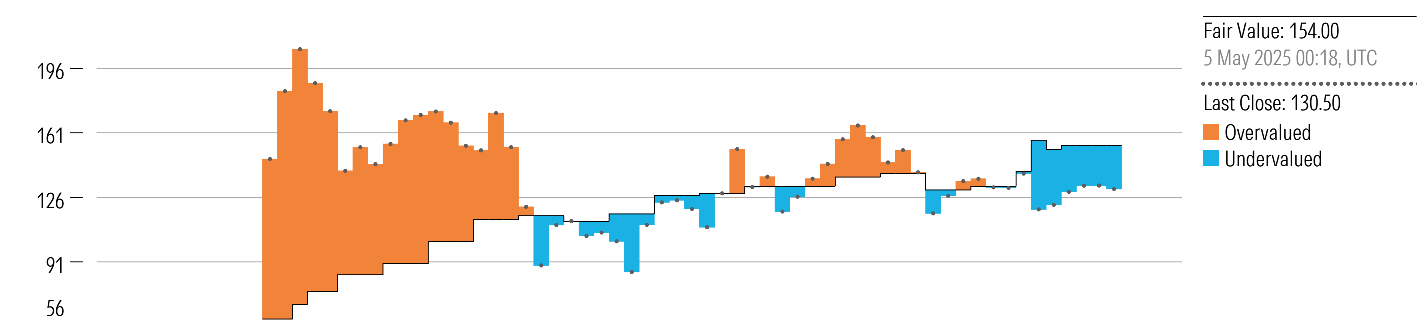
Morningstar Equity Analyst Report | Report as of 7 Aug 2025 23:04, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

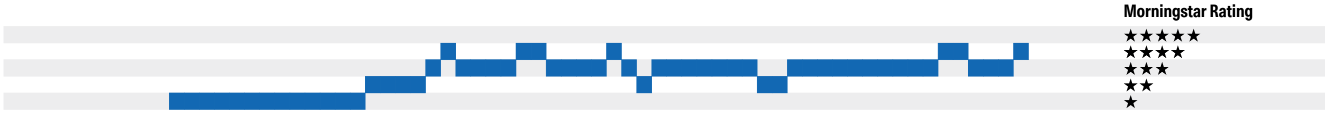
Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
130.50 USD 6 Aug 2025	154.00 USD 5 May 2025 00:18, UTC	0.85	74.08 USD Bil 7 Aug 2025	Wide	Large Blend	High	Standard	4 Jun 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	2.45	1.63	0.73	1.03	1.00	0.85	Price/Fair Value
	—	13.41	-48.65	59.23	-3.47	-0.69	Total Return %

Morningstar Rating



Total Return % as of 06 Aug 2025. Last Close as of 06 Aug 2025. Fair Value as of 5 May 2025 00:18, UTC.

Contents

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Airbnb Earnings: Near-Term Investments Should Strengthen Its Long-Term Network Edge; Shares Cheap

Analyst Note Dan Wasiolek, Senior Equity Analyst, 7 Aug 2025

Airbnb's sales increased 13% in the second quarter, above the high end of 9%-11% guidance. Adjusted EBITDA margin rose to 34% from 32.5%, despite investments in expanding the network. The firm held its 2025 margin guidance of at least 34.5% versus 36.4% in 2024.

Why it matters: Airbnb's demand has remained resilient amid uncertain economic conditions. Beyond this year, we think investment in the international vacation rental and experience markets will allow strong revenue growth to endure for the foreseeable future.

- Nights booked accelerated each month from April to July, which we think positions Airbnb to maintain its second-quarter demand trend in the third quarter.
- Nights booked in expansion markets grew twice the rate of core markets for a sixth consecutive quarter. We think experience bookings can reach $10 billion by 2030, buttressing our conviction that Airbnb can average about 11% annual revenue growth during 2025-34.

The bottom line: Shares were down 6% during Aug. 6 after-hours trading on overzealous concerns about near-term spending and tougher sales comparisons later this year. We don't plan to materially change our $154 fair value estimate for wide-moat Airbnb and find shares attractive.

- We expect to increase our sales growth outlook to 8% from 7% and maintain our 34.8% EBITDA margin for the year.

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Sector	Industry
Consumer Cyclical	Travel Services

Business Description

Started in 2008, Airbnb is the world's largest online alternative accommodation travel agency; it also offers booking services for boutique hotels and experiences. Airbnb's platform offered over 8 million active accommodation listings as of Dec. 31, 2024. Listings from the company's 5 million-plus hosts are spread over almost every country in the world. In 2024, 45% of revenue was from North America, 37% from Europe, the Middle East, and Africa, 9% from Latin America, and 9% from Asia-Pacific. Transaction fees for online bookings account for all its revenue.

