

ABNB Earnings Call Transcript

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Quarter: 3

Operator: Good afternoon, and thank you for joining Airbnb's earnings conference call for the third quarter of 2025. 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: Good afternoon, and welcome to Airbnb's Third Quarter of 2025 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, Eli Mertz. Earlier today, we issued a shareholder letter with our financial results and commentary for our third quarter of 2025. 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 provided reconciliations to the most directly comparable GAAP financial measures in the shareholder letter posted to our Investor Relations website. These non-GAAP financial measures are not intended to be a substitute for our GAAP results. With that, I'll pass the call to Brian.

Brian Chesky: All right. Thanks, Angela, and good afternoon, everyone. Thanks for joining. I am excited to share that Airbnb had another strong quarter. Revenue increased 10% year-over-year, landing at the high end of our guidance. Adjusted EBITDA was over \$2 billion, and this is our highest in any quarter ever. Gross booking value increased 14% year-over-year, while nights and seats booked rose by 9%. Both metrics accelerated in Q2, and they both exceeded our expectations, and they were driven by the strength in the U.S. market and ADR. We are driving this growth by focusing on 4 key areas: making our service better, bringing Airbnb to more parts of the world, expanding what we offer and integrating AI across our app. So what I want to do is I'm going to share just a few highlights on each of these 4 growth levers. First, we're making Airbnb better for our hosting guests. So we know that the better our product is, the more people use it. And since last -- this past May, we didn't stop. In fact, we accelerated development by making 65 major improvements that we think will help further drive growth. And here are just a few of them. We know that guests want more flexibility in ways that they can pay. So we introduced Reserve now Pay Later in the United States. And not unexpectedly, this helped drive licenses booked in Q3. So we're going to continue to roll it out more broadly next year. We also announced improved maps. One of the things we noticed was a lot of people were coming to Airbnb. They didn't have enough context on the map on Airbnb and we were leaving our app, going to Google Apple Maps somewhere else. And sometimes it wouldn't come back to our app. So we built a lot more context about our map on Airbnb. We added nearby landmarks, public transit, restaurants. We even are offering different map views like satellite views, street view, transit view. And this is, we think, going to

be a huge user experience improvement and we will keep people on our app and increase conversion. Finally, we updated our cancellation policy, so it's even easier for hosts to earn more and guests to make changes. Host can now choose a new policy allows guests to cancel for free up to 14 days before check-in. And all guests can cancel free within 24 hours if they booked more than 7 days before check-in. So these changes are reducing a huge amount of customer service cases and increasing annualized bookings. And again, these are just a few of the 65 major improvements that we just made that makes our service better. Number two, we're bringing Airbnb to more parts of the world. International expansion is a multiyear strategy, but we're already off to a great start. Over the past 12 months, average nights booked in our expansion markets have grown at double the rate of our core markets, and we're also attracting new users to the platform in key markets. For example, first-time bookers were up over 20% in Japan and nearly 50% in India on a year-over-year basis. So this is really encouraging. Number three, we're driving growth by expanding what we offer. In May, we took the first step in expanding Airbnb beyond stage launch of Airbnb services and experiences. Now since then, feedback from guests has been amazing. Service experiences are receiving an average rating of 4.3 out of 5 stars. And now in our core business, it's 4.8 out of 5 stars. So this is really encouraging and a sign of growth to come. The people love your product, they'll use it more. Service experiences are also bringing more people to the platform. So in Q3, almost half of the people who booked an experience did not have an Airbnb stay. So we're giving people another reason to use Airbnb. And we're also scaling supply of high-quality service experiences. In fact, we received over 110,000 applications from potential hosts. So not only do we think the demand is going to be there, the supply is there as well. And that has almost doubled last quarter, 110,000 applications. And it means people see the value of reaching new customers through Airbnb. But we're not just adding more service experiences. We know one of the top reasons guests book experiences because they want to meet other people. So we're making experiences more social. Now before a guest books an experience, we're going to show them who else is going and where they're from. So guests can also request to directly message other guests they met during an experience to keep in touch or plan their experience right in the app. In the connection section of the Airbnb Profiles tab, guests can see the people they've met on experiences, so it's easy to reconnect. And this is really just about giving guests what they want and doing what Airbnb does best, which is bringing people together in the real world. Now outside of service experiences, we're also launching hotels in Airbnb. While a small number of hotels are listed in Airbnb in the past, we haven't had a true hotels business until now. We started with a hotel pilot in L.A., New York City and Madrid, and we're partnering directly with boutique and independent hotels. As part of this pilot, we've improved how hotels show up on Airbnb with new search filters, updated hotel page displays and the ability to choose the room types. So in other words, we built a custom-built product just for hotels. We've also been actively recruiting hotels in key markets where there aren't a lot of Airbnbs. And our goal is to fill the gaps where hotels make more sense for guests like a night's stay trip in the middle of the city. Finally, we're integrating Airbnb -- sorry, finally, we're integrating AI extensively across the app. Over the past year, we've been laying the foundation for a more intelligent, more personalized Airbnb from rebuilding our tech stack to launching a series of new AI features. We now have more than a dozen AI work streams underway, and they're all focused on really creating a more personal experience for guests and hosts and making it easier to discover what we offer. Now this is part of a major transformation for Airbnb, and I want to share just 2 highlights from Q3 with regard to AI. This quarter, we rolled out smarter and faster AI customer support. Our AI customer support assistant has smarter responses. It includes answers your reservation or listing and also provides quicker, more personalized responses. It also lets you take common actions like canceling or changing reservation dates directly from the chat. So what we did is we designed this custom user interface that's not just text-based, but it's got rich user interface modules. So it's a really custom-built AI interface built right into the messaging platform. Now we initially launched this in the United States, where it's already reduced people's need to contact a human agent by 15%. So now we're going to expand it to more countries in more language, and we expect this to be in over 50 languages next year. Now we're also building out AI-powered search. And this is a really, really big part of our AI strategy. You're going to see this. We're testing it now. You'll see this rolling out through the app next year. And this will let people have a conversation with the app, just like a chatbot about what they're looking for, so we can help them

