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Airbnb, Inc. (ABNB)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for joining Airbnb's Earnings Conference Call for the Fourth Quarter of 2024. As a reminder, this conference call is being recorded, and will be available for replay from the Investor Relations section of Airbnb's website following this call.

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

Angela Yang

Director-Investor Relations, Airbnb, Inc.

Good afternoon, and welcome to Airbnb's fourth quarter of 2024 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, Ellie Mertz. Earlier today, we issued a shareholder letter with our financial results and commentary for our fourth quarter of 2024. These items were also posted on the Investor Relations section of Airbnb's website. During the call, we'll make brief opening remarks, and then spend the remainder of time on Q&A. Before I turn it over to Brian, I would like to remind everyone that we will be making forward-looking statements on this call that involve a number of risks and uncertainties. Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors.

These factors are described under forward-looking statements in our shareholder letter and in our most recent filings with the Securities and Exchange Commission. We urge you to consider these factors and remind you that we undertake no obligation to update the information contained on this call to reflect subsequent events or circumstances. You should be aware that these statements should be considered estimates only and are not a guarantee of future performance. Also, during the call, we will discuss some non-GAAP financial measures. We've provided reconciliation to the most directly comparable GAAP financial measures in the shareholder letter posted to our Investor Relations website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

With that, I'll pass the call to Brian.

Brian Chesky

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

All right. Well, thank you very much. And hey everyone, thanks for joining us today. 2024, Airbnb outpaced the travel industry's growth. We ended the year with Q4 revenue, nights booked and GBV all accelerating from Q3. Now, before we get into the results, I want to just quickly touch on some of the work that got us here. Over the past several years we've been preparing for Airbnb's next chapter, and we want to make sure that guests and hosts love our core service before we introduce something new. So we listened to their feedback, and we rolled out more than 535 features and upgrades to improve the experience. These upgrades include major reliability efforts like Guest Favorites.

Guest Favorites make it easier for guests to find the best listing to Airbnb. We've also made it easier to host by launching the Co-Host Network, which is a really simple way to find the best local host to manage Airbnb. Now, in just four months, the Co-Host Network has grown to almost 100,000 listings. At the same time we've been driving growth in a number of product optimizations. We made it easier for guests to find a perfect stay with enhanced search functionality and better merchandising, and this includes things like suggested destinations, more detailed

maps and a new welcome guide for guests. We also introduced flexible payment options and local payment methods in nearly two dozen countries, making it easier for people around the world to use Airbnb. And we're in the process of rolling out a completely redesigned checkout experience that makes it even simpler to book an Airbnb.

Now, as a result, we've seen higher conversion rates, and we expect these improvements to continue delivering growth in 2025. By optimizing key parts of our product, like search, merchandising and payments, we're seeing strong near-term results, and we're building a foundation to support the introduction of new offerings. Finally, we've rebuilt our platform from the ground up with a new technology stack. This includes new listing management tools for host, and these tools make it easier for hosts to list and manage their homes while giving them the ability to eventually offer more services. We've also upgraded our messaging system into a single unified platform, making communication between guests and hosts smoother and more reliable.

Now, with this new tech platform, we are able to innovate faster and expand beyond short-term rentals into becoming an extensible platform with a range of new offerings. And 2025 marks the start of Airbnb's next chapter. Now, today, our service is better than ever, and our platform is ready to support what's next. In 2025, we will continue building on this momentum. We're executing on a multi-year growth strategy to perfect our core service, accelerate growth in global markets and launch and scale new offerings. Now, we've talked a lot on previous calls about how we're preparing to expand beyond our core business. And this is the year, you'll see the beginning of a new Airbnb.

So now, I'm going to turn it over to Ellie to give you a financial update. Ellie?

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

Thank you, Brian, and good afternoon. I'll start with a review of our financial results and then provide our current outlook for Q1 2025. As Brian mentioned, we ended last year on a strong note. Nights and Experiences Booked accelerated in Q4 to 12%, making it the highest year-over-year growth quarter of 2024. Revenue also grew 12% year-over-year to \$2.5 billion in Q4. Net income was \$461 million and adjusted EBITDA was \$765 million. For the full year, adjusted EBITDA totaled \$4 billion, representing an adjusted EBITDA margin of 36%. Since 2020, we've delivered over 4,000 basis points of EBITDA margin expansion.

Next, I'll turn to the balance sheet and cash flow. During Q4 we generated \$458 million of free cash flow, and for the full year, we generated \$4.5 billion, representing a free cash flow margin of 40%. At the end of the year, we had \$10.6 billion of corporate cash and investments, as well as \$5.9 billion of funds held on behalf of our guests. Our strong balance sheet allowed us to repurchase \$838 million of our Class A common stock during Q4, and \$3.4 billion for the full year. At the end of Q4, we had \$3.3 billion remaining on our repurchase authorization.

Now, let's shift to our Q1 2025 outlook. After closing out 2024 with our highest quarter of nights and bookings growth, we're excited about the strong demand we continue to see early in 2025. For Q1, we expect to deliver revenue between \$2.23 billion and \$2.27 billion, representing 4% to 6% year-over-year growth, or 7% to 9% when excluding FX headwinds. As we mentioned last quarter, revenue in Q1 2024 benefited from both the timing of Easter and the extra day from leap year, creating a hard year-over-year comparison. Without these calendar impacts and FX headwinds, our revenue growth would be about 6 percentage points higher or 10% to 12%, which is relatively stable compared to Q4.

For Nights and Experiences Booked, we expect year-over-year growth in Q1 2025 to be relatively in line with Q1 2024 once you exclude Leap Day, which contributed about 1 percentage point of growth last year. On profitability

we expect adjusted EBITDA and adjusted EBITDA margins to decline compared to Q1 2024, driven by the same factors impacting revenue. That said, if you exclude the calendar and FX headwinds, adjusted EBITDA margin in Q1 would remain relatively flat year-over-year.

