price appreciation.

What we do anticipate as urban comes back and more markets like Asia and Latin America which have lower average daily rates, we anticipate the overall ADR to moderate some, but we also believe that some of the higher ADR will sustain for the future. So, in terms of – and then what we did say also in our shareholder letter is that we anticipate that the ADRs in Q4 should be relatively consistent with the ADRs we had here in Q3.

In terms of marketing, we're really happy with the adjusted marketing approach that we have taken. Now again, this was a pre-COVID change that we made where we began to invest in our strength. And our strength is the brand of Airbnb. And we modified that marketing approach pre-COVID. We reduced our reliance on search engine marketing. And then in COVID, we have shifted it even just more significantly, more quickly, and we're really pleased with those results.

As Brian mentioned, this broader brand campaign talking about Made possible by Hosts, it gets to talk to both sides of our marketplace. It both recruits new Hosts to Airbnb and talks to guests about why you'd want to stay in Airbnb. And we're really happy with those results and plan to continue with the strength of that. We've increased our relative marketing rate this year just given the fact that the business has been growing quite well. And so – but on a relative basis, our marketing expenses as a percentage of revenue are down from levels we had in 2019. And we should anticipate that it will be in this kind of range for the foreseeable future.

Brian Chesky

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

A

And I can just share, just to really recap briefly our marketing strategy, we take a really different approach than our competitors. It's a full-frontal integrated marketing strategy. And it really starts with PR and word-of-mouth. And really word-of-mouth and PR is how we built the brand for the vast majority of years before we even had enough money to have a marketing budget. And because of that, Airbnb is a really well-known brand that's a noun and a verb used all over the world. And because of this, more than 90% of our traffic was free or unpaid in Q3, and so we think of marketing as really education.

Brand marketing is really about educating people about our highly differentiated product and then performance marketing for us isn't really a way to buy customers, it's a way to laser in on balancing supply and demand. So, we think this is a really unique approach and I think that it's just really all about continually investing in our brand. And over time, we think the amount of the loyalty to the brand will only increase.

Jen Shi

Analyst, BofA Securities, Inc.

Q

Great. Super helpful. Thank you both.

Operator: Our next question comes from Kevin Kopelman from Canaccord (sic) [Cowen]. Kevin, your line is now open.

Kevin Kopelman

Analyst, Cowen and Company

Q

Thanks a lot. So it's Kevin from Cowen. Can you give us a sense of the booking trends in the fourth quarter quarter-to-date? You mentioned acceleration in the shareholder letter. Are you seeing that back to Q2 levels yet in terms of growth as compared to the same quarter in 2019? Just given kind of the Delta slowdown, that would be helpful. Thanks.

Brian Chesky

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

A

Hey, Kevin. Thanks for the question. Dave, you want to take this?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. What we're seeing is continued strength in – growing strength in the business as borders are starting to open up, people are more vaccinated, more willing to kind of travel, we're continuing to see booking strength. And that's why we're going to be seeing gross booking, rate of gross booking value growth increasing from Q3 to Q4. I don't have the specific percentage that we're sharing on the call today. There can be some variability on the overall growth. But it is accelerating, and that's what's included in our guidance estimate that we have shared.

Kevin Kopelman

Analyst, Cowen and Company

Q

Thank you.

Operator: Our next question comes from Stephen Ju from Credit Suisse. Stephen, your line is now open.

Stephen Ju

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Thank you. Brian, I don't know if you have data, this data, but I'll go ahead and ask anyway. But are you able to say perhaps what percentage of your registered users perhaps have younger children who until now were not able to get vaccinated? I'm just trying to get a sense for how much incremental pent-up demand you may have waiting for you as parents start to feel better about traveling more with their younger kids. Thank you.

Brian Chesky

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

A

Yeah. Thanks for the question, Stephen. And I don't think we have that data specifically. But I can just share a couple high-level thoughts with you. I think that we're going to be entering a new golden age of travel. I tend to think that the last 18 months have been the world's been turned on its head. And I think that many people yearn for what was taken away from them. Now not everything that was taken away from us do I think we all want back, but I think one of the things that was taken away from a lot of people they want back is the ability to travel and the ability to travel freely and be able to travel freely across borders.