design the perfect trip. And remember that we have access to all the same models that every other chatbot and AI application has. So we think this is going to be a really delightful product to use. Now this is just the beginning of a much bigger AI strategy because we're integrating AI across our app to make it smarter and more personal and easier to use. But I think what makes our approach different is that we're not just using AI to pull people deeper into the screens. We're using it to get them off their phones and help them connect to the real world. Because I believe in the age of AI, more and more, what's going to happen is what's on a screen will be artificial. You won't know if it's real or not. In the age of AI, people are going to increasingly want what's real and what's real is in real life. They're going to create real experience with real people in the real world. And I think that's especially true for younger generations who grew up on social media are now surrounded by AI-generated content. So we think Airbnb is the best way to experience the magic of the real world. So while other companies are using AI to keep you online, we're really trying to do the opposite, get you off your phone and into the real world. And so in that sense, a bet on Airbnb is a bet on AI because it's a bet that the more AI proliferates the content we consume on devices, the more people are going to earn for real connection with real people in the real world. So with that, I'll turn it over to Ellie.

Ellie Mertz: Thank you, Brian, and good afternoon, everyone. I'll start with a review of our Q3 financial results, and then I'll walk through our outlook for Q4. As Brian mentioned, Q3 was another strong quarter for Airbnb. Gross booking value grew 14% year-over-year to \$22.9 billion, driven by strong growth in both bookings and price. Nights and seats booked increased 9% year-over-year, representing a 2-point sequential acceleration from Q2, primarily due to the strength in the U.S. In Q3, nights growth across each of our major regions remained steady or accelerated sequentially. Latin America grew in the low 20s. Asia Pacific grew in the mid-teens, and both North America and EMEA were up in the mid-single digits. Notably, we saw a meaningful acceleration in the U.S. from Q2 to Q3, in part due to the launch of our Reserve now Pay Later payment offering. Now turning to our Q3 financials. Revenue for the quarter was \$4.1 billion, up 10% year-over-year. In terms of profitability, we generated \$2.1 billion of adjusted EBITDA, representing a 50% EBITDA margin. And finally, net income was \$1.4 billion, while EPS was \$2.21, growing 4% year-over-year. Now net income was impacted by a onetime \$213 million valuation allowance related to corporate alternative minimum tax credits as a result of the enactment of the One Big Beautiful Bill Act on July 4. On a go-forward basis, starting in 2026, we anticipate that the One Big Beautiful Bill will materially reduce our effective tax rate due to the preferential changes to tax on foreign earnings. Next, I'll turn to our balance sheet and cash flow. We continue to generate significant cash in Q3, delivering \$1.3 billion of free cash flow. Over the past 12 months, we've generated \$4.5 billion, representing a free cash flow margin of 38%. At the end of Q3, we had \$11.7 billion of corporate cash and investments as well as \$7.2 billion of funds held on behalf of our guests. Our strong balance sheet allowed us to repurchase \$857 million of our common stock during the quarter. And during the trailing 12 months, we have repurchased over \$3.5 billion of our common stock, using approximately 3/4 of our free cash flow. We believe returning capital to shareholders is a key component of our capital allocation strategy, reflecting our confidence in the business and our commitment to delivering long-term value. As of the end of Q3, we still had \$6.6 billion remaining on our repurchase authorization. Since introducing our share repurchase program in 2022, we've reduced our fully diluted share count by 8%. Now let's shift to our Q4 and full year 2025 outlook. As we start the fourth quarter, we're encouraged by the continued momentum. Despite more difficult year-over-year comps, we're seeing strength in longer lead time bookings, partly driven by our Reserve now pay later offering in the U.S. The strength in bookings support our positive outlook for the rest of the year. In Q4, we expect to generate revenue of \$2.66 billion to \$2.72 billion, representing year-over-year growth of 7% to 10%. This includes a small foreign exchange tailwind after factoring in our hedges. We expect our GMV to grow low double digits year-over-year, benefiting from a small -- or excuse me, from a modest increase in ADR due to price appreciation and FX as well as continued growth in nights and seats booked. For Q4, we anticipate year-over-year growth of nights and seats booked in the mid-single-digit range. Last year, we saw a meaningful acceleration of growth from Q3 to Q4. Our Q4 2025 guide takes this tougher comp into consideration. But on a year-over-2-year basis, we do anticipate a sequential acceleration from Q3 to Q4. On profitability, we now expect our full year adjusted EBITDA margin to be approximately 35%, up from the 34.5% floor previously shared. As we

look forward to 2026, we're focused on maintaining strong margins while continuing to invest in growth initiatives. We will share more about our 2026 outlook on the next earnings call in February. In closing, our Q3 results demonstrate our disciplined execution across our strategic priorities as we continue to build a stronger company for the long term. And with that, I will open it up to Q&A.;

Operator: [Operator Instructions] Your first question comes from Richard Clarke with Bernstein.

