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BLUEGRASS CAPITAL RESEARCH

Airbnb Inc.

Holding the Reservation

Airbnb has strung together an impressive financial run in 2025, headlined by a $6B share buyback; the company continues to deliver strong cash flows. However, as global regulatory friction heats up and the growth outlook in key markets amidst the AI race remains unclear, the company's future is increasingly difficult to predict. **We initiate $ABNB as a HOLD with a one-year PT of $128.**

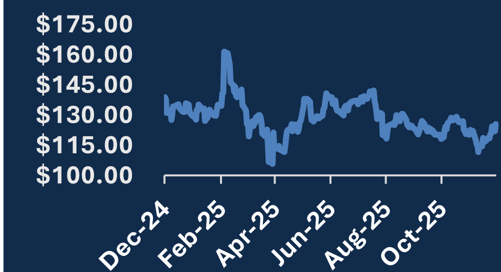
Thesis Point 1 Since its IPO in 2020, Airbnb has evolved from a pure growth stock to a high-margin, increasingly cash-generative business, with meaningful free cash flow being returned to shareholders. Underpinned by $1.3B of FCF and 50% adjusted EBITDA margins (among the highest in the subsector), Q3 once again proved Airbnb's fundamentals remain strong. Further contributing to an impressive fiscal year, a roughly 38% TTM FCF margin has enabled a meaningful share repurchase program in which $857M of common stock was repurchased during the quarter, totaling a notable $3.5B over the last 12 months. This impressive bottom line came despite a $213M valuation allowance hitting Q3 net income as a result of the Big Beautiful Bill, but the bill is also expected to generate future tailwinds through a lower effective tax rate on foreign earnings. This strong cash generation has allowed Airbnb to explore new potential growth drivers, including its "Reserve Now, Pay Later" tool introduced in Q3, with roughly 70% of eligible guests choosing to use it, reinforcing overall demand and enhancing booking momentum. These initiatives are complemented by Airbnb's AI innovations, as the company unveiled new AI support bots that have reduced human agent contacts by roughly 15% and also plans to roll out an AI-powered search within the next year.

Thesis Point 2 In recent years, Airbnb's global expansion has faced accumulating regulatory headwinds within the U.S. and European markets. Major vacation cities where the company built its core have begun implementing strict compliance rules, including minimum stay rules, maximum-night limits, strict licensing requirements, and hefty fines directed at hosts for violations. Specifically, active Airbnb listings in New York City have plummeted over 90% since the enactment of Local Law 18 in 2023, which imposes some of the most burdensome rental regulations on rentals under 30 days. Likewise, in Spain, more than 65,000 Airbnb vacation rentals were forced to withdraw during the government's national crackdown in May of 2025. This kind of regulatory friction is critical in evaluating Airbnb's future top-line growth, especially as management has already flagged post-COVID year-over-year comps as a concern on the Q3 call. As a result, the upside is effectively capped, compelling investors to explore comparable companies, such as Expedia, which owns Vrbo and trades at 15x forward P/E and 11x EV/EBITDA versus Airbnb at 25x and 26x as of December 4th, 2025, offering cheaper exposure to the same travel subsector.

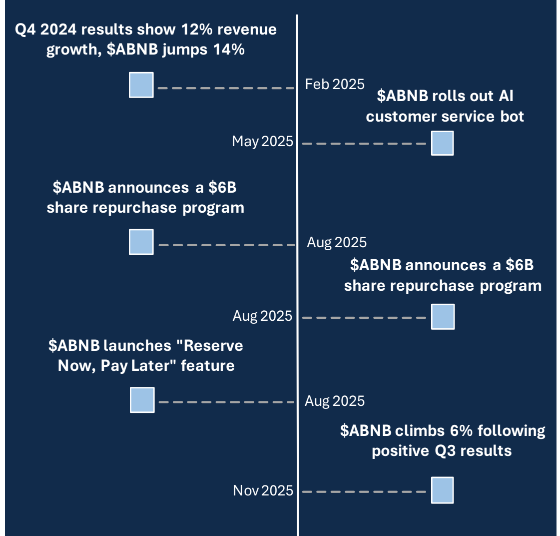
Company Overview Airbnb (ABNB) is a global leader in short-term stays, connecting travelers with hosts online or through mobile spaces. Founded in 2007, it is often credited with popularizing the vacation rental market by converting underutilized real estate into actual cash-generating assets. Today, the company's operations span globally, with 2024 revenue split consisting of 45% in North America, 37% in EMEA, and 18% across Latin America and Asia Pacific, with revenue generated primarily from service fees on bookings. Airbnb, like other companies in the travel services industry, is evaluated on metrics such as nights and experiences booked, gross booking value (GBV), and average daily rate (ADR), which together drive revenues and margins. Lastly, Airbnb is led by co-founder and CEO Brian Chesky, whose mission with Airbnb is to transform it into an "everything" platform.