Big picture: Our constructive view of Airbnb's network position is buoyed by its expansion opportunities in international markets and the experience verticals.

- We see Airbnb's communal culture effectively offering unique experiences. While it is early, the average rating on experiences is 4.93 versus 4.8 for accommodations, as it focuses on vetted, high-quality listings.
- We believe Airbnb will generate tens of billions of dollars in incremental bookings through international vacation rental expansion. One of its first expansion markets, Brazil, saw high-teens booking growth in the second quarter, offering evidence that investments are bearing fruit.

Business Strategy & Outlook Dan Wasiolek, Senior Equity Analyst, 5 May 2025

Although slowing US consumer sentiment presents a near-term headwind, we think Airbnb's global online travel agency position will strengthen over the next decade, driven by a leading alternative accommodation network (the source of its wide moat) of over 5 million hosts and cumulative 2 billion guest arrivals since its start in 2008. We think this network advantage will be supported by artificial intelligence investment and expansion into experiences and international markets over the next several years. Airbnb is also positioned to benefit from the ongoing shift to mobile bookings: It is a top-10 travel iPhone app in 118 countries, versus 135 for Booking and 23 for Expedia, according to App Annie as of Jan. 20.

Airbnb is prudently investing behind international markets in its core alternative accommodation business, which we expect to drive our forecast for tens of billions in incremental bookings during the next several years. We think Airbnb's expansion in the experiences vertical can produce an additional $10 billion in bookings by 2030, as its communal culture of individual hosts can offer a unique set of things to do for guests in this $250 billion market. Further, we see the company as well positioned for AI, since we think search agent products will gravitate toward its leading customer data and the trust that it has built among travelers. We expect Airbnb to continue to invest in leveraging AI across its own platform as well, enhancing the user experience.

Our favorable view of Airbnb's position is not swayed by competitive and regulatory concerns. Airbnb's network would require significant time and expense to replicate, and we expect any entry from Google, Amazon, or others would probably deploy a metasearch model (which doesn't control hotel relationships) versus directly competing against Airbnb's OTA model (which does control hotel relationships). Meanwhile, the company works with local governments to balance the employment and tourism revenue benefits provided by its platform with concerns about the impact on society (resident quality of life), safety (adhering to codes), and economics (cost of living).

Bulls Say Dan Wasiolek, Senior Equity Analyst, 5 May 2025

- Airbnb's network has reached critical mass, supported by its leading booking share of the alternative

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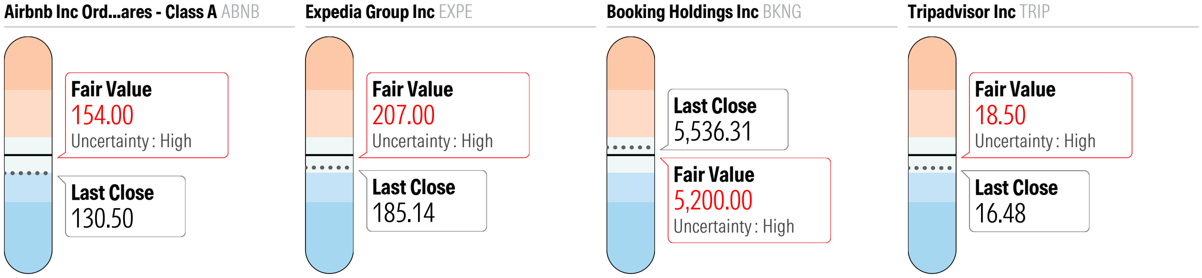
Competitors