As we look ahead to 2025, we're focused on executing our multiyear growth strategy. Our strategy is designed to drive long-term growth and deliver market share gains through three levers: one, perfecting our core service; two, accelerating growth in global markets; and three, launching and scaling new offerings. We're focused on strengthening the economics of our core business and generating strong free cash flow, while also investing in growth opportunities. This year, we plan to invest \$200 million to \$250 million towards launching and scaling new businesses, which we'll introduce in May. Even with these investments, we expect to maintain strong profitability, delivering a full year adjusted EBITDA margin of at least 34.5%.

Because these investments will roll out throughout the year, their impacts on our quarterly adjusted EBITDA margin will be the most pronounced in the first nine months of 2025. As these new businesses scale over the coming years, we expect them to make a significant contribution to revenue growth. And so each year, we'll layer in new offerings where we see long-term revenue growth opportunities. And at the same time, we'll focus on delivering strong profitability and world-class free cash flow for our core business.

And now with that, the call open it up to Q&A.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] We'll take our first question from the line of Stephen Ju with UBS. Please go ahead.

Stephen Ju

Analyst, UBS Securities LLC

Hey, thank you. So I think in the past, in terms of global sort of localization effort, you've talked about Brazil, and I think in the shareholder letter, you were showing your localization efforts for Japan. So just wondering how long it typically takes for one of these efforts to localize in any given country takes to come together. You guys have mentioned Argentina, Germany, South Korea, and other places.

And Ellie, I guess, the \$200 million to \$250 million of investments that you're planning to incur, I guess, in the front half of this year for the most part, what is that primarily going to be geared to? Is it going to be marketing, is it going to be engineering staff up, or any color there would be helpful. Thank you.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

Great. Thank you, Stephen. Let me start just giving a little bit of color in terms of our global market strategy. As backdrop in terms of context on this strategy, we've shared over the last year that Airbnb is a very global brand. However, our business is concentrated in our top five core markets. So that's US, UK, Canada, France, and Australia. Those five markets comprise about 70% of our gross booking value. And so, as a growth lever that we've been investing in, we've been targeting markets outside of that top five, where we think there's a sizable opportunity for us to invest and both gain penetration in the markets and also provide a tailwind to our global growth rates.

I think what you've seen over the last, not just the Q4 results, but over 2024 as well is that those investments and that targeting of new geos has had a meaningful impact on our growth. In particular, what we shared in Q4 was that those markets that we've targeted are growing about double the rate of our core markets. And to your question in terms of how long does it take, I would say it depends on the specific market. I think Brazil is a huge success case, and that's a market that we've been focused on, in particular with adding brand marketing over the last two years. And we've been able to materially increase the scale of our business in that country in particular.

I think there's other markets that maybe the duration for building scale will take longer. Country that I would put in that category would be Japan, which is a market that we just commenced our brand marketing in Q4, and we're starting at a lower base of domestic awareness. So, each of our targeted markets we have to factor in where the market is, the level of awareness and consideration we have among local travelers, and the level of product optimizations we need to make, to make sure that we are appropriately addressing the local audience.

So your second question is around our investments in launching and scaling the new businesses. As the letter details, we're planning to spend approximately \$200 million to \$250 million this year. And you should see the bulk of that investment hit both our marketing line and our product development line items. Just to give a little bit more color here, in terms of marketing, we will obviously be spending to build out the teams to drive the supply operations around those new offerings. We will also be investing behind awareness of the new products and demand generation. And then on the product side, we will be slightly increasing our pace of head count growth across our product development organization, such that we can move more quickly across our road map and support these new businesses.

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Operator: Our next question comes from the line of Richard Clarke with Bernstein. Please go ahead.

Richard J. Clarke

Analyst, Bernstein Autonomous LLP

Hi. Thanks for taking my questions. I just want to ask about the launch we've seen of Agentic AI out there. I think Airbnb avoided some of the volatility that some of your peers had. But are you leaning into those operators, or are you confident you can kind of control the AI flow through the Airbnb platform?

Brian Chesky

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

Hey, Richard. Yeah, here's what I think about AI. I think it's still really early. It's probably similar to like the mid to late 1990s for the Internet. So, I think it's going to have a profound impact on travel, but I don't think it's yet fundamentally changed for any of the large travel platforms. And so we want to be the leading company for AI-enabled traveling and eventually living. And I'll just talk about a little bit about how we're going to do that. So most companies, what they're actually doing is they're doing integrations with these other platforms on trip planning. But the trip planning, it's still early. I don't think it's quite ready for prime time.

We're actually choosing a totally different approach, which is, we're actually starting with customer service. So later this year we're going to be rolling out as part of our summer release, AI-powered customer support. As you imagine, we get millions of contacts every year. AI can do an incredible job of customer service, can speak every language, 24x7, they can read apartments of thousands of pages of documents. And so we're starting with customer support. And over the coming years, what we're going to do is we're going to take that AI-powered customer service agent, and we're going to bring it into essentially Airbnb search to eventually graduate to be a travel and living concierge.

I think it's a really exciting time in the space because we've seen like with DeepSeek and more competition with models is, models are getting cheaper or nearly free. They're getting faster, and they're getting more intelligent, and for all intents and purpose, starting to get commoditized. What I think that means is a lot of value is going to accrue to the platforms. And ultimately, I think, the best platforms, the best applications are going to be the ones that like most accrue the value from AI. And I think, we're going to be the ones to do that with traveling and living.