TICKER:	$ABNB
RATING:	HOLD
PRICE:	$127.23
PRICE TARGET:	$127.85
MARKET CAP:	$78.16bn
52-W RANGE:	$99.88 - $163.93
P/E:	30.40x
IMPLIED UPSIDE:	0.5%

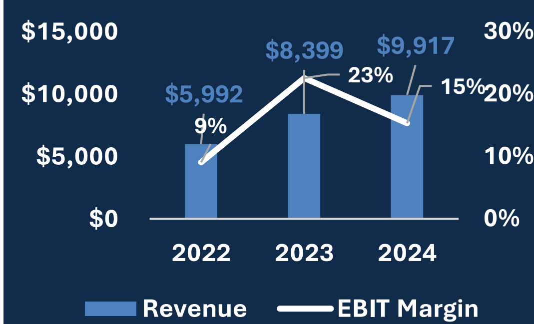
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Airbnb Inc. | *NASDAQ: ABNB*
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Risk 1 As with all travel companies, Airbnb is highly exposed to macro cycles; any recession or pandemic-driven shock can markedly shrink demand. This was clearly demonstrated during the COVID-19 pandemic, where Airbnb saw bookings and cash flows fall virtually overnight. Notably, the company saw a 72% decline in revenues as compared to 2019, and the platform lost 5% of its total listings between January and June 2020. Fluctuations such as these severely undercut revenue and FCF and limit the stock's ability to sustain a rich multiple.

Risk 2: Airbnb operates in an increasingly competitive environment, and with revenue derived primarily from service fees on bookings, a failure to adapt and expand its platform could cap future growth. With competition encompassing online travel agencies, internet search engines, and hotel chains, to name a few, the market demands constant product innovation and a competitive cost structure in order to succeed. Failure to successfully integrate "Reserve Now and Pay Later" and other new features could undermine otherwise solid fundamentals and temper expectations for future growth.

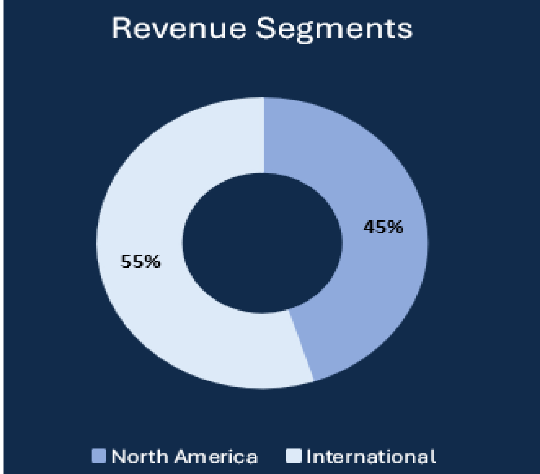
Catalysts A key catalyst for Airbnb is its ability to deliver on current AI plans. Most notably, the planned AI-powered search, which management emphasized on their Q3 earnings call, could materially elevate current conversion rate levels and increase ADR. This personalized search engine, which learns each guest's preferences with increasing sophistication, coupled with AI support tools that have already lowered customer support costs, could justify a higher valuation and multiple relative to peers. With no clear leader in AI yet in online travel, it is imperative that Airbnb does not fall behind the AI curve.