And just to give you one anecdote or one data point, on October 15, I believe it was that date that President Biden announced the reopening of the borders for international travelers coming to the United States. Within one week of that announcement, we saw a 44% spike in nights booked for stays crossing borders coming into the United States on Airbnb, for stays November 9 and later, which is when the borders would open. So what we are seeing kind of across the board is evidence of pent-up demand.

I think all the new emerging use cases that exist in Airbnb are here to stay because I think flexibility is here to stay. So, I think a lot of the nearby destinations where people get in cars are here to stay. I think the longer stays, people living in Airbnb is here to stay. But I think what I'm really excited about is the emergence of cross-border travel. Cross-border travel is now 80% of what it was at its peak at Airbnb. It used to be half our business. It went down quite a bit. Now, it's about one-third of our business and growing again. So, yeah, we are seeing a lot of pent-up demand. And, Dave, I don't know if you want to add anything to this.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

No. I think that's a key. Our cross-border travel, it's 33% here in Q3, but we're continuing to see strengthening here in October. More countries are reducing their travel restrictions, and the travel trends continue to improve.

Stephen Ju

Analyst, Credit Suisse Securities (USA) LLC

Q

Thank you.

Operator: Our next question come from the line of Brent Thill from Jefferies. Brent, please go ahead.

Brent Thill

Analyst, Jefferies LLC

Q

Thanks. Just on the cross-border. And when you think of Europe and what you're seeing there, could you drill in and give us a sense of what's starting to happen inside the country there?

Brian Chesky

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

A

Dave, you want to take this?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. We're continuing to see sequential improvement in the net nights booked in October relative to September. So, travel restrictions, as they come off, we're continuing to see that sequential increase. We have more global net nights booked in October 2021 than we did in 2019, so I think that's a really positive sign for Europe. And there are some week-to-week variations, but the trends continue to be up and to the right.

Brent Thill

Analyst, Jefferies LLC

Q

And just as a follow-on, has there been anything surprising to you through this recovery in Europe that just anything that you've seen in underlying trends? Or is it just continued strengthening, as you've been mentioning?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Well, it tends to vary by country. Right? Different countries will have different levels of restrictions in opening. There's obviously a lot of pent-up demand for kind of peak kind of travel. We saw that in Q3 as a big part of the strength in the results of Q3 are Europeans wanting to get into their traditional kind of summer holidays in Spain and Italy and other places. And so, there can be some variation by country throughout, but the strengthening of the business in Europe just kind of continues. We're seeing a nice uptick in bookings, especially even leading into 2022. So, some of the bookings growth that we're seeing now is going to, obviously, be for travel in early next year and throughout 2022.

Brent Thill

Analyst, Jefferies LLC

Q

Great. Thank you.

David E. Stephenson
Chief Financial Officer, Airbnb, Inc.

A

Thank you.

Operator: We now have a question from Doug Anmuth from JPMorgan. Doug, your line is now open.

Dae K. Lee
Analyst, JPMorgan Securities LLC

Q

Hi. This is Dae Lee on for Doug. Thanks for taking the questions. The first one, so based on your conversations with your Hosts, what do you think is the biggest friction point that prevented them from becoming a Host for the first time? And along that line, among the initiatives that you've rolled out for them this year, what resonated the most? And as a follow up, how are these newer Host cohorts performing versus your historical cohorts who didn't have the upgrades that these new Hosts have today?

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

A

All right. Thank you for the question, Doug (sic) [Dae Lee] (29:43). Why don't I take the first part of the question about what the biggest friction points for Hosts are, and then Dave can have the follow-on. Now really, really great question. There's really three parts to the funnel. Number one, do people know about hosting? Number two, is it easy? And number three, can they get help? To me, those are the three parts of the funnel.

So, number one, do people even know about hosting? Well, Airbnb's brand is very much mainstream, so we've seen a huge opportunity in people being able to host. I don't think most people realize that the average Host can make \$9,600, which is more than the stimulus check they've been getting in the United States, and the amount of effort is surprisingly easy. And so, the first thing we have to do is continue to tell the story of hosting, and we've been doing that, and that is working.