Operator: Our next question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much for taking the question. Maybe just one quick follow up, Brian, and then if I could ask a follow up. With respect to the AI, I appreciate your answer with respect to outward-looking and how it might change the landscape. What do you think the potential is internally to apply AI for efficiencies inside the company, and create an additional layer of potential margin efficiency and/or free cash flow conversion in the years ahead? And then in terms of the way you guys framed the year was exiting a higher margin trajectory post some of the investments you called out, will there be any change or thought about how your capital allocation process might evolve as you move through 2025? Thanks so much.

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

A

All right. Hey Eric, I'll answer the efficiency. Ellie can take the second part. So yes, there's like a couple like efficiencies that you could imagine. Airbnb, one is obviously customer service. I think that's like one of the biggest ones. I've kind of already covered that, but I think that's like a massive change for Airbnb. The other, I assume, you refer to is essentially engineering productivity. We are seeing some productivity gains. I've talked to a lot of other tech CEOs, and here's what I've heard talking to other like tech CEOs. Most of them haven't seen a material like change in engineering productivity. Most of the engineers are using AI tools. They're seeing some productivity. I don't think it's flowing to like a fundamental step-change in productivity yet.

I think a lot of us believe in some kind of medium term of a few years, you could easily see like a 30% increase in technology and engineering productivity. And then, of course, beyond that, I mean, I think it could be like an order of magnitude more productivity, but that's going to be like down the road. And I think, that's going to be something that almost all companies benefit from. I think, the kind of younger, more innovative, startup-like companies might benefit a little bit more because they'll have engineers are likely to adopt the tools. That's probably pretty important. But I think, this is what I'm hearing from other people and we're pretty much having the same experience.

Ellie Mertz
Chief Financial Officer, Airbnb, Inc.

A

Eric, to answer your question with regard to the capital allocation strategy, I would say, no meaningful change in terms of strategy. What we've stated consistently over the last two years is that, the capital allocation strategy includes; one, obviously, investing in our core operations; second, value in M&A where there's relevant opportunities; and three, returning capital to shareholders. Obviously, given the strength of our balance sheet as well as our world-class free cash flow margins, we have the capital to do all three. You can see from our 2025 guidance that we are leaning in through the P&L in terms of investing slightly more in terms of the core operations, and in particular, our new businesses. And then from a returning capital to shareholders, you should look at the volume of repurchase activity in 2024 as a guide with regard to the magnitude in 2025. I would expect us to be slightly price-sensitive, and to dial up the quarterly repurchasing based on the underlying stock price.

Operator: Our next question comes from the line of Justin Patterson at KeyBanc. Please go ahead.

Justin Patterson

Analyst, KeyBanc Capital Markets, Inc.

Great. Thank you very much. Brian, could you tease out how you're thinking about the pace of product innovation versus the past? It sounds like this new tech stack should be beneficial to product velocity. So I'm curious where you saw friction points on the prior tech stack, and how you think this new tech stack really positions you to execute on those growth initiatives you outlined at the start. Thank you.

Brian Chesky

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

Yes. Hey, Justin, I mean, this tech stack probably, like this project probably started, frankly, six years ago, if I'm not mistaken. So this has been a very, very long thing. We've been doing it for quite a long time. I think, the big milestone is that, like most of the work is now complete. And you're going to see this year, like almost every part of the application is going to be essentially rebuilt from the ground up. What you've seen is, like we've done 535 upgrades. The vast majority of those upgrades have actually been in the last two years. So every year we are increasing the throughput of features and upgrades. This summer release it's going to be significantly larger than past ones, and I expect the ones after that will be larger. So it's going to just – basically, what it's going to lead to is, fewer engineers being able to basically ship features faster. And so there's a pretty, pretty huge gain here. So I think, what you should expect is this year, we're going to launch significantly more upgrades than last year, and every year, it should increase.

Operator: Our next question comes from the line of Brian Nowak with Morgan Stanley. Please go ahead.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Great. Thanks for taking my questions. Good guide, guys. Just two questions. One, so Brian, as you're thinking about sort of the new products and new use cases to come from some of the growth opportunities launching in May, can you just talk us through some of the larger points of friction or opportunities high level that you see from a guest and a host perspective you're looking to address with some of these products? And then the second one, Ellie, on the full year margin guide, at least 34%, can you just sort of walk us through how you're thinking about the contribution from the investments in the back half? How are you sort of gauging the origin markets versus the expansion market sort of growth throughout the year, and as you kind of tumble through the comps for the margin guide?

Brian Chesky

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

Yeah. Hey, Brian, and are you asking just to clarify the first, this is specifically friction points for new products and services, not product optimizations, correct?

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

That's right. Yeah. So the \$200 million to \$250 million new businesses.

Brian Chesky

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

A

Yeah. So let me just kind of back up and just give you a little bit of our philosophy. So we spent the last like four, five years really trying to get to this moment where we can prepare for the next chapter of Airbnb. What we did, as I said, is we built the tech stack from the ground up. We listened to guest and host feedback, made over 500 upgrades. We built this new business organization that Dave is now leading. We've become, obviously went from breakeven to quite profitable. And so I think we're now ready for this next platform, next chapter to expand beyond our core where Airbnb is just a place to stay. And to do that, here's a couple of philosophies, couple of principles we have with our philosophy I'll share, and I'll also tell you a little bit about the friction.

Number one, I think, we can do this quite efficiently, because we are not going to launch separate apps or separate brands. We're going to have one app, one brand, the Airbnb app. And we want the Airbnb app kind of similar to Amazon to be one place to go for all of your traveling and living needs. A place to stay is just really, frankly, a very small part of the overall equation. Every new business we launch, we'd like to be strong, and I think it's standalone, but it makes the core business stronger. I think that each business could take three to five years to scale. A great business could get to \$1 billion of revenue. It doesn't mean all of them will. And you should be able to expect like one or a couple of businesses to launch every single year for the next five years.

