

Airbnb, resilient in pandemic, goes forward with IPO

10 December 2020, by Dee-Ann Durbin



In this Feb. 22, 2018, file photo, Airbnb co-founder and CEO Brian Chesky speaks during an event in San Francisco. Thirteen years after its founders first rented air mattresses in their San Francisco apartment, Airbnb is making its long-awaited stock market debut. The home sharing company priced its shares at \$68 apiece late Wednesday, Dec. 9, 2020 giving it an overall value of \$47 billion. Starting Thursday, it will trade on the Nasdaq Stock Market under the symbol "ABNB." (AP Photo/Eric Risberg, File)

Airbnb proved its resilience in a year that has upended global travel. Now it needs to prove to investors that it sees more growth ahead.

The San Francisco-based home sharing [company](#) makes its long-awaited debut on the public market Thursday. The company priced its shares at \$68 apiece late Wednesday, giving it an overall value of \$47 billion, according to a person with knowledge of the transaction who was not authorized to speak because the amount had not yet been made public. The shares will trade on the Nasdaq Stock Market under the symbol "ABNB."

Airbnb raised \$3.7 billion in its offering, making it the biggest U.S. IPO this year, according to

Renaissance Capital, which tracks IPOs. The company had initially set a price range of \$44 to \$50 for its shares, but raised that to a range of \$56 to \$60 earlier this week indicating rising investor demand.

Airbnb's listing comes a day after another San Francisco-based company, DoorDash, soared through its initial public offering, the second largest after Airbnb's. DoorDash's stock jumped 85.8% to close at \$189.51. The meal delivery app raised \$3.4 billion with its offering.

Airbnb wants to add more hosts and properties, expand in markets like India, China and Latin America and attract new guests.

First, it will need to recover. Airbnb—which has never posted an annual profit—said its revenue fell 32% to \$2.5 billion in the first nine months of this year as the coronavirus forced travelers to cancel their plans. The company delayed its IPO—initially planned for the spring—and funded operations with \$2 billion in loans. In May, Airbnb cut 1,900 employees—or 25% of its workforce—and halted programs not related to its core business, like movie production.

But in the months since, Airbnb's business rebounded faster than hotels as travelers felt safer booking private homes away from crowded downtowns during the pandemic. In Miami, for example, short-term rental occupancy reached 83% in October, while average occupancy for hotels was 42%, according to STR, an accommodations data firm.

Airbnb said the number of nights and experiences booked, which plummeted 72% in April compared to year-ago levels, were down 20% in September. Airbnb debuted experiences—from cooking classes to surfing lessons—in 2016.

Airbnb now has 7.4 million listings, from castles to

treehouses, in 220 countries. They are operated by 4 million hosts. The company controls around 39% of the global short-term rental market, according to Euromonitor. It's the market leader in Europe but trails VRBO, a vacation rental company owned by Expedia, in North America.

Looking ahead, Airbnb thinks it could see a surge in business from people who are able to work remotely.

"We believe that the lines between travel and living are blurring, and the global pandemic has accelerated the ability to live anywhere," Airbnb said in a recent financial filing.

It could also expand its offerings further into boutique hotels, as it signaled with its 2019 purchase of last-minute hotel room supplier Hotel Tonight.

Still, Airbnb acknowledges it will be difficult and expensive to attract new hosts and guests. Its revenue growth rate was already slowing in the years leading up to the pandemic.

"I do think the company will benefit from the pent-up travel demand once the vaccine is widely distributed, but why would someone want to buy into a travel-related, unprofitable business with slowing growth?" said Scott Rostan, the CEO of Training the Street, which advises Wall Street analysts.

Airbnb was born 13 years ago in the San Francisco apartment shared by Brian Chesky—now the company's CEO—and Joe Gebbia, who leads its design studio and Airbnb.org, its charitable arm.

Chesky and Gebbia were looking for a way to subsidize their apartment. When they learned a design conference was coming to town and hotels were full, they set up a website—AirBedandBreakfast.com—and rented out air mattresses. They got three takers. In 2008, they formed a company with Nate Blecharczyk, a software engineer.

Home sharing wasn't new. VRBO was launched in 1995. Booking.com, another older rival based in

Amsterdam, mainly offers hotel rooms but has also branched into vacation rentals.

What Airbnb did differently was focus on affordability, letting hosts rent out spare rooms and sofa beds, said Tarik Dogru, an assistant professor in the Dedman College of Hospitality at Florida State University who studies Airbnb. Guests strayed further into neighborhoods than they would if they stayed at a hotel.

"Airbnb offered that feel of authenticity for those who are looking for it," Dogru said.

That has sometimes been a problem. The company has angered some cities, which accuse it of promoting overtourism and making neighborhoods less affordable by taking housing off the market. Los Angeles, Paris and even Airbnb's home city of San Francisco have passed laws restricting its rentals.

Airbnb's rapid growth—the number of hosts and active listings grew more than 20% in both 2018 and 2019—has also made it difficult for the company to ensure quality. Last November, Airbnb promised to verify all its listings to make sure they match the photos on its site. It also spent the last year removing party houses and tightening rules for guests after a deadly 2019 shooting at an illegal Airbnb house party in California.

Relationships with hosts and guests have been rocky at times. After multiple reports of racist behavior targeting guests, Airbnb instituted a nondiscrimination statement that all guests and hosts must sign. It won't display a guest's profile photo until a property is booked, so a [host](#) can't deny a room based on a guest's race.

And earlier this year, hosts revolted after the company let guests cancel bookings and get full refunds due to the pandemic. Airbnb responded by promising \$250 million to hosts to help make up the shortfall.

Cary Gillenwater, a university professor and Airbnb host in Duivendrecht, The Netherlands, said the company didn't provide much financial assistance to him, even though he let many guests cancel

without penalties.

Gillenwater usually makes more than \$21,000 each year renting out a room on his property with its own entrance. This year, he'll be lucky to make \$2,500. He's looking into renting the room to office workers to use during the day.

Despite his experience, he's considering investing in Airbnb and thinks it will continue to grow. Home sharing is invaluable for his family of five, he said, because it's difficult to find hotel rooms that are large enough.

"I feel like there is a future for them, but we have to get through all this first," he said.

© 2020 The Associated Press. All rights reserved.

This material may not be published, broadcast, rewritten or redistributed without permission.

APA citation: Airbnb, resilient in pandemic, goes forward with IPO (2020, December 10) retrieved 24 May 2022 from <https://techxplore.com/news/2020-12-airbnb-resilient-pandemic-ipo.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.