The next thing we have to do is make it easier to host. The easier we make something, the more people do it. Airbnb really innovated and built a lot of custom tools to make it easier to host than ever before. This was really the core innovation we have. We built this system of trust where we're continually making it easier to host. We obviously simplified the number of steps to become a Host to ten really simple basic steps. You can do it now quite quickly from your phone or a desktop device. And we have more innovations that are going to make it even easier that we're showing next Tuesday, November 9. So, that's the second part, making it easier. And as we do that, conversion rate goes up.

And then finally, sometimes, people just want to talk to other Hosts. They want to know what it's like. What's it like to let a stranger in your home? How much should I charge? What are the local rules and regulations? And so, having another Host to talk to is really important. Now, this is the power of the Airbnb model. One of the things that makes Airbnb so special is we're a community. And we're a community where Hosts tell other Hosts about Airbnb, and they bring them onto the platform. And so what I'm really excited about is the Ask a Superhost program. We've had more than 50,000 prospective Hosts sign up to use that, and we're going to continue the scale that. And we're announcing on November 9 that we're going to be scaling the Ask a Superhost program. So, these are the three parts of the journey. We continue to focus on these, and we're going to get a lot more Hosts.

Dave, do you want to take the next part, on the Host retention?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. What we're seeing, I can step back – some of the new Host acquisition, it makes it a little too early to tell exactly how the retention and things are going to work for all the new Hosts. But let me step back and broadly share that overall we're seeing churn rate of our Hosts has improved. It's lower than it had been historically, that the actual success rate of new Hosts is increasing, like 50% of new listings receiving a booking in three days, 75% of new listings receiving a booking within eight days. So, they're actually more successful more quickly.

We're seeing, of the new Hosts that are coming on, that they are the traditional Hosts that have been successful on Airbnb, individual Hosts that are largely have exclusive to Airbnb that mainly have a property or two. It's that core individual Host that's still the majority of the Hosts that we're kind of bringing on. And the cross listing of our Hosts is actually down from where it was in kind of pre-COVID times. So, I think the overall health of our hosting community is quite strong and the growth that we're seeing in new Hosts is very consistent with the historic types of Hosts that we've had in the past.

Dae K. Lee

Analyst, JPMorgan Securities LLC

Q

Got it. Thank you.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Thank you.

Operator: Our next question comes from the line of Justin Patterson from KeyBanc Capital Markets. Justin, please go ahead.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you. Brian, you've clearly had a lot of success with flexible stays. What have your learnings been around that, the marketing of that feature to consumers? And what do you think the next steps are to make this a broader consumer behavior? Is that more brand marketing? Or is that something within the app? That's question one.

And then for Dave, question two, how should I think about the pace of the urban recovery going forward? Thank you.

Brian Chesky

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

A

All right. Yeah. Thank you very much for the question, Justin. I'm really excited with I'm Flexible. So, just to recap what the feature is, on May 24, we announced I'm Flexible, a new search tool that allows people to search on Airbnb if they're flexible about where or when they're traveling. And so, if you go to Airbnb's homepage right now, actually if you do it, you'll see a really big button. It says I'm Flexible. If you click on that button, it now takes you to a whole new view of Airbnb where you can completely browse. Now, this is a really special new product we built.

We actually went through millions of listings. And we had to do this really extensive process of organizing our structured data, essentially getting an organized catalog of all of our inventory. If something says it's a treehouse,

is it a treehouse? We made sure every photo is properly labeled. And this feature has been really, really successful. We also have Flexible Dates. Flexible Dates allows people, if they are flexible about when they're traveling to say I'm looking for a place for a weekend or a week or a month anytime over the next six months. Well, those features have been used more than half a billion times.

So, what are our lessons? Well, the first lesson is conversion rates up. The more people use I'm Flexible, the more likely they're going to book on Airbnb because they're more likely to find a property. Number two, what it's showing is we're able to point demand to where we have supply. There's a lot of really unique listings that are in locations that people wouldn't have thought to type in. Right. It might be in a small town you never heard of. Well, with I'm Flexible, it really levels the playing field and allows many more properties to be discovered.

Maybe another way of thinking about it is I'm Flexible turns the home into the destination. So, you don't have to type in the destination. And I'm really excited about this. So, this tells us that we're onto something. It also tells us that there's a new paradigm in travel. And so, I think that this flexibility is here to stay. I think one of the Holy Grails in travel is to answer a question for a guest of where should I go and when should I go? And by having this new flexible features, we're able to really be able to do that.