Valuation

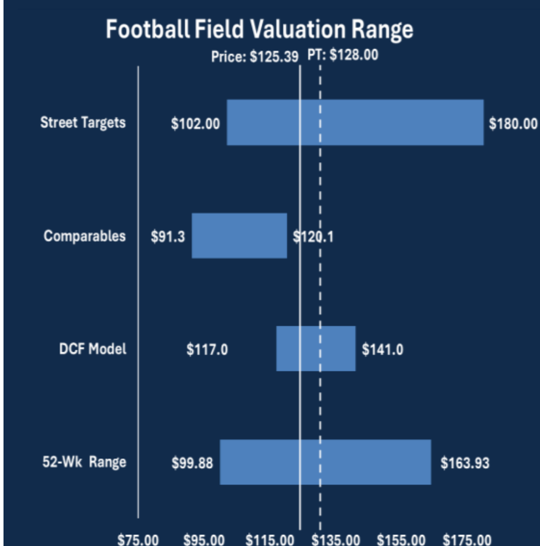
DCF Analysis ($mm)	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	11,102	12,200	13,244	14,286	15,303	16,272	17,169
Revenue Growth	*12%*	*10%*	*9%*	*8%*	*7%*	*6%*	*6%*
North America	5,006	5,250	5,460	5,665	5,863	6,054	6,235
International	6,096	6,950	7,784	8,621	9,440	10,219	10,934
EBIT	2,553	2,900	3,179	3,500	3,826	4,149	4,464
EBIT Margin	*23%*	*24%*	*24%*	*25%*	*25%*	*26%*	*26%*
Tax Expense	683	670	636	674	708	737	759
Effective Tax Rate	*27%*	*23%*	*20%*	*19%*	*19%*	*18%*	*17%*
NOPAT	1,870.00	2,230.00	2,542.85	2,826.21	3,117.94	3,412.87	3,705.07
D&A	31	37	40	46	54	61	69
Capex	34	36	40	46	54	61	69
Changes in NWC	(78)	(75)	(66)	(54)	(38)	(20)	0
UFCF	1,945	2,306	2,609	2,880	3,156	3,433	3,705
PV of FCF		2,301	2,489	2,525	2,543	2,542	2,521

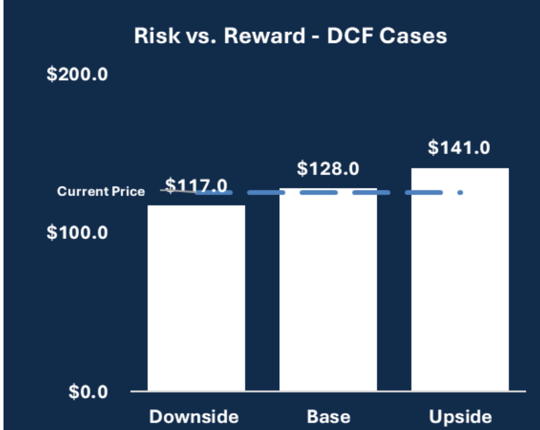
Our base case projects a 17.25x EV/EBITDA exit multiple, with a CAGR of around 8% through FY2030. This model assumes current revenue and EBIT margins stabilize as the company continues to mature and post COVID-19 travel boom wears off. However, cash generation is expected to stay consistent, and our projections reflect continued success in the realm of AI and new features such as "Reserve Now, Pay Later". Please reference the bottom of the appendix on the next page for descriptions of our downside and upside DCF projections.

Conclusion We rate Airbnb a HOLD rating, given an impressive bottom line but a shaky future growth outlook. While the company has matured into a cash-rich business and management seems persistent in the expansion into new revenue streams and AI, regulatory headwinds and limited visibility into market penetration leave us wary. We initiate $ABNB with a HOLD rating and a one-year price target of $128.



Terminal Value	
Exit Multiple Method	
2034 EBITDA	$4,533
EV/EBITDA Exit Multiple	17.3x
Terminal Value	$78,188
PV of Terminal Value	$53,196
PV of Projection Period	$14,921
PV of Terminal Value	$53,196
Implied TEV	$68,117
(-) Debt	$2,278
(+) Cash	$11,684
Implied Equity Value	$77,523
Diluted Shares Outstanding	606
Implied Share Price	$127.85
Upside/Downside	0.4%





Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	11,102	12,200	13,244	14,286	15,303	8.4%
EBITDA	2,584	2,937	3,218	3,546	3,879	10.7%
EBIT	2,553	2,900	3,179	3,500	3,826	10.6%
NOPAT	1,870	2,230	2,543	2,826	3,118	13.6%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	23.3%	24.1%	24.3%	24.8%	25.4%	24.4%
EBIT Margin	23.0%	23.8%	24.0%	24.5%	25.0%	24.1%
Revenue Growth	11.9%	9.9%	8.6%	7.9%	7.1%	9.1%
EBIT Growth	68.2%	13.6%	9.6%	10.1%	9.3%	22.2%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	39.8x	33.6x	29.7x	26.9x	24.5x	30.9x
EV/Sales	6.1x	5.6x	5.1x	4.8x	4.4x	5.2x
EV/EBITDA	26.3x	23.1x	21.1x	19.2x	17.5x	21.5x
FCF Yield	2.5%	3.0%	3.4%	3.7%	4.1%	3.3%

Comparable Companies
$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Expedia Group, Inc. (NasdaqGS:EXPE)	$32,155	$33,731	25.3x	$14,370	$2,179
Booking Holdings Inc. (NasdaqGS:BKNG)	$162,691	$163,433	33.0x	$26,039	$9,819
Marriott International, Inc. (NasdaqGS:MAR)	$82,290	$98,498	32.4x	$6,874	$4,600
Hilton Worldwide Holdings Inc. (NYSE:HLT)	$65,138	$76,473	40.6x	$4,870	$2,738
AIRBNB, INC. (XNAS:ABNB)	$72,841	$63,435	28.7x	$11,943	$2,761

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Expedia Group, Inc. (NasdaqGS:EXPE)	15.5x	89.9%	15.2%	13.7%	7.3%
Booking Holdings Inc. (NasdaqGS:BKNG)	16.6x	87.0%	37.7%	35.3%	13.0%
Marriott International, Inc. (NasdaqGS:MAR)	21.4x	81.6%	66.9%	60.6%	4.6%
Hilton Worldwide Holdings Inc. (NYSE:HLT)	27.9x	77.5%	56.2%	52.8%	3.7%
AIRBNB, INC. (XNAS:ABNB)	23.0x	83.0%	23.1%	22.6%	10.2%
High	27.93x	89.9%	66.9%	60.6%	13.0%
75th Percentile	22.98x	87.0%	56.2%	52.8%	10.2%
Average	20.89x	83.8%	39.8%	37.0%	7.8%
Median	21.41x	83.0%	0.0%	35.3%	7.3%
25th Percentile	16.64x	81.6%	23.1%	22.6%	4.6%
Low	15.48x	77.5%	15.2%	13.7%	3.7%

AIRBNB, INC. (XNAS:ABNB)		
Implied Enterprise Value (25th Percentile)	$	45,956
Implied Enterprise Value (Median)	**$**	**59,120**
Implied Enterprise Value (75th Percentile)	$	63,435
Implied Share Price (25th Percentile)	$	91.30
Implied Share Price (Median)	**$**	**113.01**
Implied Share Price (75th Percentile)	$	120.13

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.11
Risk Free Rate	4.39%
Cost of Equity	8.73%
Weighted Average Cost of Debt	4.25%
Tax Rate	20.00%
Cost of Debt	0.10%
Total Equity	$8,412
Total Debt	$2,294
Equity/Total Capitalization	78.57%
Debt/Total Capitalization	21.43%
WACC	8.82%

Downside Case: Our downside case assumes Airbnb is unable to sustain current revenue growth and EBIT margins, with margins stalling at 2% in North America and 6% internationally by FY2030. This scenario assumes regulatory oversight continues to intensify, AI initiatives fail, and investors divert capital to comparable companies trading at discounted prices. Applying a lower 16.0X EBITDA multiple, we arrive at a calculated share price of $115, implying 10% downside from current levels.

Upside Case: Our upside case assumes Airbnb can sustain solid revenue growth and EBIT margins, with margins moderating to 4% in North America and 8% internationally by FY2030. This scenario assumes regulatory oversight eases, AI support bot and search engine initiatives deliver, and investor sentiment remains strong on a premium multiple. Applying an elevated 18.5x EBITDA multiple, we arrive at a calculated share price of $143, implying 12% upside from current levels.