We're going to start initially with things very closely adjacent to travel. So when people book an Airbnb, there's a lot of like experiences and services and other things that would make their stay more special, and it would even include things they wouldn't think to search for. And from there, we're just going to keep expanding, and we're going to expand out to more host services to enable them to become better host, and then eventually, we'll move further and further away from our core. I think like, maybe the analogy of Amazon is a really good one, which is to say, they started with books. The nearest adjacency to books was DVDs and CDs back when people bought physical media. And then they went to like, I don't know, maybe toys and other things and eventually, they end up with fashion and pretty soon, they were doing things pretty far adjacent from media and books.

So we're going to probably follow that path. So we're going to really, really start adjacent to travel. And part of the reason why is, a traveler booking a home, what else would they want to book. And the other great thing is that, we offer these other experience and services that could potentially bring in new guests that then book more homes in Airbnb. And I think one of the ultimate goals is, Airbnb is used by, like, I think, 1.6 billion devices a year. So it's got pretty big volume of users, but we're not a very frequently used app. People typically use us once or twice a year. And I would love Airbnb one day for people to use us once or twice a week. And so that's kind of one of the goals over the long term.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Great, Brian. Brian, Let me talk a little bit about margins over the course of the year. So to restate or just to reiterate the guidance that we provided for the full year, we're going to invest \$200 million to \$250 million in terms of launching and scaling the new businesses. We anticipate that the negative impact to margin from those investments will be heavily weighted in Q1 through Q3, whereas the revenue obviously won't pick up until we've launched those new products at the end of Q2. And so we would assume that the benefit from that lift would really be concentrated in terms of our exit rate of Q4.

But more broadly, I think, the takeaway from our guide is that, even with that investment level, we're obviously maintaining extremely strong, healthy margin for our core business. And obviously, the global floor on EBITDA gets you to that number. I think, in terms of general question of comps, I think, the most notable comp, I would

say, noise is what we described in the letter with regard to Q1. It's obviously in the letter, but just to restate it here, Q1 revenue will be heavily impacted by both the FX headwinds as well as the calendar changes vis-à-vis or relative to 2024. That will impact not just revenue, but also Q1 EBITDA. We've called that out in the letter, just to highlight that, absent those pieces, Q1 EBITDA margins would actually be relatively flat.

Operator: Our next question will come from the line of Ron Josey at Citi. Please go ahead.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the questions. Brian, I wanted to ask a little bit more on the Here & Now. In the letter, you talked about recent product enhancements around search and better merchandising. Would love to hear your thoughts on what you're finding, what you're seeing with search and merchandising and learnings there to help inform these newer experiences and products that are coming down the pike. And then the next question is just on Nights and Experiences Booked, the acceleration this quarter. Talk to us about the contribution between just the broader travel market being relatively healthy, and these newer products that are launching, like co-hosting or experiences or the next nine. Thank you.

Brian Chesky

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

A

Yes. Hey, Ron, I'll take the first. So yes, when you think about the Here & Now, we called this out in our letter really around product optimizations. And Ron, I'll kind of just – let's just start like three parts. Step one, people come to Airbnb. We have a huge amount of traffic. We have nearly 5 billion visitors a year. And so, it's really important that like when people come to Airbnb, they are able to find the right Airbnb for them.

So we've done a lot around, like we introduced a personalized welcome tour. Again, people use Airbnb only a couple of times year, so it's really important to orient them. So we've got this welcome tour that's personalized to every person. Based on your past searches, we suggest destinations that we think you're going to be interested in. Based on past filters, we offer up those filters as essentially like quick filters to apply.

We've also found that, this is probably obvious, but our mobile app converts significantly higher than our mobile website. And so we've been pushing to get more people to download our mobile app. And now in Q4, mobile bookings represented 60% of our overall bookings, up from, I think, 55% the year before. Our checkout page, this sounds like a simple thing, but the checkout page, like the page to pay, not the checkout Airbnb, the page to pay, it was really, really long. And we found that if you make it shorter, simpler, that leads to a massive increase in conversion.

Now, I'm just giving you a couple of examples. There's really a long list of dozens and dozens of things. And again, 100 basis point increase on a GBV of \$80 billion, you're going to be soon approaching like \$100 million optimizations just one at a time for some of these really, really big efforts.

So once you find an Airbnb, it's important that that Airbnb is affordable. And affordability is in our DNA. So, we've made a lot of improvements around affordability that have also increased optimization, like showing the total price display. When guests toggle on total price display that includes all fees, including cleaning fees, we see that people are booking higher value Airbnbs.

We've also created a lot of tools for hosts, whether it's monthly – and weekly, monthly discounts, price tips, search tips. All these things are essentially efforts to make Airbnb more affordable, and it's working, because

during 2024, hotel prices were up year-over-year, while comparable Airbnb listings were down year-over-year in price. So we're making progress.

And the last thing is, if you find the Airbnb is a good price, it's still really important that it's of high quality. For every person who books an Airbnb, about nine people book a hotel. And so, if we do around 500 million nights a year, and we got the extra hotel guests to use Airbnb, we go from 500 million nights to 1 billion room nights. So, that's a really, really big opportunity. And we think the number one way to do that is to improve the reliability and quality of our service, especially our host.

So the way to do that is elevate the best and cut the bottom. So we introduced Guest Favorites in October 2023. It's now gotten 250 million nights booked. If you book a guest favorite, customer service rates are down, trip issues are down, guest Net Promoter is up, cancellations are down. So it's really great. We also, since April 2023, we instituted a new host quality system and removed 400,000 listings that don't meet our guest expectations.

So, Ron, those are essentially the three levers. We have usability, making it easier for people to find the listing by increasing conversion; affordability, getting prices to be better and more competitive; and then reliability and quality of the service. So again, we've made hundreds of updates over the past few years on these, but these are just a couple callouts.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

And Ron, to answer your question in terms of quantifying the Q4 demand, I would say, obviously, we benefited from organic tailwinds across the industry. But in addition to that, all of the product optimizations that Brian shared, from our testing of those improvements, we estimate the exit rate growth rate for our business was lifted by a couple hundred basis points due to those improvements, and we see it through improvements in our booking conversion.