So, what's next for us is that we're going to continue to invest in this feature. On November 9, we're announcing four new categories of I'm Flexible. There's going to be some really cool features that we can show, so I hope you tune in. We're also expanding the Flexible Dates feature from 6 months to 12 months, so now you can see when these really incredible properties are available anytime in the next 12 months. And we're going to continue to invest in this feature. And I think down the road, this will be a major way that people are searching on Airbnb. And it's so important because again, it allows us to balance supply and demand.

Dave, do you want to take the second question?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yes. I think one thing to kind of step back and remember is that Airbnb's strength has traditionally been cross-border and more urban. I mean that's traditionally where our business strength has been, right. Cross-border has been 50% of our business, the urban's been about 60%, and yet our really strong Q3 results happened while even those two parts of the business are not yet returned to kind of pre-pandemic levels, right. Cross border's still at 33%, the urban, high-density urban's at 46%, so it's not quite back, but it's growing nicely.

So, I think what we're saying about the pace of urban recovery is that that will continue to be additive to our business and the strength that we're seeing overall. I think what's also interesting about the pace of the urban recovery is that the nature of it's even a little bit different. Historically top ten cities in the world contributed approximately 11% of revenue, and now, the top 10 cities are comprising about 6%. So, it's just getting more diverse, more spread in terms of where our distribution of travel is. So, as urban comes back, I think it's still going to be even a more broad spread version of the revenue across the world.

Operator: Our next question comes from the line of Jed Kelly from Oppenheimer. Jed, please go ahead.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Q

Great. Thanks for taking my question. We've seen a couple larger, call them property managers and urban accommodation providers start to scale up inventory. And they'll probably use your platform for bookings. So,

Brian, can you just provide us an update on how you're working with some of the larger property managers? And then in your opening remarks, you did call out some major companies on the work from anywhere trends. Is there any way for you to work closer with them and provide benefits to their workers?

Brian Chesky

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

A

Yes. Thank you for the questions, Jed. Yes. Let me take both of these, large property managers and work from anywhere trends, and how opportunities to work with companies. So, on the first one, though our platform is 90% individual, the 10% of our Hosts that are professionals are very important to Airbnb. And we continue to build new tools for them. And so, this just past year alone, we've had 150 upgrades in innovations and around half of those have been for a Host. And many of the upgrades we have, have also applied to the more professional Host as well.

And so, we're going to be showing off a number of features on November 9 and many of these are going to be innovations for professional Hosts in addition to individual Hosts. So, we're still very focused in this area, and I continue to believe that we're going to be growing really quickly. Just to give you an example, as Dave said, we've seen our fastest growing areas of inventory in North America and Europe in non-urban areas, and certainly, professional Hosts are a part of this, and I think they really love the amount of demand that we provide for them.

Now as far as the work from anywhere approach, I think this is a really exciting area. I mean, as we said, Amazon, Ford, PwC, Procter & Gamble are just beginning the number of companies that have offered a more remote policy. I think it's safe to say that very few companies that have office workers are going to be asking those workers to come back to an office five days a week. And all you have to believe is that people don't come back five days a week. Maybe they come back four days a week, maybe they come back three days a week, maybe they had even more flexible policies, and all we have to do is believe that, to believe that Zoom is here to stay, to believe that work from anywhere is here to stay.

And so, we're starting to see a lot of companies certainly reach out to us. We don't have anything to announce right now, but we are going to continually make it easier for people to be able to live anywhere and work anywhere on Airbnb and integrating with companies, if that's what it takes, of course it would be something that we continue to do more of.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Q

Thank you.

Operator: Our next question comes from the line of Colin Sebastian from Baird. Colin, your line is now open.

Q

Hey, this is [ph] Reese (41:02) on for Colin. I was just wondering if you could talk about kind of the trends you're seeing between the growth in nights booked versus adoption of experiences, and is there any difference in the trajectory of recovery there? And then, maybe just how your relationships with communities are doing. Thanks.

Brian Chesky

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

A

Yes, I can take these. So obviously, the growth of our core business of homes has been very, very strong. With experiences, I really expected last year to be a breakout year for Airbnb Experiences. And, of course, the opposite happened. The pandemic put that product on pause. That being said, it's now been more than a year-and-a-half, and I feel like people can only stay home so many nights watching Netflix, and eventually they want to get out of the house, and I do think people want alternative things like restaurants, especially when they're traveling.

