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Airbnb, Inc. (ABNB)

Q2 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 Second 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, VP of Finance. Please go ahead.

Ellie Mertz

Vice President-Finance, Airbnb, Inc.

Good afternoon and welcome to Airbnb's Second 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 second quarter of 2021. These items were also posted on the Investor Relations section of Airbnb's website. During the call, we'll make brief opening remarks and then spend the remainder of time on Q&A.

Before I turn it over to Brian, I'd like to remind everyone that we will be making forward-looking statements on this call that involve a number of risks and uncertainties. Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors. These factors are described under forward-looking statements in our shareholder letter and in our most recent filings with the Securities and Exchange Commission. We urge you to consider these factors and remind you that we undertake no obligation to update the information contained on this call to reflect subsequent events or circumstances. You should be aware that these statements should be considered estimates only and are not a guarantee of future performance.

Also during this call, we will discuss some non-GAAP financial measures. We provided reconciliations to the most directly comparable GAAP financial measures in the shareholder letter posted to our Investor Relations website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

And with that, I will pass the call to Brian.

Brian Chesky

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

All right. Thank you, Ellie. And hey, everyone. Thanks for joining us today. I'm dialing in from an Airbnb listing in Italy and I'm very excited to share our Q2 results with you.

Since the beginning of the year, we've been preparing for the travel rebound. After months of being stuck at home, millions of people have been yearning to travel, explore the world and connect with others. And we anticipated a travel rebound unlike any other in history. And in Q1, we saw the start of this rebound. And now that Q2 is behind us, we can definitively say that the travel rebound is upon us and Airbnb is leading the way.

But as we predicted, travel is different than before. Airbnb has benefited from our adaptable business model, which is able to meet the changing needs of our guest, but we haven't just been sitting passively around waiting for travel to return.

For the past year, we've been relentlessly driving product innovations to meet this historic moment. And as a result, Airbnb has emerged from this crisis faster than others and we're better positioned for the future of travel.

Now, while we recognize the persistence of COVID and the Delta variant, we expect Q3 to be our strongest revenue quarter ever. The fact that we expect Q3 revenue to be our highest revenue quarter ever speaks to the inherent resiliency of our business.

So, now turning to our Q2 results, as vaccination rates increased and travel restrictions lifted in Q2, we saw consistent strength in North America followed by significant recovery in Europe. One year ago in Q2, our business was significantly impacted with the onset of COVID.

Now, like many others, our year-over-year comparison to 2020 does show a dramatic improvement. But what is most notable are our results relative to pre-COVID levels. Across all key metrics, we nearly met or exceeded our Q2 2019 performance. Q2 Nights and Experiences Booked nearly tripled from a year ago. More importantly, Q2 Nights and Experiences Booked nearly matched pre-COVID levels in 2019.

Gross booking value of \$13.4 billion more than quadrupled from a year ago and also shot up above 2019 levels by 37% based on the recovery of nights combined with the strength of our ADR. Meanwhile, Q2 revenue of \$1.335 billion also nearly quadrupled from a year ago and it exceeded 2019 levels by 10%. What this demonstrates is an acceleration in our recovery from Q1. Our Q2 results not only demonstrate our leadership in the travel rebound, but also our continued operating discipline.

Our adjusted EBITDA profit was \$217 million. Now, this represents a 16% EBITDA margin. This was more than \$600 million of improvement in EBITDA from a year ago. And it represents 20% or 2,000 basis points margin expansion from 2019. And this is on a similar level of revenue.

Now, over the past year, as our top line recovered, we consistently focused on improving our profitability. For example, over the last four quarters, we have improved EBITDA margins on average more than 20% every quarter as compared with periods in 2019. Now, that is a 2,000 basis point improvement on average every single quarter. And we've done this by improving our variable cost, by driving up marketing efficiency and by very tightly managing our fixed cost. I'm really proud of these results. And what they demonstrate is that we are emerging from this crisis as a stronger and more efficient company.

Now, turning to business highlights and travel trends, despite the continued impact of COVID around the world, we have seen clear evidence that travel is recovering. We're incredibly encouraged by what we've seen in Q2. And what we've seen is an accelerating pace of global travel, particularly in Europe, as well as continued popularity of non-urban and domestic destinations.

In Q2, we had the highest number of gross nights booked of any quarter in our history. And we just had the biggest night on Airbnb since the pandemic began. Last Saturday night, more than 4 million guests from around the world were staying in Airbnb. That is more people than the entire population of Los Angeles.

And we're also seeing travelers once again cross borders and visit cities. These two categories of travel have been historic strengths of Airbnb and we're really excited to see them begin to recover. But at the same time, the way that people travel and live continues to change. We believe that many of the new booking trends that emerged over the past year are here to stay.

People are traveling to many more destinations than before. And when they travel, they're staying longer. We believe these two categories of travel are in fact here to stay. And as a result, what we focused on are product innovations that support these new ways that people travel.

You see many people have a greater freedom about where and when they travel. And we've improved our product to better meet their needs. Our new search products offer guests the flexibility they want when planning and booking trips.

And finally, we're seeing more people around the world consider hosting. We ended Q2 with the largest number of active listings in Airbnb's history. Now, there are a couple reasons for this.

First, our demand is driving supply. This is what's so powerful about our model. For example, in Q2, our highest supply growth was actually in high demand destinations. And second, our marketing and product initiatives have been really accelerating to support host recruitment and they're working.

