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BUSINESS

Airbnb Posts Steep Losses in First Earnings Report After Going Public

Annual deficit of \$4.6 billion was tempered by lower-than-expected decrease in revenue following a pickup in local travel



An Airbnb property in Spain. The company redesigned its app and website during the pandemic to show prospective travelers listings nearby.

PHOTO: PERLA REQUEJO/REUTERS

By [Preetika Rana](#)

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Airbnb Inc. posted a steep annual loss in its first earnings [as a public company](#), as costs tied to its market debut capped a year in which the coronavirus pandemic ravaged the travel industry.

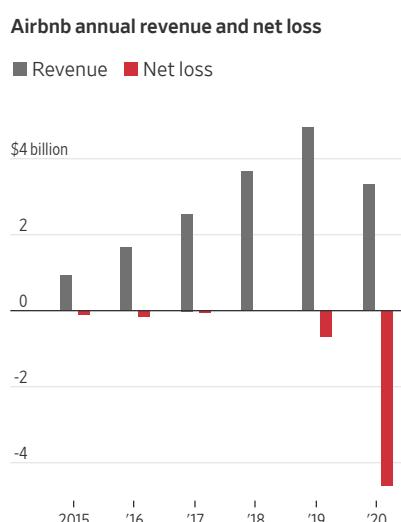
But the home-sharing giant, whose business [was initially crushed](#) by widespread lockdowns, staved off disaster through an unforeseen pickup in local travel. Yearly revenue declined, but not as much as analysts expected, as scores of people used the platform to plan nearby excursions. Airbnb declined to provide an outlook for this year, “given the difficulty in determining the pace of vaccine rollouts and the related impact on willingness to travel.”

“We don’t think we’re ever going back to the world of travel before” the pandemic, Chief Executive Brian Chesky told analysts on a conference call Thursday.

Mr. Chesky outlined how the health crisis had reshaped the business, pointing to a significant uptick in long-term stays as people around the world work from home and live more nomadic lives. Some large employers have said they would offer that flexibility even

when things return to normal, and Mr. Chesky believes Airbnb can capitalize on it.

The CEO said he found that many travelers landed on the website in recent months not knowing where they wanted to go, or when, allowing the company to steer them to locations where it had rentals.



Note: Net loss for 2020 includes costs tied to the company's IPO.

Source: the company

Airbnb has been the outlier in an otherwise battered travel industry. Mr. Chesky redesigned the company's website and app to show prospective travelers everything from lavish beach houses to rustic cabins nearby, while hotel chains with a footprint in big cities suffered. At the same time, he cut a quarter of staff, paused noncore operations and slashed the company's hefty marketing budget to keep expenses down.

The uptick in local travel, combined with deep cost cuts, helped Airbnb turn a third-quarter profit, boosting investor confidence ahead of its IPO in December. Airbnb shares have climbed nearly twofold from their IPO price. The company's market capitalization of more than \$100 billion makes it more valuable than Marriott International Inc., Hilton Worldwide Holdings Inc. and Hyatt Hotels Corp. combined.

The home-sharing company reported a \$3.9 billion loss in the three months through December, including \$2.8 billion in costs tied to its initial public offering and an \$827 million adjustment tied to loans taken to weather the health crisis. That compared with a loss of \$351 million in the same period a year earlier. The latest loss brought the company's full-year deficit to \$4.6 billion, more than its losses in the previous four years combined. The loss exceeded the average forecast of analysts surveyed by FactSet.

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Airbnb's valuation plummeted to \$18 billion nearly a year ago, as it raced to secure funds to weather the crisis. The company's skyrocketing share price meant the warrants it gave investors on those loans significantly appreciated, too, leading to the one-time adjustment that saddled its bottom line.

Fourth-quarter revenue fell 22% year-over-year to \$859 million. Full-year revenue fell 30% to \$3.3 billion. Analysts polled by FactSet had expected fourth-quarter revenue to decline 33% and full-year revenue to drop 32%.

Airbnb's full-year expenses rose 31% to \$6.97 billion on the back of IPO-related stock compensation in the fourth quarter. But expenses in each category—ranging from product development to operations and support—were lower before accounting for stock compensation. For example, excluding stock-based compensation and other related costs, sales and marketing expenses declined 66% in 2020 compared with the year earlier. Including those costs, sales and marketing expenses climbed 44%.

Companies often point to an adjusted metric that strips the business of such costs. Airbnb's adjusted loss before interest, taxes, depreciation and amortization narrowed to \$251 million from \$253 million in the previous year. Its fourth-quarter loss on that basis narrowed to \$21 million from a loss of \$276 million a year earlier.

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While the third quarter is the busiest for Airbnb—the company has turned a profit in that period since 2018, including during the pandemic—the first quarter is the slowest. Airbnb said it expects bookings in the three months through March to be better than in the same period last year, when the health crisis first struck, but below 2019 levels.

The company said it would also invest in marketing and product development in the first half of this year, so it is positioned to benefit from an expected rebound in the second half. It assured investors that it intends to keep costs from soaring to pre-pandemic levels.

Airbnb's rapid growth has come with its share of challenges. Homeowners from Arizona to Florida and Massachusetts are campaigning for laws to govern short-term rentals amid concerns about noise, crime and falling property values.

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