Richard Clarke: I guess you've mentioned the Reserve now Pay later quite a lot during the prepared remarks there. Just what percentage of the acceleration in the U.S. has come from that? Any early signs of what cancellation rates might look like on those bookings or your expectations of what they might look like? And any other payment tools you can maybe bring out that might help drive an acceleration of bookings into next year?

Ellie Mertz: Yes, certainly. Thanks for the question, Richard. So in terms of the Reserve now Pay Later offering, we launched it at the beginning of Q3. It is specifically something that has been offered to U.S. customers who are traveling domestically and are choosing listings that have a flexible or moderate cancellation policy. So it is not offered to the entirety of the U.S. guest population. That being said, of those that we offer or provide the offering to, it is vastly popular. So about 70% of people that we offer Reserve Now, Pay later take us up on that offering. Now to your question of cancellations, we obviously tested this product pretty extensively before launching it in the U.S. to ensure that the benefit of the incremental lift in bookings from the payment offering was not more than offset by increased cancellations. So yes, there are increased cancellations, but we're highly confident that the net impact of the product is a lift to the net bookings.

Operator: The next question comes from Eric Sheridan with Goldman Sachs.

Eric Sheridan: As you look out over the next 2 to 3 years, can you talk a little bit about how investors should be thinking about the duration of execution and depth of investment needed to accomplish your goals with respect to international markets and improving sort of the density of the business beyond its core markets today?

Ellie Mertz: Yes. Thanks for the question, Eric. So we began our efforts around global market expansion really in earnest about 2, 3 years ago, selecting specific markets to obviously take a more local approach. By local approach, I mean making sure that the product was appropriately localized as well as our marketing messages localized as well. And we have been, I would say, quite judicious in terms of choosing the markets and making sure we are having a somewhat comprehensive approach to make ourselves seem local and relevant. What you see is that each of them take a little bit of a different time line. So I think our earliest expansion markets were in Latin America, Brazil being kind of the first key expansion market. And you've seen in that case, we have been at it for a handful of years, and we've been able to achieve not only significant market share in that market, but we continue to see incremental meaningful market share gains every year. So I think Latin America is really at the front of what is possible in terms of the global markets efforts. Other markets we have focused on more recently, a more recent target market is Japan. It was just a year ago that we began our efforts there in terms of, in particular, local marketing to make ourselves locally relevant, in particular for domestic stays. And hopefully, you saw from the investor letter, we are making progress there. It's just earlier. So the kind of short answer to the long story here is that each market is going to take a little different amount of time, but we're seeing really good success in terms of those markets that we've targeted and we've stayed consistent in terms of our investments.

Operator: The next question comes from Justin Post with Bank of America.

Justin Post: Great. I'd love to hear an update on events and experiences. Both is it contributing any -- so far, do you expect a bigger contribution next year? And then second, people who do book those, are you seeing better retention or any signs that's helping the velocity of the overall platform?

Brian Chesky: Yes, I can take that, Justin. Thanks for asking the questions. So yes, we're really, really excited about the progress of experiences on Airbnb since we relaunched the product in May 13 earlier this year. A couple of things we're seeing. The first thing we're seeing is that a large percentage of people that are booking experiences, about half don't have an Airbnb stay associated with the reservation. And with services, for example, 10% of people have never even booked on Airbnb before. So the first thing we think is we think this is bringing a new audience to Airbnb. We also think that this is bringing people back to Airbnb even if they aren't intending to book a home. And we think that services

and experiences could eventually pull people to book a service or home to also add an Airbnb home to the reservation. That's the first thing. The second thing we're starting to see is actually we're starting to see local demand for service experiences. Now this product was primarily conceived for travelers, but we launched Airbnb Originals. Originals are featured experiences. They're some of the most interesting people in the world that provide experiences. And I'll just give you an example. In Paris, 70% of Airbnb originals are booked by locals. And so we think with Airbnb Originals, we've figured out a product that is appealing to people in their own city. And this is really, really hard to provide an experience this business so interesting, people will book it in their own city. Now as far as when this provides meaningful income or revenue for the company, it's going to be a few years for this to happen. We're really focused on getting a few markets right. Just to go back to how we founded Airbnb, people don't know this. But while we're in over 100,000 cities around the world, for the first 2 years of our existence, the majority of our revenue was in just one city, New York City. If you look at DoorDash, you look at Uber, you look at Uber Eats, most of these marketplace have to go city by city. And that's what we're doing with service experiences, even though it's a wide platform. So we're focused on Paris, focused on L.A. We're seeing a lot of traction in these markets. And as they grow, we're going to be rolling out to dozens of cities around the world, this expanded playbook and then hundreds more cities. So it's going to take 3 to 5 years, I think, for service experiences to become a material part of our business, but I'm very, very bullish on them. And as far as the retention velocity, it's a little bit early to see on retention. We really would want to see 12 months to really get a really good indicator of retention of what people use for Airbnb. But one of the things we're also seeing is that service experiences are a great way to market homes. So for example, we used to just do advertisement of our homes product. Now when we do an ad, we have home service experiences in one ad. And what we're finding is not only does it promote book a home service experiences, it also makes people more inclined to book a home because it makes our offerings more unique and differentiated. So we think there's kind of like a win-win-win for the platform.

Operator: The next question comes from Jed Kelly with Oppenheimer.

Jed Kelly: Great. Just looking going forward and sort of it's good to see, but you're getting reacceleration in the U.S. How should we think about potentially layering on hotels more, especially in some of the markets where you're shut out of?