So now let me go into a little more detail on what we've been doing to prepare for and support this travel recovery. 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 four themes. First, educating the world about hosting; second, recruiting more hosts; third, simplifying the guest's journey; and finally, delivering world-class service. So let me just briefly give you an update on how we're executing on each of these four areas.

So first, we're educating the world about what makes Airbnb different and that is hosting. In Q1, we launched our first large-scale marketing campaign in five years made possible by hosts. And we expanded this campaign to Q2. We're educating guests about the benefits of being hosted and we're also inspiring more people to become hosts. Now we continue to be really encouraged by the results of this campaign in terms of traffic, first-time bookers, interest in hosting and brand favorability.

Second, we are recruiting more hosts and we are setting them up for success. On May 24, just a few months ago, we launched a completely redesigned host onboarding flow that makes it simpler for anyone to start hosting. This new flow has made it faster to become a host, which has helped drive our listings growth in Q2.

Third, we are simplifying every part of the guest experience. On May 24, we expanded the tools for guests to offer more flexibility when they're searching for a place to stay. We announced Flexible Dates, Flexible Destinations and Flexible Matching. And all three of these features are to support the new ways that guests are looking to plan and book trips.

And finally, whenever our hosts or guests need us, we must deliver world-class service. So we recently launch a redesigned help center. We've more than tripled our supported languages. And we've updated our safety resources. And all of this is to ensure that we are supporting our guests and hosts whenever they need us.

So to summarize, travel is recovering and our Q2 results show that Airbnb is leading the way. For the past year, we've been preparing for this rebound. We've driven product innovations to support changes to the way people are traveling and living all over the world. And as a result, we've emerged from this crisis faster than others and as a stronger, more efficient company.

So with that, [audio gap] (00:11:23) to answering your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] . Your first question from the line of Mark Mahaney with Evercore ISI.

Mark Mahaney

Analyst, Evercore ISI

Okay, thanks. You just talked about having this record day. I think you said last Saturday. And yet, I think you're also maybe appropriately cautioning about third quarter trends and variants and Delta. So just kind of put those things together, record days don't – sounds like things are good. But I'm sure there are some warnings out there. Can you be more specific about what you're seeing that's causing you to be just a little more cautious about Q3 and the back half of the year? Thanks.

Brian Chesky

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

Yeah, Mark. Thank you for the question. Before I hand it over to Dave, let me just say that, yes, we had a record night. It was more than 4 million guests staying with hosts all over the world. And we're really encouraged that this is the biggest night we've had since the pandemic began. And the only other thing I'll just say is we have an incredibly adaptable model. So however travel changes, we'll be able to meet that demand. But, Dave, why don't we talk about what we're seeing right now.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Yeah. A lot of the trends we're seeing in Q2 are consistent with some of the trends that we saw in Q1 and Q4. People continue to be flexible. That's why we built all these flexible tools because 40% of searchers are showing flexibility in either the date or location. And people are traveling to more destinations and people are staying longer.

And one of the elements is that we're seeing the trends of long-term stays which we highlighted as a key strength in Q1, stays of 28 days or longer, remain being one of the largest and strongest growing parts of our business. So that was 19% of our nights booked in Q2 following the 24% in Q1 just as the mix of short-term stays kind of rebounded strongly in Q2.

We've seen a strong increase in month-over-month performance across Q2, so April to May to June nights booked. All were strong leading in anticipation of the summer peak travel. Now, in July we've seen some of the pullback in demand. But it's likely due to summer peak and possibly because of the Delta variant. But all of those lead to still being the Q3 revenue, the nights, the people stay and the revenue that we recognize will be the strongest ever. And concurrently, our profit in Q3 will be the strongest ever.

Mark Mahaney

Analyst, Evercore ISI

Okay. Thanks, Brian. Thanks, Dave.

Brian Chesky

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

Thank you, Mark.

Operator: Your next question is from the line of Stephen Ju with Credit Suisse.

Stephen Ju

Analyst, Credit Suisse Securities (USA) LLC

Okay. Thank you so much. So, Brian, as a follow-up to the cost announcement that you had – I think this was late May when you hosted that session – and it seemed like to me that you were giving consumers broader recommendations. And if this is really successful, hopefully, something that they really didn't know that they even really wanted. So I know...

Brian Chesky

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

Yeah.

Stephen Ju

Analyst, Credit Suisse Securities (USA) LLC

...it's probably really early, but anything you can share in terms of what their response has been. Are they delighted with what you're showing them? Or do you still think you have some tinkering that you need to do? Thanks.

Brian Chesky

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

Yeah, Stephen. Thanks. It's a great question. Let me like preface this by saying the following. There's been a major paradigm shift in how people search for travel on the internet. Before the pandemic, the way search was on the internet for travel was the vast, vast majority of people came to a website, a travel website, typically an OTA, and they would type in a location. They had a location in mind. And then go to dates and they'd type a date to check in and a date to check out. So this is really fixed search. People know where they're going to go.

With the pandemic, I think it's safe to say the world is never going back to the way it was. And that means travel isn't going back to the way it was. And the way travel is evolving is that people, because they're able to work more remotely, they're more flexible. And what we are seeing, Stephen, is that 40% of our guests have flexibility about where or when they travel.