Operator: Our next question will come from the line of James Lee at Mizuho. Please go ahead.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Great. Thanks for taking my questions, guys. I'm sorry I joined the call a little bit late, so I apologize if my question has been repeated. Two questions here. One on Experiences, can you guys talk about maybe some of the friction you're able to resolve in the upcoming launch? And any indication that you can give us on the confidence of successful launch this time?

And secondly, I just want to double-click on Brian's commentary on beyond the core. Are you thinking about maybe some sort of concierge service, meaning like grocery shopping, access to spa, to gym, maybe some kind of access to recreation? Is that what we should think about when we think about adjacency to travel? Thanks.

Brian Chesky

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

A

Yeah, I can handle this. Hey, James. So frictions that you want to resolve with Experiences, let's ask, what were some of the challenges for the first time around? Well, for the first time around, I don't think we integrated Experiences really well into the products. [indiscernible] (00:32:05) got airbnb.com or app right now, it's pretty hard to find them. The second thing is that when you find the Experiences, I don't think they were merchandised as compellingly as they could. Third, there weren't really a lot of integrations with social media. I think social

media is a great distribution channel. And fourth, I think we are completely rethinking the kind of supply we're going to have. I think it's going to be really, really compelling. And then fifth, we didn't really market it that much. And I think this time, we're going to be a bit more aggressive in marketing them because we're really proud of the quality product we have.

Confidence of how successful the launch is going to be, I want to be measured in my response because this is a second shot at it. I am extremely confident that this product can be incredibly, incredibly compelling though. And so I think if people give it a shot, I think they're going to be really in love with the product, because people really do actually like the current Airbnb Experiences. And I think this one is going to be significantly better. I probably won't say much more. Tune in in May. And we're going to like – I'll walk you through the entire product and the product launch.

As far as adjacencies, yeah, I mean, there are dozens and dozens. I mean, if you got really granular, hundreds of opportunities, endless. We could spend many, many years taking all the adjacencies to be able to travel somewhere. And listen, remember, like 17%, 18% of our nights booked are longer-term stays of more than 30 days, and that's going to become an even greater share of our business, I think, down the road.

And so, if you think about what all the service you need to travel or live somewhere, there's a lot of opportunities. Now, the key is not to do them obviously all at once, to prioritize, to pick the most differentiated services, guests want the most that are the most compelling opportunities from a business standpoint and to start from there. So, I'm not going to go into too many more details, but stay tuned.

.....
Operator: Our next question will come from the line of Jed Kelly at Oppenheimer. Please go ahead.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Q

Hey, great. Thanks for taking my questions. Just first, can you talk about as you kind of increase your reliability, where are you and potentially partnering with some larger companies that might be able to provide these enhanced services? And then just circling back to North America, I mean, how do you view that market opportunity? I know, room nights accelerated mid single-digits, but I'm sure you want it to grow faster. So just how should we view the North American market? Thank you.

Brian Chesky

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

A

Yes. Why don't I start with partners? I imagine, like Airbnb, first of all, we haven't done a lot of partnerships. We historically have not had a robust business development or partnerships function. So most of our platform we still as kind of a little bit more of a closed ecosystem. I imagine this next chapter of Airbnb is much more of an open ecosystem. If you think about the really large tech platforms, they're kind of ecosystems essentially, and they are ecosystems that partner with other companies and developers to build on their platform.

And Airbnb is the kind of company where there are quite literally thousands of companies, like cleaning companies, key exchange, like grocery companies. There's also the companies built on top of Airbnb, especially local businesses. So I think, that Airbnb there is a play to the ecosystem where we could partner with local companies and global brands. So we are absolutely thinking about that. It's not the first thing we would do. We'd probably start with kind of first party before we go to third party, but third-party integrations is incredibly compelling because why not – like you allow the world to build an Airbnb, we don't need to build future by ourselves.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Jed, just to talk a little bit about North America. So want to just call out the trends that we saw in the back half of the year. North America, like all other regions, accelerated from Q3 to Q4. What I would say about the state of play in North America is, we believe we can grow faster than we are growing today. And why is that? I would say, one is that, North America, despite the scale that we've been able to achieve in North America is still a market dominated by hotels. Our business continues to be a fraction of the overall lodging industry. And there's plenty of room to grow short-term rental, in particular, our business relative to hotels as compared to what it looks like in other regions. I would say, second, we've mentioned this in prior calls, we look across the states and identify that there's several demos that we just frankly don't do as well as we do in other demos. The ones that we've called out in particular would be the Latino population, the kind of crossover heartland states outside of the coast, and those are areas that we continue to work to drive penetration and increase consideration.

Operator: Our next question will come from the line of Doug Anmuth with JPMorgan. Please go ahead.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking our questions. Brian, can you just talk about in what markets or for what kind of listings you're seeing the Co-Host Network work best? And what's really driving them to earn twice as much as other listings? And then Ellie, just curious where you might be finding the most traction in managing the cost structure to make room for some of these new investments coming up. Thanks.

Brian Chesky

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

A

Yeah. Hey, Doug, Co-Host Network, just to give people a little bit of background on the Co-Host Network. We did a bunch of surveys, and we talked to a lot of prospective hosts, and here's a stat that surprised us. More than 40% of people we surveyed say they would be interested in sharing their home on Airbnb, but the biggest obstacle to them doing that was that they felt like it was a lot of work. We also noticed there were a lot of people that were hosting Airbnb that would like to expand, but they don't have another home to put in Airbnb.