Brian Chesky: Yes, I think hotels are a really promising opportunity for Airbnb. As you know, we've been a proud owner of the Hotel Tonight app for a long time. But we've always believed that the biggest opportunity for hotels is on Airbnb itself because we don't need to market hotels for people to come to Airbnb. We have billions of visitors a year. Airbnb is accessed by the last I checked, 1.6 billion devices every year. And there's a huge amount of traffic -- and in City of New York, for example, there are millions and millions of searches out of that market. And so we went to hotels in New York City, some of the most interesting boutiques and independents. And we said we have a huge amount of traffic of people coming to New York City. We believe that the majority of people come to New York on Airbnb would be open to booking a hotel if there wasn't a home available. We believe many of these people are opening other apps and booking hotels and other apps. As we said, if we added hotels, we added your hotel, we gave you a best-in-class commission. We had this beautiful like product page where we custom build hotels onto the platform, and we had a lot of demand and not just a lot of demand, but of high-income, young often American travelers, which are some of the most appealing kind of consumer sets for these hotels, would you be interested? And they said, yes, enthusiastically interested. So we've been doing pilots, and we've been doing pilots in L.A., New York City and Madrid. New York City and Madrid, for example, are 2 markets that are constrained. Our corporate constrained from a regulatory standpoint. Hotels are very excited to participate. These are just pilots, but we're seeing a lot of interesting momentum. If, for example, you type in New York City on Airbnb next weekend, you can see some of the hotels that show up. They're really interesting. I think the way we present them are beautiful. And our general philosophy on hotels is the following. We are running an ad campaign that says some trips are better than Airbnb, and we believe that. We believe that if you're traveling with a group, you're traveling with a family, you're staying longer than a few nights or you want a more authentic travel experience or you're staying outside of city, then a home is the best way to travel. But if you're going to urban markets, maybe you're traveling from business, you're staying for 1 night, you're

booking last minute, maybe for business, you need plug-and-play experience or you need to be on-premise for a conference, then probably a hotel is a better option or if you search Airbnb and homes aren't available, then hotels are a great option. And so we think that hotels will be a huge supplement for our supply, especially in supply-constrained markets. So we actually do think that the 2 can fit together. We don't see a large cannibalization between homes and hotels. We think they're primarily different use cases, different audiences, and we also think hotels are a great way to fill our supply gap. And again, the most important thing is we already have the demand. We don't need to spur demand. And so to add hotels is not really an incremental investment at all. And to recruit hotels is actually much easier than recruiting homes because a hotel, they have a phone number, you can call them. Homes, they have to primarily come organically. It's more difficult. So it's just fundamentally, I think, a more efficient business to scale, especially with the demand we have. And so we're excited about this being supplemental to our core business.

Operator: The next question comes from Lloyd Walmsley with Mizuho.

Lloyd Walmsley: I wanted to stay on the hotel team and really just understand the long-term scope of your ambitions here. It makes sense that you're using this for sort of backfill in areas where you don't have a lot of inventory in the traditional rental side. But do you see a path to really expand the hotel merchandising and booking experience beyond the backfill. We get the question a lot from investors like why would I go to Airbnb book a hotel, like is there a long-term case beyond the backfill, I guess, is the question?

Brian Chesky: Yes, it's a good question, Lloyd. I think so. I mean I think I imagine Airbnb in the future is going to be the best one-stop shop for travel. And for us to be a one-stop shop for travel, I think we're going to need not just homes, not just services, not just experiences. We're going to need a portfolio of offerings on Airbnb. And so hotels is certainly one of those things. I think our philosophy is the following. We are focused on boutiques and independence. A large percentage of hotels in the world, as you can imagine, are boutiques and independents, especially in Europe, for example. And what we're hearing from them is they would love another channel to list on. And so I think we're like -- we're dipping our toes in the water, where we want to make sure that we still provide -- that the hotels business is incremental. But yes, I think over time, it's really about use cases. I think what we want to do in the future, and this is like now going back to our AI strategy is knowing more about the customer. understanding what their intent is. And if people are traveling for business last minute, one night, we should probably prioritize a hotel for them. Some people do want a more hotel-like experience. Other people are hardcore about the original philosophy of Airbnb. They want to feel like a local when they're traveling. Those people probably should not see hotels very much. So I think it's really in the future, going to be much more about personalization. Right now, it's a little bit more backfill filling and supply gap and prioritizing hotels when it's the last minute, say, night stay. But I think over time, it's really about personalized experience for every guest and understanding what kind of guests are you? What is your intent? And as we do that, I think we can expand our hotel offering a bit more.

Operator: The next question comes from Kevin Kopelman with TD Cowen.

Kevin Kopelman: Great. Brian, in the past, you talked about launching 1 to 2 new billion-plus opportunity products and services each year. How are you thinking about that for 2026? Should we expect that those -- the focus for next year are the initiatives you've already been discussing today such as hotels and AI integration and the continuing of experiences and services? Or do you anticipate additional new major launches next year that haven't been discussed yet?