And to give you one example of one of the things we've done, Flexible Dates. We have a couple of Flexible Dates features. We have a feature that you can tap I'm Flexible and you can say I'm looking for a place for a weekend, a week or a month, sometime in the next few months. And what we have seen is with our Flexible Dates feature, it's been used more than 500 million times. This is a feature that's been used half a billion times since we launched these features in the beginning of the year.

We've also seen a very big uptick in the use of Flexible Destinations as well where people, if they are flexible about where they travel, we can recommend them to where to go. Now, these features are really important. The reason they're really important isn't just because this is a paradigm shift in how people are searching for travel. But it's also important because this means that we can point demand to where we have supply. And this is a major, major shift for our business.

And so we are going to continue to tweak the products. When you have hundreds of millions of data points on a feature, you learn. And we're continually innovating. But I will also just say that this is just the very beginning

because our team is not going to rest on their laurels. We are working really, really hard to continue to offer more flexibility to guests and continue to be able to inspire them and point them to where we have available supply.

Stephen Ju

Analyst, Credit Suisse Securities (USA) LLC

Thank you.

Q

Operator: Next question from the line of Jed Kelly with Oppenheimer.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Hey, great. Thanks for taking my questions. Just on the work from anywhere trend you were just mentioning, Brian; can you provide anything you're seeing in sort of the shoulder season that kind of gives you confidence? Are you seeing any improvement there? And then on the yield management capabilities you're providing the host or the new tools, any of that providing the ADR uplift?

Q

Brian Chesky

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

Yeah, Dave, actually, you want to take these questions?

A

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Sure. Maybe I'll start with the yield management. The majority of the ADR uplift that we're seeing is being driven by mix. It continues to be mix. The strength of our rebound has been in North America and Europe. Those have higher ADRs. It's been in non-urban, which is higher ADR than urban, and in larger kind of whole home, larger homes. So the majority of the ADR has been driven by that. To a lesser extent, a newer trend that we saw in Q2 was the impact of some pricing pressure in peak markets that are highly constrained for the summer, but that was still, assuming I think, minority relative to the overall mix.

A

So ADR is not really being driven by features. Over time, our ADR on a revenue to gross booking value adjusted basis, where you line them up at the same time of booking, has been very consistent. Over time, I think there are opportunities for us to increase our monetization through new opportunities whether that be guest travel insurance, maybe promoted listings or other things that we could do. But we don't see those as perishable opportunities. Those are kind of evergreen opportunities.

And instead, what we're focusing on right now, as Brian has talked about, is the travel rebound and making sure that we are addressing the needs of travelers today. And their needs today are the additional flexibility that they have in where and when they travel. So 40% of our searches in Q2 actually had Flexible Dates or Flexible Destinations which is why we built those tools and capabilities and seeing that strength.

And so, in terms of the work from anywhere trends, I think that we're seeing that people are continuing to find Airbnb as the best place for them to be able to both live and work. And one of the things that we launched in Q2 was directly in response to people's demand there. It sounds small, but I think it's a really unique item which is it allows hosts to measure the speed of their Wi-Fi and then actually post it on their listing. And that's because guests were wanting to know how easy will it be for me to – how good is the Wi-Fi here? Can I work from this location? So, I think that's kind of a unique small element that kind of shows how we're innovating in order to kind of support these broader travel trends.

So, what we do know is just that people are incrementally more flexible. If we can take a one hour Zoom call on a Thursday, you're likely to be able to do a longer weekend with the family than maybe historically you've been kind of stuck in the office to kind of go do. And so, we believe that all of these kind of trends will just continue to accrete to Airbnb and be tailwinds to our business going forward.

Brian Chesky

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

A

And I'll just add one more really interesting fact. Not long ago, we did a contest online on social, a contest that allowed people to apply to be able to live on Airbnb. And to be able to be part of this contest, you had to fill out an application. And it takes a while to fill out. We got 315,000 applications for people wanting to live on Airbnb, 315,000. And I think what this says is that travel is never going to be the same again, because it's completely opened up now.

When we started Airbnb, like stays of longer than a month really wasn't a major part of our business. It really wasn't a major use case for us to be able to serve. But flexibility is now a permanent part of travel. It's just a permanent part now, because all we have to believe is that Zoom is here to stay. And if we believe that Zoom is here to stay, we believe that flexibility and remote living is here to stay. And therefore, it's pretty obvious that what would happen is that we are going to continue to see more and more longer-term stays. And I think this is going to help us smooth out our seasonality over the coming years to come.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Very helpful.

Operator: Next question from the line of Naved Khan with Truist Securities.

Naved Khan

Analyst, Truist Securities, Inc.

Q

Yeah. Thanks a lot. So, you guys mentioned some slowdown in the nights booked in the third quarter. Just wanted to get some color on how that looks like. Maybe can you talk about July and how it compares to the second quarter? And how does that look across different regions? Is it more pronounced in the US versus Europe or are they about the same?

Brian Chesky

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

A

Dave, you want to take this one?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. I mean, again, what we saw in Q2 was very strong bookings growth in advance of the third quarter kind of peak travel season. We saw this kind of in the depths of COVID in 2020 as well. People are wanting to travel. They want to get out of their homes. And they especially want to do that in the summer. And so, we saw a lot of peak travel demand coming in Q2.

So, as we exit Q2 and come into Q3, we have a combination of fewer bookings for the fall, just given the nature of some of the seasonality and any kind of impact potentially on COVID concerns going into early Q3. So, we're not seeing a substantial deceleration. All we've identified in the outlook is that our Nights and Experiences Booked in Q3 will be lower than in Q2 given just the extreme strength that we saw in the business in Q2.