	Airbnb Inc Ord...ares - Class A ABNB	Expedia Group Inc EXPE	Booking Holdings Inc BKNG	Tripadvisor Inc TRIP
Economic Moat	Wide	Narrow	Wide	None
Currency	USD	USD	USD	USD
Fair Value	154.00 5 May 2025 00:18, UTC	207.00 15 May 2025 17:50, UTC	5,200.00 1 Aug 2025 15:32, UTC	18.50 13 May 2025 18:16, UTC
1-Star Price	238.70	320.85	8,060.00	28.68
5-Star Price	92.40	124.20	3,120.00	11.10
Assessment	Undervalued 7 Aug 2025	Fairly Valued 7 Aug 2025	Fairly Valued 7 Aug 2025	Fairly Valued 7 Aug 2025
Morningstar Rating	★★★★7 Aug 2025 21:56, UTC	★★★7 Aug 2025 21:32, UTC	★★★7 Aug 2025 21:32, UTC	★★★7 Aug 2025 21:46, UTC
Analyst	Dan Wasiolek, Senior Equity Analyst	Dan Wasiolek, Senior Equity Analyst	Dan Wasiolek, Senior Equity Analyst	Dan Wasiolek, Senior Equity Analyst
Capital Allocation	Standard	Standard	Exemplary	Standard
Price/Fair Value	0.85	0.91	1.04	0.87
Price/Sales	7.14	1.83	7.36	1.31
Price/Book	10.28	22.06	—	3.63
Price/Earning	31.67	19.66	33.30	30.57
Dividend Yield	0.00%	0.43%	0.66%	0.00%
Market Cap	74.08 Bil	23.85 Bil	176.05 Bil	1.90 Bil
52-Week Range	99.88—163.93	111.08—207.73	3,291.80—5,839.41	10.43—18.66
Investment Style	Large Blend	Mid Value	Large Blend	Small Value

accommodation market and ongoing expansion into experiences.

- Mobile application usage is increasing rapidly, and Airbnb has strong global awareness, which aids its more than 80% of traffic that comes directly and through unpaid searches to its platform.
- Airbnb stands to benefit from worker flexibility driving higher long-term travel demand, aided by higher-income occupations in fields like technology, finance, legal, and architecture.

Bears Say Dan Wasiolek, Senior Equity Analyst, 5 May 2025

- Booking and Expedia are investing in their US alternative accommodation supply and awareness. Also, Google's continued emphasis on placing its paid ads and metasearch platform ahead of free organic search links could elevate marketing cost for Airbnb.
- Alternative accommodations face regulation headwinds around the industry's impact on society, safety, and economics.
- Airbnb's core individual host alternative accommodation platform requires higher servicing costs than

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traditional hotels and other travel verticals.

Economic Moat Dan Wasiolek, Senior Equity Analyst, 4 Apr 2025

We have a wide-moat-rating for Airbnb due to our view that the company will successfully expand internationally in its core vacation rental market and augment its position with a leading experiences offering. Even in the face of changing dynamics from generative AI and large language models, we have confidence that Airbnb will be able to outearn our cost of capital estimate for the next two decades, underpinned by its strong record of innovation.

Like wide-moat peer Booking Holdings, Airbnb has developed a two-sided marketplace network effect that it is able to effectively monetize, thereby driving a wide economic moat, in our view. Airbnb's network advantage was established as it encouraged the fragmented marketplace of private accommodation owners to post their dwellings (supply side) on the company's platform, which in turn attracted travelers (demand side), subsequently enticing more supply, creating a virtuous cycle that increases value for both new and existing users (hosts and guests).

Airbnb's platform took time to reach a network advantage. In fact, it had to relaunch its platform a few times to generate a critical amount of interest and scale, while resorting to aggressive marketing tactics like door-to-door communication and innovative engineering (links to Craigslist and Google ads that generated free or lower-cost advertising). Even when Airbnb launched its website for a third time in August 2008, it still had only 800 listings with an undisclosed number of bookings. However, continued investment in the platform and word of mouth drove an inflection point, where the network of hosts and guests entered a virtuous cycle. By March 2009, the company had 2,500 listings with 10,000 users, and by the end of 2010, around 700,000 cumulative nights had been booked on Airbnb, reaching 1.6 million in May 2011. Since then, Airbnb's network has continued to expand, reaching over 8 million active listings with more than 2 billion cumulative guest arrivals as of Sept. 30, 2024.

We believe Airbnb's platform hosts the industry's largest number of individual rental owners, which are tough to aggregate given their fragmented nature, driving the supply side of its network advantage. In total, Airbnb's network actively lists more than 8 million alternative accommodations across its 5 million hosts, the majority of which are individuals. Booking Holdings' vacation rental supply is also over 8 million listings, although we estimate around half are property managers versus individual hosts, which are easier to aggregate. Meanwhile, Airbnb's content offering in the vertical sits well ahead of Expedia's more than 2 million listings through its Vrbo brand as well as other much smaller competitors.

Airbnb's rental supply offering has driven strong user metrics, buoying the demand side of its network advantage. Airbnb is a top-10 travel iPhone app in 118 countries, versus 135 for Booking and 23 for Expedia, according to App Annie as of Jan. 20. In 2024, Airbnb's platform saw 489 million rental room night bookings versus more than 1 million at Booking (rental and hotel combined) and 384 million at Expedia (rental and hotel combined). We calculate Airbnb's 2024 alternative accommodation room night share amounted to the mid-40s compared with the mid-30s for Booking and 10% for Expedia. In December 2024, 63% of Airbnb's traffic was direct, compared with 50%, 47%, and 37% at peers Booking, Expedia, and MakeMyTrip (India's leading OTA), respectively, showcasing that its platform is resonating with travelers.