Brian Chesky: Yes, Kevin, I would say, number one, I would say that we essentially have 3 businesses this year. We launched service experiences and now we're beginning to pilot hotels. We believe service experience and hotels could each be multibillion-dollar businesses. So that really brings us from homes to home service experience hotels. And I think that we are on pace to every year having at least a new business. So I probably shouldn't say too much more beyond that for next year. But I'm very, very excited about what we're working on. The other thing that I want to just maybe add is the following. I think that we're finding a really good model for innovation for incubating new businesses. We used to think about like, oh my God, we have this huge company in like over 100,000 cities and 220 countries and regions. And we launch a business, it's got to be ready globally in every market, and it kind of increases the bar for what you can ship. I think we've decided to take a more entrepreneurial approach,

and we've learned this from certain experiences where we can test and incubate businesses, and we can test them in city. And so I imagine going forward, we are going to be simultaneously testing half a dozen, maybe even a dozen new businesses at a time in one market. Now it doesn't mean if we test in a market, we ever ship it, but it does mean that we can kind of develop a lot of pilots over -- in parallel. And then we can decide when something is working, that we can scale it up. And that's what we're going to -- that's how we're going to really approach a lot of these new businesses, kind of really starting with a pilot market. Hotels as an example. We're starting with 3 pilot markets. We know hotels we're going to expand. There's no question. There are other businesses where we're testing them out, and we'll see where they go. Just to give an example of not a business we're going to launch, but a segment that we're seeing a lot of promise in is [lux]. One of our fastest-growing segments is high ADR. And we think that's a big opportunity for us. So I'm not redoing that we're going to launch something there, but I'm just showing there's a lot of segments, a lot of supply types that we think could be really, really promising for us. And we're going to be really going city by city. And then when we figure out the playbook, we'll be expanding more aggressively. So yes, you should expect every year to see new businesses.

Operator: The next question comes from Ron Josey with Citi.

Ronald Josey: Brian, I want to follow up on 2 comments you made earlier. I think in prepared remarks, you talked about testing the new AI-powered search coming online and rolling out next year. Would love to hear your thoughts on just the experience overall, the interactivity. And just any early thoughts on the testing you've done, how it's changed sort of the use case or the interactivity within Airbnb overall. And then you talked, I think you might have said that it could take 3 to 5 years for experiences and services to be material to the business. But yes, supply is doubling quarter-to-quarter. We're seeing great results thus far, particularly expanding beyond the core Airbnb stays. So talk to us about from here to 3 years, what we can look for, for milestones?

Brian Chesky: Yes. Maybe I'll start with the second question, and then I'll answer your question on AI, and I'll try to give a robust answer on AI because I'm anticipating some questions on that. I always want to kind of underpromise and overdeliver. So we're going to be cautious on how we want to test the milestones. But on service experiences, what I've essentially told the team is I want to approach service experiences kind of like the way we approached our core business in 2009. It's going to be a little different. But what we tried to do is get to essentially what I think is Silicon Valley called product market fit, right? Product market fit is essentially this indication that we think the business is essentially working and we have a playbook and we're now ready to scale. And so with service experiences, what I've really tried to do is say, hey, let's pick a couple of cities. We decided to pick the top 2 cities in the world on Airbnb, which are Paris and L.A. And they are different cities. They one in Europe, one in L.A., one in the United States. They are different enough that you can test a lot of different hypothesis in these 2 cities. And we said we really want to try to figure out how to get these businesses to product market fit. And then we're going to pick another about a dozen cities and go really, really deep and build out our library of supply. We learned a lot. One of the milestones -- one of the lessons we learned in Paris for experiences, for example, is that there are really 3 types of travel people. There's people where it's their first time to a city like Paris. There are people who've been to Paris repeatedly and then there's local. And that each of them want totally different types of supply. So for people for whom it's the first time to a city, they really want to go to landmark. They want see Eifel Tower. They want to see the loop, they may see [indiscernible], they want to go to [indiscernible]. And this is really what you see when you see other platforms where they're really focused on traditional tourist experiences. So we've been adding a lot of landmark experiences. We think we provide some of the very best high-quality experiences. They're very local in nature, but they're very much appealing to first-time visitors to a city. And this has been very, very popular. Then you've got people who've been to the city already. This is nearly as big and in many cities, it's a bigger market. A lot of people that go to Paris, they have been there before. If it's your second or third time to Paris, you're not going to see Eifel Tower. You want to see something different. So now you want more local experiences. You might want to do a cooking class. Now you might do some other type of activity. And then locals want to do something really unique, really off to the impact. They want to book originals. And so we see these 3 audiences, and that's been really interesting. And the year-over-year growth in Paris has been very encouraging. So by focusing on