But we continue to be very bullish on the business. As I said, the revenue that we're going to have in Q3 will be the highest ever – along with the profits are going to be the highest ever. And so, the business remains very strong. And what we're seeing is that people want to travel and they are really resilient in finding ways to travel.

One of the benefits that we see with Airbnb is that you don't actually have to hop on a plane or cross a border in order to travel with Airbnb. The big part of our strength has been in nights with less than 300 miles. That continues to be one of the strongest parts of our business.

And then, in Q2, we saw strengthening where one of the faster parts of growing was growing of 300 miles and longer. And we saw an increase of urban nights booked. And so, some of those trends have started to pick up to more kind of historic levels. So, I'm very bullish on the long-term view of our business overall.

Naved Khan

Analyst, Truist Securities, Inc.

Got it. And maybe just a clarification on this – maybe it's a slowdown with the Delta variant sort of spreading. Is it possible that with people getting more cautious and maybe having or wanting the optionality to maybe cancel at the last minute, could that be delivering some [ph] demand innovation (00:24:03) maybe more like traditional hotels have, so you could cancel like literally the day before or something like that?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Again, we feel like the ability for Airbnb to provide the kinds of stays and experiences that people desire all around the world remains incredibly strong. We've done the best way for people to kind of travel and live through Airbnb throughout the pandemic. And I think that the tailwinds that we've talked about, the tailwinds of flexibility, the tailwinds of people staying longer, the tailwinds of even how people are traveling for business in the future are all ways that they will travel more likely with Airbnb for the longer term. These travel trends are directly supporting the strength of Airbnb's business.

Naved Khan

Analyst, Truist Securities, Inc.

Got it. Thank you.

Operator: Your next question from the line of Brian Fitzgerald with Wells Fargo.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Thanks, guys. We want to ask about the growth you're seeing in hosts, maybe in particular high demand locations. Anyway to characterize the new hosts who are coming online? Maybe the level of professionalism, professionalization maybe is a better word versus the rest of your base. And how much of their calendar they're making available to you? Are these pros or are these people who are looking at doing this seasonally or opportunistically? Just trying to get a feel for that.

Brian Chesky

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

A

Thank you, Brian, for the question. Dave, before I hand it over to you, let me just kind of recap a couple of high-level things about our host community. Number one, we have more than 4 million hosts. 90% of them are individuals and most of them couldn't have hosted if not for the tools we provide.

And what we saw in Q2 was that we had the fastest listing growth where we had demand. And the reason why is because we have individual hosts, as they get booked, word of mouth typically increases and they often tell their friends. But the other thing that we've often seen is that as more guests become flexible, we're able to point demand where we have supply. Now, specific to your question about the nature of the hosts that we did add in Q2 and whether they were individuals or professionals, Dave, you want to take that?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah. We continue to see – 90% of our hosts are individual hosts and that remains to be the case. So as we continue to add new individuals – and this is where we focus on. We focus our tools and our capabilities to uniquely enable individual hosts to be successful in hosting on Airbnb. And when they come on Airbnb, the vast majority of their listings are unique to Airbnb. And that has remained the case in Q2 where the vast majority of our new hosts coming on are also individuals. That's our focus. That's where we're going to build the tools and capabilities. And those are the results that we're continuing to see.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Q

Thanks, Brian. Thanks, Dave. Appreciate it.

Brian Chesky

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

A

Thank you, Brian.

Operator: Your next question from the line of Colin Sebastian with Baird.

Colin Alan Sebastian

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks, guys. And nice to see the progress on listings growth. But first off, just in terms of the trend in ADRs and the commentary in the letter, is that something that is – the moderation there, is that something you're already seeing in terms of bookings? Or is this more of a seasonal trend you expect to happen as summer holidays give way to a different profile of travel? And then, secondly, on the EBITDA margins, should we think about the sustainability of those in context of a step function higher from this point? Or are there other investments in the quarters a year ahead that will moderate some of that near-term leverage we're seeing? Thanks.

Brian Chesky

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

A

Dave, you want to take both of these?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Sure. On the trend in ADR, again, the vast majority of the ADR has been driven by mix. And so as other parts of the mix towards urban and maybe towards Latin America and Asia changes and reverts to more historic levels, we will see ADRs moderate. But that will be purely as part of mix and as the other parts of the business come back and they have that overall kind of ADR rate. So the strength of North America and Europe, we believe to continue to remain strong. And then as other parts of the business come back, then the mix comes out and the ADRs moderate. So that's what we're kind of indicating.

And in terms of the EBITDA margins, I think we're proud of the progress we're making in EBITDA and that accelerating towards our long term. We've stated that we could achieve 30% or more EBITDA margins over time. Certainly, we've accelerated our rate there. I think that a piece of that is clearly the improvements we've done on fixed costs, marketing costs, improvements on our variable costs. We're also seeing some benefits on the higher ADR rates as well. And so over time, we will see some variation in our EBITDA margins kind of over time. But I think what we've demonstrated is the capability to dramatically expand those margins. And I think it just proves the point that we've kind of talked about more verbally, which is we're going to achieve this 30% margins or more. And now we're actually showing how we can do that.

Brian Chesky

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

A

And I think the one thing I'll just add on the efficiency of our business. And we said this in the letter. I also mentioned this in the opening comments. But COVID was a crucible moment for the company. And in that moment, this company – we've gotten significantly more disciplined and much more efficient. And I think that we've all seen the incredible benefits of focus because we put our very best people on the most important problems in the company.