[indiscernible] (00:37:54) created a marketplace to match people with extra time with people to have homes, and that is the Co-Host Network. The reason why the co-host listings are so much more productive, they make about twice as much revenue, listings managed by co-host and other listings, is because we only invited top host on Airbnbs to become co-host.

So the average rating for a co-host on Airbnb is significantly higher. The majority of listings managed by co-host, I believe, are just 85% help manage a guest favorite, 75% of co-host are actually superhost. We launched in 10 countries with 10,000 cohosts. Those countries were, I think, it was Australia, Brazil, Canada, France, Germany, Italy, Mexico, Spain, UK and US. So with those 10 countries, and that's it. And the average co-host has an exceptional rating of 4.87. That's a really, really good rating. So that was like four months ago, five months ago. Today, we went from 10,000 co-hosts to 15,000 co-hosts. We now have 100,000 listings under management. The next plan is to expand to Asia. So the two countries we're focused on are Japan and Korea. And we'll give you updates as that progresses.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Great. And Doug, to talk about margins in terms of where there's opportunity for incremental efficiencies, just to restate our margin guide, every year, we will be looking to invest in new growth opportunities, while also finding incremental efficiencies in our core business. In terms of 2025 and the outlook there, I would say, there's incremental opportunities across our variable costs, so areas like payment processing and customer service opportunities to just be, frankly, a little bit more efficient and to deliver some margin expansion there.

Similarly, we continue to be extremely disciplined with our G&A expenses and head count growth, allowing for some margin expansion there as well. And then on the marketing line item, in 2024, we did increase our overall marketing intensity over the course of the year because we saw opportunities to lean into. Our current plan for 2025, plan for a flat percent of revenue, for the core business focused on marketing.

Operator: Our next question will come from the line of Lee Horowitz at Deutsche Bank. Please go ahead.

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks for taking the question. Maybe just on some of the growth markets. You guys highlighted some really healthy growth rates in these expansion regions and obviously put up nice numbers in the 4Q. But as you look after the first quarter, nights growth is sort of reverting back to what you did for monthly 2024. So can you maybe help us unpack why the success you're seeing in some of these regions is not necessarily pulling up the overall growth rate in the first quarter?

And then maybe relatedly to the marketing comments you just made in terms of there being sort of flat year-on-year, I guess, how do we maybe put together the pieces of marketing intensity perhaps flat year-on-year with the number of different growth regions still out there that are probably not quite as large as you want at this point? Like do you no longer really have to invest in them, or have you reached sort of investment sort of threshold on those, or you start to get leverage on the investments that you've made in those regions? How come they don't necessarily need more marketing dollars to deleverage next year? Thanks so much.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Sure. Let me start with the latter question. So if you think about how we've been managing our overall marketing dollars, the majority of the spend is on brand marketing. And the way to think about brand marketing is that, it is effectively a fixed amount of spend for each market in terms of the minimum amount that you need to spend for that market to be efficient. And so it is not necessarily a one-for-one like performance marketing in terms of how you need to scale it up. And so what we've done over last couple of years is keep the growth of spending against our core markets relatively modest, while adding on these incremental new markets and the incremental brand marketing dollars that it requires.

And so as we look forward to 2025, the way that we're able to maintain strong growth in the core markets but also incrementally invest in a higher level of market intensity for the expansion markets is not to grow the poor market marketing spend faster than revenue. And the way we were able to do that is our lack of strong reliance on performing marketing, which would be entirely variable. Instead in a market like the US we have a base fixed amount that is dedicated to brand, on top of which we surgically add performance marketing. And so the broad takeaway should be that, in particular, in our core markets because they are so heavily reliant on brand, we are not adding dollar for dollar as revenue increases, and therefore, the marketing budget is allowed to expand and be more heavily dedicated to expansion markets.

Operator: Our next question will come from the line of Justin Post at BofA. Please go ahead.

Justin Post

Analyst, BofA Securities, Inc.

Great. Thanks. A couple of questions. It looks like we've already covered it, US accelerated. Looking back, what might have pressured the growth rates on a macro level? And do you see those pressures changing this year? And then, maybe, Ellie, you could talk a little bit about the take rates contemplated in your outlook. What are some of the positives and negatives for take rates? Thank you.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

Yes. Certainly. So I'll talk a little bit about North America in terms of what 2024 looked like. You'll recall, this past summer, North America, in particular, we saw at the beginning of the summer peak that there was a pretty material contraction in terms of lead times, which made bookings growth in Q3 relatively muted. I think, the question at the time was, is this a signal of weakening demand, or is this a signal of simply a little bit of a volatility in terms of consumer behavior when people book their next trip. What we found at the end of Q3 and consistent with our Q3 results that played through with Q4 is that, that volatility and kind of muted bookings growth we saw over the summer was somewhat temporal.

And those folks who were somewhat on the sidelines in terms of making their future bookings in the summer came back to us in the fall and did indeed make those bookings. I think subsequent to that, we've certainly seen that, past the initial uncertainty leading into the election, the consumer, and in particular the North American consumer, has been strong, and in particular, has been strong in terms of contemplating future travel. In terms of take rates, if we play back last year, let's talk about the puts and takes for last year and how they impact the take rate for 2025. So as you'll recall, we introduced an FX service fee mid-2024. That service fee is approximately 100 basis points applied to 20% of our GBV.

So on an annualized basis, you would assume that it would lift the implied take rate by about 20 basis points. It did that. However, in Q3, we had some offsets, and in Q4, we also had some offsets. So specifically, in Q3, we had elevated [indiscernible] (00:45:26), which come in as a contra revenue and offset the lift we received from the FX service fees. And then fast forward to the last quarter, the offset was a hard comp from some benefits we got to revenue in Q4 of 2023 associated with breakage of gift cards. So fast forward to 2025, we don't anticipate any of those similar one-offs that will offset the benefit we get from the FX service fee. And so instead, for full year 2025, you should assume that the implied take rate gets the full benefit of 20 basis points increase on a year-over-year basis as compared to 2024.