And Airbnb Experiences are very popular amongst our guests. They're actually loved even more than homes statistically from a five-star standpoint. In other words, more guests leave a five-star review for experiences in the homes after they stay. So, I'm very bullish on this product. It's been gradually ramping back up and reopening. We've seen strong growth over the last couple of quarters, and I'm expecting this to be a big area of growth over the coming five years or so. So, that's what we're seeing with experiences.

Now with regard to our relationship with communities, let me just start by saying this. Even before the pandemic, we worked with thousands of cities all over the world. You see we created this new category of travel and we had to work with cities to educate them and work collaboratively with them to be able to really make sure everybody works best for these communities. To give you a stat, we have to-date collected \$4 billion in hotel occupancy tax or transit occupancy tax. You can't collect hotel tax without working with those cities and jurisdictions, so we've had really close relationships with them. And what I've seen over the last year is that the pandemic is actually been a bit of a reset for our relationship with cities, and a reset probably in a good way. Because what we're seeing is, a lot of cities that were concerned with tourism in their markets have a different concern now.

Not over-tourism, a number of cities have concerns of under-tourism. The reduction of business travel, fewer international travelers crossing borders going into big cities means that many of these cities and destinations have revenue shortfalls and just general travel shortfalls. And so, what has happened is, we've had a lot of cities reaching out to us to collaborate. And in fact, we've done 100 partnerships with destination marketing organizations around the world. And I think our new I'm Flexible features where we can point demand to where we have supply also means we can point demand to cities that want it. And so I think this is a really exciting period for us to really renew great relationships with cities all over the world.

Q

Great. Thank you.

Operator: Our next question is from Brian Fitzgerald from Wells Fargo. Brian, please go ahead.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Q

Thanks, guys. On the cross-border travel you opened up, we're just wondering if you could comment on the lengths of stay trends there. Our intuition is that people are going to get on a plane. In the current environment, they probably want to amortize that across a longer stay, but just wondering what you're seeing there. And then the second thing on about the length of stay more generally, you spoke to 28 days-plus, I'm just wondering if you could talk to what you're seeing in terms of maybe a seven-day stay becoming a 14-day and any trends there and any thoughts on how the competitiveness of Airbnb increases versus hotels as one-week stays become two-week stays?

Brian Chesky

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

A

Yeah, why don't I start with that very last question, Brian, and then, Dave, I can hand it over to you and you can talk a little bit more about cross-border, its impact on length of stay, and just the growth of maybe weekly stays is what I think Brian is asking.

But let me start with this question of the competitiveness of long-term stays. It's really quite interesting to think about how we started Airbnb. I started the company when I was 26 years old with two of my friends, and the category we entered was hotels. That was the incumbent industry, an industry that most people like, and travelers have a lot of other options.

If you were to try to stay somewhere for two weeks, three weeks, a month or multiple months, and let's say you're staying somewhere other than the city you live, what are your current options? There's not a lot of players doing this. There's a lot of friction. So we think essentially the longer the length of stay, the more compelling it is to stay in a home. It gets very expensive to stay in a hotel for weeks at a time, and the longer you're away from home, the more I think you want to be in a home. You want a kitchen. You might want a backyard. You want to be able to cook. You just want to feel like you're home and you're not like an outsider. And so, I think that this is going to be a really big opportunity for us, and this is partly why I'm really excited about long-term stays or even stays that are for a week or longer.

Dave, do you want to talk about some of the stats we're seeing?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah, we highlighted on the shareholder letter that 45% of our nights were from stays of at least seven nights. And this is the trend that we're seeing is that the length of stay continues to increase, the number of use cases that people find working with Airbnb in the same way that Brian just mentioned, it's just a better way to travel for longer.

You're not going to want to stay in a hotel room for 28 nights. That those trends are continuing. And I don't have anything specific to say about cross-border and the length of stay directly related to that, but just more broadly that the length of stay continues to increase, and to the extent that it does, it accretes to Airbnb.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Q

Great. Appreciate it, guys.

Brian Chesky

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

A

Thank you.

Operator: Our next question comes from Naved Khan from Truist Securities. Your line is now open.

