

Airbnb shares more than double in price in long-awaited IPO

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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 it can live up to investors' sky-high expectations.

The San Francisco-based home sharing company made a triumphant debut on the public market Thursday. Its shares closed at \$144.71 apiece, more than double the \$68 price that Airbnb had set. The closing price gave the company a valuation of just over \$100 billion. The shares are trading on the Nasdaq Stock Market under the symbol "ABNB."

Instead of the traditional ringing of the bell prior to the trading day, Airbnb presented a video of Airbnb hosts from around the world ringing their doorbells.

In a video message, CEO Brian Chesky also thanked the millions of guests who have stayed at its listings. In 2019 alone, 54 million guests stayed at an Airbnb.

"You gave us hope that the idea of strangers staying together, in each others' homes, was not so crazy after all," Chesky said. "Airbnb is rooted in the fundamental idea that people are good and we're in this together."

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.

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.

"I think travel demand is going to probably follow vaccinations and people's confidence," Chesky told The Associated Press in an interview. Demand may be spotty at first and will come back region by region and even country by country, Chesky said.

Travel itself may change post-pandemic, he said. Some people are already renting Airbnbs for months at a time, combining work and vacation. The company is also seeing more nearby travel as people just want to get away from their own homes.

But Chesky stresses that the desire to travel is "innate" and won't go away.

"That's just who we are as people," he said.

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.

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.

Chesky said focusing on unique properties—along with great hosts and experiences—will help the company win.

"Last year, 69% of our revenues were from repeat customers," Chesky said.

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 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 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. That effort is ongoing, Chesky said. 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.

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