these cities, we've been able to like rapidly iterate software. We've been able to rapidly like figure out in Paris, for example, there's different supply types for different types of guests based on how many time they've been there, and we can bring these lessons to other cities. In Los Angeles, we've been really focused on building a library of supply for our 10 major categories. So when we launched, we were really deep in photography because photography or traditional travel services. We've gotten very deep now on personal trainers and masseuses and chefs. And we're starting to see that not only travelers booking but people book in their own city. So again, the milestones are going to be us determining that we have efficiently reached product market fit and we can roll out the deep playbook city by city. Now with regards to -- and I'll let Ellie expand if she would like to elaborate on other milestones over the next few years. But with regards to AI, maybe I'll just answer more broadly. Okay. So our AI strategy is pretty unique. I think that Airbnb probably more than most other companies, especially companies in travel can benefit from AI. Probably the reason why is because primarily, we don't have SKUs. Most of our homes, most of our service experiences, they're not SKUs, they're one of a kind. And therefore, the issue types, customer service is really challenging, right? Oftentimes, customer service agent will hear an issue that they've never heard before because it's from a host that might be a first-time host. And the guest and host might be speaking different languages. The might be simply locked out in a small town in a foreign country. You can imagine how complicated some of this stuff is. So we decided with AI to start with the hardest single problem we could think of, which was customer service. Customer service, we think, is a lot harder than, say, travel search. And the reason why is because the stakes are highest. You can't hallucinate. You have to handle sensitive customer data. You've got to be fast in real time. You've got to escalate to the agent if there's a trust and safety incident. And we are finding that it's working really well. And in fact, we can go from solving a problem in hours to solving a problem in seconds. We wanted to then go to the top of the funnel, and that's with AI search. What we're testing now is if you go to the search box in Airbnb, there's where, location, when, date, who guest, we're testing a what box and what is a free text natural language input, which is similar to ChatGPT or Gemini. You'll be able to type it in. And based on that, we're going to essentially -- you're going to see like natural language results. So the search cards, not just will be structured data, but will be essentially natural language generated copy and search results. That's Phase 1. Phase 2, it's going to become what I guess you'd call an AI multi-turn. Multi-turn, I think, is just a fancy way of saying conversational. So you'll be able to have a conversation. So you'll be able to like -- the information on the cards, my vision is instead of saying like 2-bedroom, 2 bath, \$60, 5 reviews, a pool hot tub that no 2 people see the same copy, just like 2 people typing in ChatGPT see different outputs based on the memory and the type of question they have. So we want Airbnb to be the same way where the output is also natural language. It's unique. And you're going to start to see this iterably happen over the course of next year. Eventually, it will become more conversational. And then finally, what we want to do take AI search, which is conversational, AI customer service and the messaging platform, which is conversational and integrate them to one AI assistant or concierge. And eventually, the entire app will act like an AI agent from the top of the funnel through your trip on reservation and leaving review and then bringing you back through the app end to end. And we think that we're going to be very successful at this because, number one, we have access to all the same frontier models as the leading AI companies. We have access to the same models as Google, OpenAI and the other companies because they're all available by API. So really, you're not going to win or lose on the model because they're all available. You're going to win or lose on what you do with them. And our thesis of AI is that specialization will win in travel. That's our theory, that specialization will win. We have a lot of unique capabilities. We understand travel, we have one of the best design teams in the world, so we can design custom interfaces. We do not think the way AI search will work in the world of travel is just text. It's going to have to have rich user interface experiences. We're adding a lot more verticals. So we do think Airbnb could be a one-stop shop for travel. And then we have a lot of capabilities that no one else has built, and we don't think AI companies will want to develop like a messaging platform in the vast majority of people who book an Airbnb use the messaging platform. Verified identity to book or host, you must verify your identity. We have more verified identities, 200 million, there are U.S. passports in circulation. We have a payments platform where one in every \$1,100, \$1,200 spent \$1 goes to our payments platform in the world. So this is essentially how we're thinking about AI. I think it's extremely exciting.

And I think it's going to benefit Airbnb probably more than other travel platforms just because we don't have SKUs. And I think AI can kind of level the playing field.

Operator: The next question comes from Trevor Young with Barclays.

Trevor Young: Brian, you highlighted some of the 65 major improvements you've made to the app. Some are enhancements, some are policy or payment adjustments that remove friction or pain points for guests. What are some of the remaining pain points that you see that still need more work either from a guest or a host perspective?

Brian Chesky: Trevor, I mean, we have -- yes, we made 65 improvements. I mean I think the way to think about it, first of all, is there's not a lot of silver bullets in our business. It's going to be hundreds and hundreds and hundreds of improvements that you're going to see over the coming years. So I think my first thing I would say is -- the most important thing we can do is have rapid product development velocity. We think the team that moves the fastest will win in travel, and we want to make sure that we have a huge amount of velocity. Now that being said, I do want to answer your question directly, what are some of the features? What Reserve now Pay Later tells us is the more types of payment instruments you add and the more flexibility you give people on the way to pay, the faster the growth. So for example, in Brazil, we added installments. This was a huge boon to growth. And in countries all over the world, we want to continue to offer more ways to pay, more flexibility. We have flexible cancellation policies we're experimenting with. We are going to have -- we're going to be testing different offers. So essentially, different guests can have different types of discounts depending upon who they are and how often they've used Airbnb. Quality is a huge one. We are focused a lot on quality. For every person who stays in Airbnb, approximately 9 people stay in a hotel. The #1 reason they stay in hotel is quality control and consistency of experience. So we're investing a lot on quality in Airbnb. We think that's a really, really big area. Pricing tools for host actually is critical. The more competitive our prices, the more bookings we get, the more pricing tools we build, the lower the prices become. I think if you noticed over the last 2 years, hotel prices have appreciated faster than Airbnb. I think that's a good testament to the pricing tools we're making are working. So these are just some of the examples, maps and location information, it's going to be massive. The vast majority of people booking Airbnb interact with a map. Our maps historically have not been that great. They're becoming first class in Airbnb. And again, these are some of the opportunities. But it's really -- again, I'm giving you a little bit of a laundry list because there are no silver bullets in our business. It's really about metronomic, high velocity of hundreds of improvements across the platform, but those are just a few.

Ellie Mertz: Brandy, you made a point of no silver bullets, I think, in particular, with quality and affordability. We've made huge strides over the last couple of years, but the road map ahead is still vast with opportunity to make the product better on both fronts. And so you'll see us continue to focus there. You'll see continued iteration around how we make ourselves more price competitive, how we make ourselves more value appropriate for consumers and then consistently raising the bar in terms of the quality of the experience that we provide our guests.

Operator: The next question comes from Lee Horowitz with Deutsche Bank.