Naved Khan

Analyst, Truist Securities, Inc.

Q

Good. Thank you. Two questions. Did you see any impact on the Apple iOS changes on your social ad campaigns? And then the second question I had is just around some news articles – we saw that showed that you continue to work on technology to basically help onboard hotels? Maybe just talk about where it fits in your list of priorities.

Brian Chesky

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

A

Yeah, I can take both of those, Naved. Number one, just on Apple, their iOS changes, no, we've not seen any impact on Airbnb. And that's not really the business we're in.

With regards to our efforts to invest in technology onboard hotels, let's just talk a little bit about our strategy with hotels. Last year, we had to make some difficult decisions to put a number of initiatives on pause, like transportation, and scale back some others. And one of the initiatives that we had to scale back a bit was our investment in hotels.

That being said, hotels are still a very important part of Airbnb's strategy. We believe that people come to Airbnb because we have something unique. We have unique hosts that offer something you can't get anywhere else. And so we think that the majority of people come to Airbnb direct to book individual hosts.

That being said, we want to make sure that people come to Airbnb, they always find a place to stay. And sometimes we have network gaps, and we think that hotels are really great ways to fill in network gaps so when somebody comes to Airbnb, they can always find a place to stay. HotelTonight has been growing really steadily in the last couple of years, I'm very excited about the progress, and we're continually investing in this area.

Now, it's not as big a priority as our core business of supporting individual hosts, but we're continually supporting them or continually investing in this area.

Naved Khan

Analyst, Truist Securities, Inc.

Q

Maybe just to follow-up on that, Brian, would we be seeing hotels on the core Airbnb any time in the future or anytime soon?

Brian Chesky

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

A

Will we be seeing what? Hotels?

Naved Khan

Analyst, Truist Securities, Inc.

Q

Will we see hotels on core Airbnb, or?

Brian Chesky

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

A

Yeah. Yeah. I mean yes. And we have tens of thousands of [ph] hotels (49:38) now on Airbnb, and I expect you to see more in the future, for sure. And it's really just a matter of prioritization. Right now we are focused on the most perishable opportunities. The most perishable opportunities right now are scaling as quickly as possible to get as many hosts ready to host as many guests as possible. And so our big priorities are recruiting hosts, simplifying the guest experience, educating the world what makes Airbnb different, that's hosting, and getting world-class

service – getting our service to be at a world-class level. Those are our major priorities, but we are continually investing in hotels.

Naved Khan

Analyst, Truist Securities, Inc.



Thank you.

Operator: Our next question comes from the line of Deepak Mathivanan from Wolfe Research. Deepak, please go ahead.

Zachary Morrissey

Analyst, Wolfe Research LLC



Thanks. This is Zach on for Deepak. Just first on ADRs. I know you kind of called out that the primary driver so far has been this kind of mix shift. But you also noted that you're starting to see some price depreciation in certain high-demand areas. Just curious if you can kind of parse this out a little further? And is that trend kind of concerning to you in the context of Airbnb's long-term growth?

And then second, just related to COVID. I know it's very dynamic and hard to predict. But the restrictions seem to be generally easing, but we are seeing pockets of rising cases and some kind of impediments to travel demand. Do you see any kind of differences in the restrictions today and the impediment to demand behavior today versus 6 or 12 months ago? Thanks.

Brian Chesky

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



Dave, you want to take these?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.



Sure. Let me start with the ADR. The trend that we saw in ADR late last year, the increase in ADR was almost exclusively driven by mix. And so that was the regional mix, urban-nonurban mix, size of home. And then what we saw earlier in the year is some price appreciation as a larger portion of the ADR increase. And that increased a little bit further here in Q3, kind of the peak kind of summer travel season. And then what we're seeing, as I said, in Q4 is our ADRs are relatively stable with what they were in Q3.

Even with these elevated ADRs, again, the majority of the increase has been just on a relative basis due to mix. So there's really no change in the price. Where there is some price appreciation, I think we still have a great value. We're still able to give people homes and stays that they find very valuable in terms of all the amenities, again, maybe a larger place, more amenities, kitchen, more bedrooms, more space to be. And so we think we continue to give a great value. And so we'll continue to monitor it and be mindful of it, but I don't think it's an existential threat to us.