And what we've seen is not only have margins improved, but actually we're able to move much more quickly. We can pivot. And I think this explains why we were able to announce and launch more than 100 upgrades on the heels of our IPO in time for the travel season. And so I think that you're going to see a continued acceleration of product innovation because of our discipline and because of our focus. These are lessons that we will never ever forget. These are lessons that will leave indelible marks for this company.

Colin Alan Sebastian

Analyst, Robert W. Baird & Co., Inc.

Q

Great color. Thanks, Brian.

Brian Chesky

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

A

Thank you.

Operator: And your next question from the line of Justin Patterson with KeyBanc Capital Markets.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you very much. With Flexible Dates rolling out, how has the booking window changed? Are there more instances of last-minute stays coming into play? And then the second question. You provided a lot more

value to hosts this year. Conceptually, how are you thinking about factors behind when the right time it is to increase take rate? Thank you.

Brian Chesky

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

A

Thank you for the question. So, Justin, why don't, Dave, I take the second question around take rate for hosts. And then you can take the first question about Flexible Dates and how that has affected the booking window.

So with regards to factors to be able to increase take rate – and I'll kind of say what Dave said before – we think there is one – our guiding principle is that we want to make sure that every single year, we are providing incrementally more value to hosts than we're charging them because the name of the game is to make sure that our really strong business model continues to grow. And that means that hosts feel like they have the very best opportunity to host on Airbnb. We want them to always feel like we're giving them more value than we're taking away – taking. So that's number one.

Number two, I do think there's a lot of opportunity for us to be able to increase take rate. And if we do that, I think the way we would think about that is by charging for some incremental services that we can provide for hosts. And the more that hosts really rely on Airbnb to be able to continue to grow their business, the more we think they're going to be willing to be able to buy or participate in new services and offerings. But the way we think about this is this is a nonperishable opportunity. So as Dave said, we have a number of years in front of us where we can continue to look at offering new services.

But what we have focused on this year is this unprecedented travel rebound that's upon us. And so we worked really, really hard to simplify the guest experience, to introduce more flexibility for guests and make it much easier for hosts to come on the platform so that we get thousands and thousands more hosts in time for the travel season. So with that, I don't know if, Dave, you want to talk about the booking window for Flexible Dates.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah. What we saw in Q2 is actually a fairly stable booking window in line with our Q2 of 2019. It was actually a little bit shorter booking window than Q1 of this year. But that's largely been due to seasonality. So, yeah, you're right that during COVID we've seen variations in booking windows where last year in COVID the booking windows would shorten when people felt more – only would book when they felt more confident in staying. But it's interesting in Q2, the booking window has been consistent with more historic levels.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: And your next question from the line of Justin Post with BofA.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great, thanks. A couple of questions. You mentioned a lot of positive trends for the company. I wonder if you have any thoughts on the market opportunity or the TAM for alternative accommodations versus hotel nights. Is that changing and do you think alternative accommodations is growing? Maybe any thoughts also on your opportunity

within hotel bookings. And then, second, I'll take a swing at this. Any updates on actual supply metrics like hosts or active listings or is that something we'll get once a year? Thank you.

Brian Chesky

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

Dave?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Sure. On the latter, on supply metrics, I think we've highlighted what's really important. Remember that we do not need to grow supply one-to-one for revenue growth. And why is that? That's because we have millions of listings all around the world. And what we need to do is have the right listing for the right guest at the right time. And as people continue to get more flexible on when and where they travel and as we get better at focusing those hosts on the flexible locations and dates that they have in mind, we're going to get better at utilizing the supply we have all around the world.

But what we have highlighted is that when there is great demand in specific areas – and that was in North America and Europe non-urban – we're very effective at growing that supply. And that's what we saw in Q2. We had some of the strongest growth of our supply specifically in the areas of our strongest areas of demand. And we do that both organically and then inorganically through all the actions that Brian talked about, about making – inspiring hosts on what the benefits of being hosted are and being a host, talking to them about how they can make it easier for them to host and then having existing hosts help new hosts be successful. So those are all the ways we'd be driving it. So I think we'll be talking about listings infrequently as it is helpful to guide the overall direction of the business but not as a routine measure because it's not the primary driver of revenue growth.

In terms of TAM for alternative versus hotels. If you really think about Airbnb, it's not just a travel company. It is all about travel and living. And really any kind of stay, any kind of accommodation really short of kind of a full-year lease can be accommodated with Airbnb. And that's what we're seeing with the fact that we're seeing such strong growth in stays of 28 days or longer. And that that was 19% of nights in Q2. And we highlighted in the letter the fact that even the nights of seven days or longer were 50% of our nights. And so that is not hotels. Hotel average much lower, maybe one to two nights on average. We're going to be four-plus. And 50% of our nights were of seven days or longer.

So clearly, during this time period, we have taken share from traditional accommodations. And I think that a lot of these changes that we talked about on the call today, the increased flexibility of how people are traveling and living; I think that just actually increases the overall TAM of what Airbnb is able to address because if you're going to be staying longer, if you're going to have more flexibility; you're much more likely to want to stay in a hosted Airbnb with the amenities that you have at an Airbnb versus being in a hotel room.

Justin Post

Analyst, BofA Securities, Inc.

Great. Thank you.