Operator: Our next question will come from the line of Ken Gawrelski with Wells Fargo. Please go ahead.

Kenneth James Gawrelski

Analyst, Wells Fargo & Co.

Thank you. Two, if I may. First, just on the expense side, maybe, Ellie, could you talk a little bit looking beyond 2025, how do you think about the fixed investments you've made to prepare for the product launches in 2025? How should we think about that fixed versus variable component in 2026 and beyond? And then second, maybe for Brian, you talked about how there's still opportunity in North America, and the bookings of alternative accommodations relative to hotels and still it's very heavily weighted to hotels. Could you talk about some of the elements you think that could change that kind of price-to-value equation for consumers, especially in maybe in

urban markets, where alternative accommodations had tougher time gaining share versus vacation markets where you picked up a ton of share? Thank you.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

So let me talk about the product investments. Brian has shared that in the letter we shared that we've spent the last couple of years effectively rebuilding the tech stack. And so, I would say, while that work is not fully complete, a lot of it is behind us. So I think from an investor standpoint, you should be excited that most of the hard work has been done in terms of rebuilding the tech stack and frankly modernizing our app. That sets us up well to now turn our product road map towards supporting these new services, as well as continuing to perfecting the core service. So what that means from an expense perspective is that on the go-forward, we can increasingly dedicate our product resources to those consumer-facing growth additive features that, obviously, the consumer benefits from.

Brian Chesky

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

A

Hey, Ken, just on your question, a couple of things. So with regards – let's focus on North American urban markets that are very heavily dominated by hotels. The vast majority of people going to city in North America are staying in a hotel, which is good for us insofar that there's so much room to grow. So, what's the value equation? It's really four things. Why do people book hotels? Well, the first reason they book a hotel is because it's pretty frictionless to book. That's why we've been working on all those product optimizations, especially usability to make it easier to book an Airbnb.

The second is they know what they're going to get. Whether you like the hotel or not, you kind of know what to expect. And so that's why we've been focused a lot on reliability. We're going to do a lot more on reliability and quality. And third, hotels offer a suite of services on-premise, but we think there's obviously endless services that could be offered on Airbnb. And then finally, I think affordability is the reason you'd book Airbnb. In fact, we have a campaign we've been running, some trips are better in an Airbnb, and it's been incredibly successful. It highlights the difference between Airbnb and hotels. And it basically says, we're not saying we're better than hotels for every trip, but if you're traveling with other people, it's almost always better and almost always significantly more affordable on Airbnb.

So, just tend to like back to zoom out, I believe – I don't know when this will happen, but I do believe there's probably a tipping point, where a whole bunch of guests that don't consider Airbnb or use it only for maybe non-urban markets or for really large group family travel, but don't use it for business travel or urban markets, there's a tipping point where if we keep making the service more reliable, we add more services, we make it more affordable, even more frictionless, eventually there's a tipping point, and I think a lot of hotel travelers will come to Airbnb, or use us for more of their share of wallet. So, I think, I can't possibly predict when this will happen. But what I can predict is how much faster our service can improve, and that's going to happen over the coming years pretty quickly.

Operator: Our next question comes from the line of Kevin Kopelman with TD Cowen. Please go ahead.

Kevin Kopelman

Analyst, TD Cowen

Q

Thanks. Could you give us an update on how you're thinking about advertising services in your priority list as you're rolling out new businesses? Thanks.

Brian Chesky

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

A

Hey, Kevin. I think it's like almost every marketplace that successful has done this. We've looked at this. We definitely think this is easily \$1 billion revenue opportunity. It's not a matter of if, it's a matter of when. It's not the most [indiscernible] (00:50:45) opportunity. So it's not something we'll be doing this year, but it's definitely something on the horizon.

Operator: Our next question comes from the line of Naved Khan at B. Riley Securities. Please go ahead.

Naved Khan

Analyst, B. Riley Securities, Inc.

Q

Okay. Thanks. Maybe just on the urban demand, Brian, and you talked about how a lot of people just book hotels. Can you maybe touch on regulation? And do you see movement there in terms of how that might become more favorable, especially in larger cities like New York might start to open up? Give us some thoughts there. And then, if I have to think about regulation maybe at a bigger scale, so I think Europe has been pretty heavy on regulation, especially on the larger platforms. Anything in terms of either becoming a deemed gatekeeper or not? Just any thoughts there would be helpful. Thank you.

Brian Chesky

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

A

Yeah. Sure. I'll take the first part, and I'll let Ellie take the second. With regards to regulation, let's just frame it. So, our top 200 markets comprise the vast majority of revenue. 80% of those jurisdictions have regulations on the books for Airbnb, regulations as in they recognize us. And we've now collected, remitted around \$13 billion in hotel occupancy tax, and we have really a great history of partnering with cities. I think the trajectory for cities is increasingly, I think – when we first started, cities didn't really know what to make of us. This is like 10, 15 years ago. I think some people thought Airbnb was a problem. And I think increasingly, cities are thinking of us as partners, and they're thinking of us as a solution to their problems.

I'll just give a couple of examples. Last summer, Paris had a really big problem. Like millions of people were coming to Paris and they didn't have hotels to put them in. So, Airbnb, we went from 100,000 to about 150,000 homes, partnering with IOC, the Olympic Committee, and the city of Paris, the French government. We had great support. And we were able to house 700,000 guests in Paris during the Olympics. Imagine that. That's like more than 10 Olympic stadiums where the guests were staying in Airbnb. I think the Paris Olympics was so successful that the city of Milan and the city of L.A. are now looking at how we can be a solution for their challenges with compression nights during the Olympics. And I think cities all over the world are looking at Airbnb as a solution to be able to accommodate guests for large events, where money goes into local communities, and it like limits hotels' ability to essentially create surge pricing.