Lee Horowitz: So going back to Brian's comments on another new business next year and perhaps related to the 3- to 5-year time frame for [indiscernible] Services and experience to scale. You guys are doing about, what, \$200 million of incremental investments this year with some piece of that presumably rolling off next year. That said, your comments on margins for '26, while not specific, may suggest some of this \$200 million proves sticky into next year. Can you maybe unpack that a bit more as to what sort of the incremental investment plan looks like for 2026? And then secondly, there's still a perception in the market that your core homes offering in some of your largest regions has matured quicker than anticipated. Frank, can you maybe just comment on how you are seeing things as to the level of maturity and why perhaps homes as a percentage of leisure may have slowed in the last couple of years and why it could pick up in the future coming years?

Brian Chesky: Eli do you want to take the first, and I can take the second?

Ellie Mertz: Yes, sure. I think the question is probably just generally about how we're thinking about 2026 margins. Obviously, we're not providing explicit guidance for '26 margins today. That being said, you obviously noted in the shareholder letter, we said we're focused on maintaining strong margins while continuing to invest in growth initiatives next year. That is the case. When we think about the

investments that we made in 2025 behind services and experiences, as Brian described, it's going to be a multiyear path for us to get those businesses to a material scale. At the same time, 2025 was a very heavy investment year for us to launch them, get them into market, make sure that there was awareness around them. And as we look to '26, we anticipate that, one, obviously, we're scaling the revenue associated with those businesses. And while there is ongoing investment, we don't have the same heaviness of the kind of first year of launch. So you should anticipate that across Experience and Services, across hotels, across AI, we will be investing in those next year to drive growth. But where we sit today, we feel like we can afford those investments while continuing to deliver great core efficiencies from our core business and in doing so, deliver net-net a continued strength of margin. So more color on that to come.

Brian Chesky: And maybe just to expand on that before I talk about our core business. I think 2025 was a unique year because it was the first time we really expanded beyond our core business of homes, and we were doing 2 businesses at once. They were quite different than our core. And we basically had to rebuild the platform from the ground up. And so almost every part of the platform, almost every tab was different. We had to change the nature of our organization. I think our theory is that every incremental new business we launch is going to be more efficient to launch than the prior businesses, especially now that we're going with pilot city by city until we can really get to a decent product market fit and ROI as we're then expanding to new cities. So we do think that the investment curve should pay back faster as we launch more and more businesses. That is just the kind of flywheel we're looking to do. And I think that will take a few years to materialize. With regards to our core business, I do not think our business is even close to mature. And it's so funny. We started raising money and I think our first fundraising round was in 2009. And the question was how big is this market? And then the question came in 2011, how big is this market, 2012, 2014, all the way up until the IPO launch. And every step along the way, we've always kind of been surprised at how big this market is. And while I don't know how big the Airbnb market is, again, if you just think about the size of our market, for every person who stays in a home, about 9 people stay in a hotel. I could imagine that the market could at least double the core market for homes. And the reason why is, number one, people love homes. That's why they live in them. A large percent of people increasingly are traveling with groups or families. Hotels have limitations for people staying as groups. One of the biggest challenges historically with Airbnb has been quality control, not having a front desk and just making sure we're price competitive. As we've built a great supply machine and add better pricing tools, the prices are increasingly getting more effective. We now show total price upfront. There's no cleaning fees that a guest ever sees. We think this is helping us become more competitive. We're making the product significantly higher quality. And so -- and we're also building a machine to recruit supply where we have homes. So there is a huge amount of opportunity for us to grow our core business. I don't think it's mature in any market. And I think we are looking at the possibility of reaccelerating our core business in every country in the world over the coming years. because I think there's a new generation of travelers that aren't supposed to be in hotels, especially young travelers, Gen Z and eventually Gen Alpha. And I think for many of them, Airbnb is going to be the go-to way to travel. And as social media is taking over for travel discovery, I think Airbnb homes are going to be one of the -- yes, people want to post unique content, what's more unique than staying in the local neighborhood they have.

Operator: The next question comes from Doug Anmuth with JPMorgan.

Douglas Anmuth: Brian, Airbnb was notably absent from ChatGPT's app integration launch when other major travel players were there. Can you just talk about your thought process here? And why you wouldn't explore that top of the funnel while also building out your own enhanced discovery and AI-powered search?

Brian Nowak: Doug, the simple answer is we just didn't think the integration was ready. We care a lot about how Airbnb shows up in the world. And when I looked at what the demonstration, I thought it was a great concept. It was a little bit hard to discover at the time you had to actually download the app, the company's application. We didn't want to be positioned as essentially a data layer like a commodity. There were certain tools that we had to build. When you book an Airbnb, you want to make sure that you see personalized results to you that you have to have an account on Airbnb, messaging is core to our platform. So it's really about making sure that we had enough features. But we are not at all

opposed to integrating into like chatbots. And I would imagine in the future that you would see Airbnb across a large surface area of the Internet. We just have a couple of principles when we are integrating. Number one, we want to make sure that while we like the idea of being a launch partner, we still have -- we like to have custom integrations if we're going to be a launch partner, and we want to make sure that, that integration is really well developed. Number two, we don't want to appear as a commodity. Number three, we certainly don't want to be a data layer. And number four, we really want to make sure that people understand the uniqueness of Airbnb when they're seeing results. So for example, we chose not to integrate with Google Hotel Finder because Airbnbs were positioned like commodities next to hotels, and we just didn't think that was the right presentation. And we want to train people to go to look at Airbnb as commodities that were interchangeable with hotels. But that being said, I think with great integrations, you could absolutely see us on chatbots going forward. And obviously, I'm close to the people at OpenAI, and I think there's a lot of opportunities for us to work together.