Brian Chesky

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

Yeah, and I'll just kind of just add to that just a little bit. In addition to long-term stays, which is essentially an entirely new category that is not even really traveling, it's living, which has I think been significantly expanded by

COVID; you have a number of other dynamics happening. People are traveling to many more locations. And oftentimes, people are now traveling to places that don't even have hotels. So that would explain some expansion of TAM there. There's also a general shift from business travel to leisure travel because we think that as fewer people travel for business and they're home, they're going to have a greater desire to travel for leisure. And Airbnb, obviously, is disproportionately offering leisure travel.

And again, over the course of the pandemic, many people, millions of people in fact, have tried Airbnb for the first time. And the most important thing about growth at Airbnb is you've just got to try it because our retention is really strong. And I think what this says is that Airbnb is no longer an alternative way to travel. I think the term alternative accommodations might be a dated term because maybe it was appropriate 10 years ago. 10 years ago, the TAM was significantly smaller. You see what it is today. Just imagine what it could be 10 years from now. And that's what we're focused on is continually increasing the market by continually adding more categories of travel that we can offer and making sure that more people know about this new way of traveling.

Justin Post

Analyst, BofA Securities, Inc.

Great. Thanks a lot, Brian.

Brian Chesky

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

Thank you.

Operator: Your next question from the line of James Lee with Mizuho.

James Lee

Analyst, Mizuho Securities USA LLC

Thanks for taking my questions. On the host acquisition side, obviously, you guys did a lot of upgrades there and did a great job ramping up things this quarter. And just curious what other areas of host acquisition are you looking to improve kind of going forward?

And also, secondly, in APAC where you are more dependent on cross-border travel, are you making any adjustment there to shift your demand to domestic stays? Thank you.

Brian Chesky

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

Hey, James. Thanks. I'll answer the first question and Dave can answer the second question about APAC. So, with regards to host acquisition, there's a number of things we've done. One of the things you mentioned is making it easier to host. And so, what we've done, as I said, is we've reduced the number of steps to 10 really simple steps to become a host. And this means that now the amount of time it takes to be able to list on Airbnb is reduced in half.

Now, this is a really, really big deal, because the thing we know is that the easier you make the conversion funnel, the more people get through the funnel. And we're talking about very small optimizations could yield thousands and thousands of new hosts.

But in addition to that, we've also been increasing the top of funnel. We've been doing a brand marketing campaign that accompany our Made possible by Hosts campaign to target and recruit more hosts. And what

we've seen in the five countries where we've run this campaign, traffic to the Become a Host page has more than doubled. And so this has worked really, really well.

And finally, one of the things that Dave mentioned is, number one, we got to make sure we get hosts in the funnel. Number two, we have to reduce the number of steps. But three, we want to make sure that we provide help if anyone has any questions about hosting. And so, what we've created is a Host Ambassador program. We have many of our super hosts who now are able to provide assistance to a new host.

So, when they go through the funnel, they go through the conversion flow to become a host. If they have a question, we say, hey, would you like to talk to a super host? And so, we find that one of the strongest factors we've seen are hosts recruiting other hosts. And this is in addition to the fact that the bigger we grow and the bigger our guest base, the more that we get hosts because many of our guests also become hosts.

In fact, the number one source of new hosts are prior guests. Over 30% of our hosts were guests and that number is continually increasing. So, these are some of the things we're doing to continue to increase the number of hosts around the world. And obviously, we're going to continue to do a lot more in the coming years ahead. Dave?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah. In regards to APAC, I mean it's amazing how resilient the domestic business has been all around the world. So, we actually have seen strength in domestic business in all regions. I think the issue has been in Asia and Latin America have typically been more reliant on outbound and international travel to come back. But the domestic businesses within those countries have actually been quite strong. So we're very happy with the performance of domestic. We just need more borders to open for those businesses to return to kind of pre-pandemic levels.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Great. Thank you.

Operator: And your next question will come from the line of Brent Thill with Jefferies.

Brent Thill

Analyst, Jefferies LLC

Q

Thank you. I was curious if you could just talk a little about Europe in more detail and kind of what you're seeing in that region and any other observations you have as it relates to cross-border. Thank you.

Brian Chesky

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

A

Dave?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah. Europe, what we've seen over the last several months is that the pent-up demand that people have had to travel, it kind of varies a bit by the travel restrictions within those countries. We saw increase in the people's

willingness to book in Q2. They are ready for their summer travel. And we saw a particular kind of strength in areas of Spain and France throughout the year, throughout the quarter, as people wanted to kind of travel for the summer season. So, I don't have much more to say about Europe than kind of what we've included in the letter here.

Brent Thill

Analyst, Jefferies LLC

Yeah. Dave, did you see – when you talk about a decel, did you see EMEA drop off more or less? Was this consistent across regions when you saw a little bit of the pullback that you've been talking about?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Well, again, the pullback we're seeing is incredibly modest. I really don't want to overstate it. I mean what we're seeing is that Q2 is incredibly strong as people want to travel for Q3 and that our stays in Q3 are incredibly strong, which is driving our strength in revenue and why we are articulating that Q3 revenue and profit will be the highest ever. So, all that is incredibly strong. And then, we're kind of waiting and seeing to see what the rest of the impact of travel expectations are in Q3 for the back half of the year. So, I don't really have much more that I can share.

Brent Thill

Analyst, Jefferies LLC

Okay. Thank you.