Another solution we've been is during times of disaster. There was a devastating L.A. fire that I'm sure you're all aware of about a month ago. And a large number of people were displaced. Well, Airbnb and working with [indiscernible] (00:53:45) has housed more than 19,000 residents of Los Angeles that were displaced because of the fires. And so I think, generally, the conclusion here is that I think we're developing some really great momentum. I think cities are seeing us as a partner. I think that New York City remains an outlier. They banned the majority of our business. One year later – sorry, as of, I think, like last September, the last data I saw, rents – they basically banned Airbnb with the idea that rents would go down, what we've seen is rents aren't down year-over-year.

In fact, rents were up, I think, 3% year-over-year. There hasn't been meaningful supply housing stock going back in the market. And guess what happened to hotel prices? They're actually up 7% year-over-year. So I think, New York is a cautionary tale, and I do not think cities are going to follow it. I think they're going to like to see us much more as a solution to a problem.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

And then just on your second question related to DMA, no real change here from last quarter. It doesn't really apply to us.

Operator: Our next question comes from the line of Colin Sebastian at Baird. Please go ahead.

Colin Alan Sebastian

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

Q

Thanks, and good afternoon. I guess, two quick ones from me. First off, I guess, from a competitive standpoint, Brian, Ellie, the tone of the letter comes across, I think, is quite a bit stronger in terms of leading the industry. So I'm curious if that's more of the result of your performance to date, or is that more about what's to come in terms of putting more distance between Airbnb and competitors. And then secondly, on experience, I know we don't have the formal relaunch yet, although I enjoyed a nice [indiscernible] (00:55:27) recently, purchased at the platform. But just curious on the progress you're seeing in repopulating the marketplace or ingesting more and higher-quality experiences before the relaunch.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Okay. Thanks, Colin. Just to give a little bit of update in terms of the competitive environment. What I would say is that, our results in Q4 end 2024 support that. We continue to gain market share on a year-over-year basis, both globally, as well as at a regional level. This is true both from a traffic share as well as a nights/day perspective. And what we've seen of late is predominantly market share gains coming from hotels. I think, all the product improvements that Brian has shared throughout this call, as well as the increases we've seen in terms of brand consideration have really been attracting more, frankly, classic hotel users to try our product and has allowed us to continue to gain market share. I think one of the underlying questions I'm sure people have is vis-à-vis Vrbo and their strong performance in Q4.

What I would say there is that, Vrbo, obviously, had a very soft comp in terms of their business contracting in the US or globally in Q4 of 2023. And in the last quarter, what we see is that, the markets that we tend to compete against them in, in particular, non-urban US markets, it was actually one of our fastest-growing segments in the US. So even in that comparison point, we feel like we're doing quite well. The other point I would make on the competitive front is that, we continue to see that on the supply side, we are, number one, leading in terms of total supply growth, and number two, in terms of the new listings coming online, the majority come to Airbnb and the majority are exclusive. So further extending our differentiation with regard to both the breadth, but also the differentiation of the supply that is key to the brand and key to the guest value proposition for Airbnb.

Operator: Our next question will come from the line of John Colantuoni with Jefferies. Please go ahead.

John Colantuoni

Analyst, Jefferies LLC

Q

Thanks so much for the questions. First one on conversion. When you look at how travelers interact with your booking experience and begin to think about how best to layer in new services over time, talk about how you're planning to evolve search and discovery to help balance steering users to your new services, while simultaneously maintaining conversion on accommodations. And second, I'd be curious to get your perspective on the opportunity to use new services to create some flywheel effects by which maybe you're acquiring new customers through new products or driving more multiproduct bookings to help increase customer lifetime value. Thanks.

Ellie Mertz

Chief Financial Officer, Airbnb, Inc.

A

Yes. So let's talk a little bit, you asked about the conversion funnel and how we think about adding in new products. And I think, the question is really, how do you launch and merchandise new products while not creating some risk to your core offering. And I think, this goes to one of our key learnings in terms of the Experiences product that we've had historically versus what we want to put into market in the coming months. And one of the insights there is that, the kind of classic generalized traveler does not come to our site or any other site to book their entire trip. Instead, they tend to book their airline, they tend to book their accommodations. Once they get through that, they're very relieved that that is behind them. And they kind of sit on the sidelines for weeks or months in advance of the trip until they start thinking about what do I need to book to fill out my itinerary.

And so when we think about how to launch these new offerings, we want to be very mindful of the guest journey, and to be very thoughtful with regard to both personalization and timing around what type of products are we merchandising to the customer at what point so that we can obviously have the best conversion impact by merchandising the right thing. In terms of the flywheel, I think, as we have been considering what both near-term and long-term future offerings will be, we're very focused on adding things to the platform that not only will be solid businesses in and of themselves, but also make the core offerings better.

So that is part of our criteria in terms of selecting new offerings is, what if added to the platform would actually likely cause people to, one, book more frequently in terms of accommodations, but also come back to the app or the service on a more frequent basis than they do today, because we have a variety of offerings that may work not just on their trip, but also when they are in their home markets.

Operator: And that will conclude our Q&A session. I'll turn the call back over to Brian for any closing remarks.

Brian Chesky

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

All right. Well, thanks, everyone, for joining us today. Just to recap, we ended 2024 with nice growth accelerating and incredible momentum heading into 2025. Free cash flow was \$4.5 billion for the year, representing a free cash flow margin of 40%. And our strong balance sheet enabled us to repurchase \$3.4 billion of common stock. I'm really proud of what we accomplished, but this is just the beginning. 2025 marks the start of Airbnb's next chapter. All right. Thank you, all.

Operator: That concludes our call for today. Thank you all for joining. You may now disconnect.

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