Operator: The next question comes from Ken Gawrelski with Wells Fargo.

Kenneth Gawrelski: Two, if I may, please. First, I wanted to just press a little bit more, Brian, on the idea of reaccelerating the business. I think you spoke at the SCIF Travel Conference in mid-September and talked about how you believe the business should reaccelerate. I think you even said into the low teens, although I don't want to misquote you. Maybe if you could just elaborate a little bit on that. And then the second one, maybe stepping back a little bit more on the AI search, et cetera. When you think about -- how do you think, Brian, about third-party apps kind of creating a discovery experience on Airbnb. And you kind of just spoke a little bit about this, but maybe a little bit deeper relative to you developing your own search AI-powered search experience, do you think they will coexist? Do you -- are you very firm on you'd only have the proprietary search experience built by Airbnb that would be able to access your inventory?

Brian Chesky: Ken, yes, let's start with reaccelerating the core business. So yes, I guess the reason we believe that we can reaccelerate core business is the following. I'm sorry to keep repeating the stat, but for every person who stays in Airbnb, about 9 people stay in a hotel. When you interview the 9 people stay in a hotel, a large number of people are willing to stay in a home. In fact, many people stay in homes and hotels. They stay in homes when they are going to Italy with their family and they're going for a week, but we don't get the right share of wallet for the rest of their trips. They tell us that if we address affordability, quality, we add services to the homes and we have more supply that we would get a greater share of wallet. So that's what we're trying to do. We're getting more homes in the top 300 markets around the world. As we get more supply, we'll, of course, sell more homes. But as we get more supply, prices will come down. As prices come down, we get more bookings. As we get supply, we get more bookings. And these are going to be things that we think will massively be accretive for the company, and we do believe that we can reaccelerate the core business. Again, the question is what's the TAM? What is the sheer number of people that would stay in a home if the prices were good, there was a home available, the home with high quality and there were services attached. And the answer is it's a significantly larger audience than today. So it's just a matter of creating metronomic improvements every single day, but we do not see a single market in the world that is truly mature. The only type of maturity is when there's a policy constraint, and there's just limits to how much supply you can add. And then you're really looking to supplement it with hotels. With regards to AI search and third-party apps, I don't want to say -- I want to be -- we're going to be open. I mean this is a fast-evolving landscape. 90% of our traffic is direct or unpaid. We believe we provide the best travel search experience on the Internet, and we think we're going to continue to provide that. We do think specialization will win in travel. That's our opinion. We'll see if we're right. That being said, like we're open-minded to other platforms having our inventory on them. It's probably just a matter of which type of inventory and what do they bring to the party. And so we're keeping an open mind. But I do imagine eventually, you're going to see Airbnb on a lot of service areas, a lot of different apps, a lot of different integrations. We're just going to be very mindful. We're going to take them one kind of case by case, one app at a time.

Operator: The next question comes from Colin Sebastian with Baird.

Colin Sebastian: I know this is a follow-up to some of the other questions. But in terms of focus areas for the year ahead and sort of the new testing paradigm, you outlined, Brian, could you talk about what impact that has on the time frame for other initiatives that you've mentioned before, like loyalty or even

advertising? Or are those still on track to whatever time frames you were planning?

Brian Chesky: I think they can be done in parallel. So I think like a business like service experienced hotels are really like supply-based businesses that you can do city by city. I think our new testing paradigm allows us to test and incubate a lot more businesses at a time and then selectively pick which ones you want to scale. I think loyalty and advertising, you could still pilot city by city. They're a little bit more platform businesses, though. They're a little bit different, and you could probably scale those more quickly. That would be my assumption. We are absolutely looking at both. And like starting with loyalty, it's quite remarkable. I think we're the largest travel brand in the world that doesn't have a loyalty program. I've always said that I think the best loyalty program is people loving your product and coming back, and we have really good loyalty on Airbnb. That being said, I think we're succeeding in spite of having a loyalty program. And I think that we could do something really, really special. If we do something, we're not going to do an out of the tubes points program. We want to do something that's unique, custom design for our community that rewards the very best people on Airbnb. So this is something we're absolutely looking at. And with regards to advertising, we've been looking at this for a long time. One of the things that's really changed is the entire paradigm of search is changing in the age of AI. So what we didn't want to do is design a like kind of ad unit model around old search to then disrupt the ad model to AI search. So we really want to nail AI search so that as we think about advertising, we integrate into this new search paradigm, which we're looking at right now. So that's the status. I don't have -- and obviously, we don't preannounce things. We are sharing that we are going to be launching AI search imminently. But beyond that, we're not disclosing other pieces we're launching, but expect more in this next year.

Operator: This concludes the question-and-answer session. I'll turn the call to Brian for closing remarks.

Brian Chesky: All right. Well, thanks, everyone, again for the questions and for joining us today. I think you've heard about is designed to help grow our business. And over the long term, it's going to really help us create a global community what's built on trust. And the basic idea is not just that we're a platform for vacation rental. We really want to be a community where you can travel with anywhere. And we're moving closer to our vision with every product we build and every improvement we make. I'm just so incredibly proud of the team, if anyone listening, thank you for all of your hard work and what we've accomplished together. I am excited for what ahead, and I appreciate all of you, our investors, as our partners, helping build the future of Airbnb. So thank you very much.

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