Operator: And your next question from the line of Mario Lu with Barclays.

Mario Lu

Analyst, Barclays Capital, Inc.

Great. Thanks for taking the question. First one is on the [indiscernible] (00:43:39). You guys grew that sequentially this quarter. So just trying to think through where the [indiscernible] (00:43:44) will come over the next few quarters. Is there a component of, say, like urban and cross-border listings that were deactivated during the pandemic that will be reactivated as normal travel resumes? Any color there?

Brian Chesky

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

Dave?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Yeah, if you think about it, we have 4 million hosts around the world. 90% of those are individual hosts. The vast majority of those individual hosts list only on Airbnb. And most of their listings are their own personal property or maybe a second home that they have. And so, yeah, I think one of the benefits we have is that people don't get rid of their primary home and not always their secondary home just because of the near-term impacts of what we're seeing with COVID. And so I think that fact, that resilience of our individual hosts is what's leading to the fact that we have had stable overall listings growth. I think that's why we're quite proud about it in Q1 and then why we're seeing increases from Q1 to Q2 in the areas where we have the most demand.

And so as people are ready to travel back to urban locations and as people are going back to kind of the historic strengths of Airbnb, our hosts are ready to bring them back. And I think that's been the power. The inverse could easily have been true where if you're more reliant on professional hosts; they may be delisting, not ready for the travel rebound and not ready to accept our guests. That's not the case with Airbnb. Our Airbnb hosts are ready to accept travelers whenever they're ready to travel.

Brian Chesky

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

A

And I think a key point again is that we've seen this as demand in markets increase, supply in those markets correspondingly increase.

Mario Lu

Analyst, Barclays Capital, Inc.

Q

Got it. And just a quick follow-up. In terms of the host campaign you guys mentioned, there's early signs of success there. Anything to talk about in terms of existing hosts and whether there's any actions on your end to kind of retain them and prevent competitors from onboarding them to their platforms as well?

Brian Chesky

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

A

Yeah, well, I can just share. And, Dave, feel free to add as well. Number one, what we've seen is that the vast majority of hosts on Airbnb, because they're individuals, what they really just want to do is make sure they get enough bookings to fill their calendar. And we found that we can get them enough bookings to fill their calendar. That's not been a problem this year.

And the other thing about our hosts is they care about the quality of guests on Airbnb. Because these are mostly people's real homes, their primary home or their secondary home, they care a lot about who's in their home. And we provide a huge amount of trust and safety features and protocols to be able to give them peace of mind. This is what they tell us. And we really also work in providing best-in-class customer service.

For example, on May 24, one of the things we announced is a dedicated super host line. This is something that our very best hosts, our super hosts, have been asking for. And I think the reception was very, very positive. And so in addition to investing in our hosts, one of the most important things we can do is to continue to invest in our super hosts. And if we continue to invest in our super hosts, there will be no reason for them to list anywhere else.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah, the super hosts program is really – that is a loyalty program for hosts. And that's why we continue that. Those are our best hosts. And we have over 800,000 around the world. I think that's really key. And then, actually, what we've seen with our host churn has actually decreased from what we saw pre-COVID. So it was lower in 2020 than it was in 2019 and it's lower in 2021 than it was in 2020. So the overall churn rate continued to actually decline right now.

Mario Lu

Analyst, Barclays Capital, Inc.

Q

That's very helpful. Thank you.

Operator: And your next question from the line of Kevin Kopelman with Cowen and Company.

Kevin Kopelman

Analyst, Cowen and Company

Great and thanks a lot. A quick one. Can you just give us an update on where your revenue take rate is today as a percentage of GBV? Just given all the timing differences, it's hard to tell from the outside where that is. Thanks.

Brian Chesky

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

Hey, Kevin. Dave can take this.

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

Sure. Our take rate has actually been very consistent. So if you try and adjust our revenue to gross booking value, the take rate is approximately 15%. And it's been very stable during – so when we time-adjust it.

Kevin Kopelman

Analyst, Cowen and Company

Thanks, Dave. Thanks, Brian.

Brian Chesky

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

Thank you.

Operator: [Operator instructions] . Your next question from the line of Deepak Mathivanan with Wolfe.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Hey, guys. Thanks for taking the questions. So I wanted to ask about how you think about the travel demand trends. I know there's COVID uncertainty near term. But as you think about the sustained benefit of pent-up travel demand, there's still a lot of unspent travel dollars out there even in markets where we've seen good recovery like the US and parts of Europe.

So as you think about second half and then even into 2022, do you think this incremental benefit that we're seeing near term from pent-up travel demand likely to sustain or you think we'll go through a period where the activity rebounds to normal travel levels and the recovery moderates to some extent? Not looking for any specific guidance but curious to hear your thoughts on how you think about this.

Brian Chesky

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

Yeah. Thank you very much, Deepak. I think I can maybe take this at a high level. And, Dave, feel free to chime in as well. I think there has been a number of lessons from this pandemic. And I think one of the general lessons is we tend to appreciate things more when they're taken away from us. And I think that not everything that was taken away from us during the pandemic did people appreciate.

But I think that travel was one of the things that people missed the most from the pandemic. In fact, we did surveys of travelers around the world and travel was the out-of-home activity that people missed the most. They missed it more than going to sport events, more than going to restaurants, out-of-home dining and other opportunities. And we think that we've not even, obviously, tapped into the pent-up demand because obviously not everyone has been able to travel.