And then the second question is just rising cases, any differences versus earlier in the pandemic? I guess I think what we've seen is just a bit more resilience in guests being willing to travel around the world. Right? There's a little bit of – there could be pockets of variation depending on what governments, frankly, do in terms of opening up borders. But the general trend has continued to be more positive, more up and to the right and more consistent. And I think people, even in the face of various strains of COVID, continue to be wanting to travel, and they find that doing that on Airbnb is the best way to do it.

Zachary Morrissey
Analyst, Wolfe Research LLC

Q

Great. Thanks for the color.

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

A

I'll just add one last comment. We're living in a really fast-changing world, but I don't think we've seen the end of big existential changes in the world. And if you can't predict the future, the best thing you can do is adapt to it, and I think our business model is incredibly adaptable to whatever changes are to come.

Operator: Our next question comes from the line of Mark Mahaney from Evercore ISI. Mark, please proceed.

Q

Thanks a lot. This is [ph] Ben (53:58) on for Mark. So in the last 18 months, COVID has allowed Airbnb to really pivot their product priorities to refocus on the core business. As you look to next year, do you anticipate your investment priorities to change somewhat? Are you going to start focusing on stuff a little bit outside of your core business?

And then the second question, if I could. Just in the letter you talked about in relation to APAC, just the short-term rental restrictions as being somewhat of a drag on the recovery in that region. Are those new restrictions versus 2019? And how significant are they? Do you expect them to be a permanent drag? Thanks.

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

A

Thanks for the question. Dave, do you want to take APAC and start with that? And then I can maybe talk about new investment.

David E. Stephenson
Chief Financial Officer, Airbnb, Inc.

A

Yeah. On APAC, we're not anticipating any short-term rental rate relation changes as being a major negative drag on our business over time. We're just mindful that there can be some variation in what governments are wanting to do, especially during this kind of COVID crisis time. And it varies by area. And we saw a little bit more restrictions in APAC than we did elsewhere.

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

A

And then on your question of new investments, here's what I'd say. I mean we learned some very valuable lessons last year about focus. I remember once I was in college and my teachers told me, Brian, you can do everything you want in your life, just not all at the same time. We certainly learned that lesson last year. We had to scale back initiatives.

But one of the benefits of all that, we took our very best people and we focused them only on a few problems, including recruiting more hosts, simplifying the guest journey, improving our world-class service, and educating the world about Airbnb. And as we've done that, we've not only reduced costs in the business but we've actually

been growing even faster. And so this year has been a year of a relentless innovation to perfect our core service. Nearly one innovation every 48 hours on our core service.

That being said, we are going to do new things at Airbnb. We created this category of travel and I think there's a lot more categories that we can create in Airbnb. And so, we've done two releases this year, we did one in May and one in November. And we're going to do a couple more again next year. And so November will not be the last time you hear from us. You'll hear from us again in the spring where we'll introduce a summer – release for the summer. And we're going to have some really big new offerings as well.

And again, the really big areas I'm excited about that we're currently doing, short-term stays, I think we're realizing that we are just scratching the surface of this incredibly huge opportunity as home sharing continues to grow, long-term stays is an entirely new category of Airbnb.

And I think now the people are getting comfortable crossing borders and getting outside and gathering with other people, experience will be a big opportunity. But this is just the beginning. We have many more innovations in front of us. And we will continue to use our creativity to design new possibilities for people.

Q

Thanks, Brian. Thanks, Dave.

Operator: We currently have no further questions. I will now hand it back over to Brian Chesky for any closing remarks.

Brian Chesky

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

All right. Well, thank you all for joining us today. Just to recap everything, 2021 for Airbnb has been a year of relentless innovation. We launched more than 100 upgrades already this year, and next week we're going to announce 50 more. That's 150 upgrades innovations this year.

Our design-driven approach means that we're constantly improving our service to adapt to this changing world. And the world will continue to change, because for the first time ever millions of people can now travel anytime, anywhere, for any length, and even live anywhere on Airbnb. And this is a travel revolution. So we're just getting started. We have many more innovations to share with you, starting with some exciting announcements next Tuesday.

So thank you all for joining today. And we'll see you next week.

Operator: This concludes today's call. Thank you for joining, and I hope you have a lovely rest of your day. You may now disconnect your line.

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