And also remember that before the pandemic, just almost 50% of our business was cross-border travel and urban travel. There hasn't been nearly the cross-border travel recovery yet that is possible in the coming years. So I think what we're going to see is you can only imagine that as things get more under control in the coming travel seasons, people will once again be more comfortable crossing borders.

But what will be different this time is that people will have flexibility they didn't have before. And so I think that we're very, very bullish about the future for cross-border travel. A lot of people haven't left their country in quite a long time and we think they're going to desire to do so. And this is in addition to many new opportunities to be able to travel in the city.

So I think there's a lot of reason to be extremely optimistic in the coming years about what's going to happen to travel. There's many things that may not come back to levels before the pandemic. But one thing I think we know for certain is that travel will and it'll probably be bigger than ever. Dave, do you want to add anything else?

David E. Stephenson

Chief Financial Officer, Airbnb, Inc.

A

Yeah, I guess I'd still add that remember we're not really just a travel company. We are about stays and stays of any kind. And I think we've talked about it a lot on the call today, the fact of the trend of 28-day stays and longer, even seven days and longer, the flexibility that people have when they travel, the fact that travel and living is blurring. I think all of these are kind of incremental ways in which people will travel and again travel on Airbnb. And so, clearly, there's this pent-up demand and people are yearning to travel again. But I just think all of these other tailwinds of travel trends are really benefiting our business over the long term.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Q

Got it. Thanks, Brian. Thanks, Dave.

Brian Chesky

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

A

Thank you.

Operator: And your final question comes from the line of Rob Sanderson with Loop Capital.

Rob Sanderson

Analyst, Loop Capital Markets LLC

Q

Great. Thanks for squeezing me in. Question for Brian. So this year you've been very clear in your focus and that's of course your position for recovery. It will basically be two years now when we finally get through this where your priorities have been shifted and dislocated. So how would you expect your focus to shift as we get back to this new normal?

I know the development of experiences was really hamstrung and put on hold. But what are some of the more important focus areas that you would like to be spending time on or what's – and maybe how the pandemic may have shifted those goals from what they may have been otherwise?

Brian Chesky

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

A

That's a great question, Rob. I think there's four things. Number one, I think what the pandemic has shown in this travel recovery that is upon us is that I think the opportunity, number one, for our core business is probably greater than anyone ever really imagined before the pandemic. And part of this is just because again more people are traveling to more locations, many of which don't even have hotels. Millions of people have been introduced to Airbnb. And I think as cross-border and urban travel recover, you're going to see a huge amount of strength in our core. So number one, we have a lot of opportunity in our core. And I want to make sure our team is really focused.

Number two. As we said, long-term stays is a huge boon to our business. This is an entire category of travel that really wasn't – didn't really exist when Joe, Nate and I started this company more than 13 years ago. But I think there's this entire new category of travel where travel and living is blurring. So that will be number two.

Three, you mentioned experiences. We thought last year could be a breakout year for experiences. Obviously, the opposite happened. We had to put the product on pause. But I think that people are going to be yearning for experiences. And the reason why is a very simple one. I think people are yearning to have a meaningful experience. And I think you can only sit at home and watch Netflix or streaming services for so many nights in a row before you actually want to get out of the house and do something and be with other people. And I think there's going to be a huge amount of pent-up demand for people having authentic experiences all over the world.

And then, finally, number four. I think there's a huge number of opportunities to unlock more hosting. We are now living in a world where there's still great economic distress all over the world. And take one example. Women have been disproportionately impacted by the pandemic. And 55% of our hosts are women all over the world. And so we think there's a huge opportunity to continue to unlock more hosting. And we're going to take guidance from the creativity of our community.

When we started Airbnb, it was really just a way to rent your living room or your bedroom. But our hosts in their creativity started listing entire homes. And not only did they list their entire homes, they started listing castles and boats and treehouses. And so we're going to continue to take guidance from our host community as well. And they will continue to point the way towards where we go and we're going to continue to innovate to unlock more hosting.

So those are some of our priorities. The good news is it's not really different. It's what we've always been focused on. I think it's just a renewed focus on our core, this amazing new opportunity around long-term stays. We're continuing to double down on experiences and we'll continue to unlock hosting. We do all of those things. And I think we're going to look back on this as still the very early innings of a much, much bigger business. We're 13 years old. But I think that – as a founder, I say you don't raise a 13-year-old to be a great 14-year-old. You raise them to be a great adult many years from now. And I think that there's a lot of opportunities in this coming decade for us.

Rob Sanderson

Analyst, Loop Capital Markets LLC

Q

Excellent. Thanks so much. And enjoy Italy.

Brian Chesky

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

Thank you.

Operator: And I will now turn the call back over to Brian Chesky for final remarks.

Brian Chesky

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

Thank you, everyone, for joining us today. I just wanted to say once again we're very, very proud of the results for this quarter. I think what this proves is that, number one, our model is inherently adaptable. We can adapt to the changing use cases of guests. And that's because we have hosts in nearly every community offering nearly any type of space at every price point.

And number two. We're continuing to focus on product innovation. We're going to continue to build new products. And these two things, I think, have demonstrated that this pandemic, as hard as it's been for us and hard as it's been for everyone all around the world, it's made us a stronger, more efficient and a better company. And we are prepared for what's to come and for the future of travel and the future of living.

So with that, thank you all very much for joining us today. We'll talk to you next quarter.

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

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