Airbnb's large share of the online travel agency market makes it extremely challenging for any smaller competitor or new entrant to gain customer traffic or supplier scale. The ability of Airbnb and its largest peers to spend behind their travel networks aids traffic scale, which further supports their network advantage by allowing them to test and implement platform changes quicker than smaller competitors, leading to an improved user experience and conversion.

Although its revenue reached 231% of 2019's level in 2024 versus 149% for the vacation rental industry, as cited by Euromonitor, Airbnb plans to invest in expanding its international vacation rental and experiences offering, which we see as supportive of its network advantage. Currently, Airbnb's top five countries represent three fourths of its total bookings. The company believes it can bring many other countries to similar penetration rates over the next several years, supporting our forecast for tens of billions in incremental bookings through the end of this decade from its international markets. Brazil offers confidence that Airbnb can expand its user base globally, as the country's nights booked is 3 times the prepandemic level, thanks to increased supply, awareness, and local payment offerings.

Airbnb also plans to launch a few travel-related verticals over the next few years, starting with experiences in 2025. We think Airbnb's communal culture is a good fit to offer unique experiences, which we believe can yield over $10 billion in bookings by the end of this decade, representing a low-single-digit percentage of the global market at that time. This will strengthen the company's network edge.

Our constructive view of Airbnb's network position is not swayed by the potential risk of generative AI bypassing the online travel company's platform. Although LLMs like OpenAI and Gemini will increasingly have the capability to quickly return relevant travel content information to users, we think the content these generative AI search products draw upon will be owned by either the direct supplier or aggregated platforms like Airbnb, which have accumulated an amount of customer travel data that is hard for others to produce. In our view, this customer data is essential to unlocking the promise of more customized offerings and generating bookings in an AI world. Further, we believe that the alternative accommodation vertical is particularly protected from the potential threat of mass market AI/LLMs search products driving bookings directly to large brand suppliers, since this vertical is heavily fragmented and individually owned, unlike US hotels where over 70% of rooms are part of a brand. So while ChatGPT and Gemini are positioned to cannibalize traditional searches previously done on engines like Google and Bing, they are still likely to direct users toward the operators that own the information and networks, resulting in bookings still occurring on Airbnb's platform.

Also, Airbnb's commitment to develop leading innovation will serve it well as it leverages its customer data and pristine financial position to train large language models for specific use cases across its platform. Airbnb is already using AI to provide customized search results for travelers and pricing recommendations to its hosts. AI is also being used to do background checks on guests and hosts to reduce discrimination and wrongdoing. Further, Airbnb is using AI to analyze the quality and accuracy of reviews and listing descriptions. Operationally, AI is helping engineers develop products quicker while automating customer service functions, which can lead to cost and innovation improvements. Looking to the future, the firm acquired GamePlanner.AI in 2024 to develop an adaptive, highly personalized AI interface that Airbnb CEO Brian Chesky describes as "the ultimate concierge." With about $13 billion in estimated 2025-29 free cash flow to the firm, a debt/EBITDA ratio below 1 times, and leading consumer data, Airbnb is in the pole position to one day have generative AI anticipate the needs of its users based on past interactions, supporting its network edge, in our view.

Fair Value and Profit Drivers Dan Wasiolek, Senior Equity Analyst, 5 May 2025

After reviewing first-quarter results, we have increased our fair value estimate to $154 per share from $152 due to the time value of money. Our fair value estimate implies a 2025 enterprise value/adjusted EBITDA multiple of 21 times.

Airbnb demand, which has led the travel industry's recovery from the depths of the pandemic in April 2020, is beginning to moderate after the company experienced a robust recovery, with its 2022 bookings reaching 167% of 2019's level. Even after the strong rebound from the pandemic in 2022, Airbnb's 2023 bookings grew 16%.

Airbnb's first-quarter revenue increased 6%, at the high end of its 4%-6% guidance, aided by 8% room night growth. Adjusted EBITDA decreased 2% due to product development investments in front of the company's prudent experiences relaunch later this year.

Our bookings growth forecast is for 11% average annual growth during 2025-34, aided by expansion into experiences, further penetration in international markets, insurance, promoted listing offerings, and share gains in its core alternative accommodation business. We see Airbnb leveraging near-term platform investments over the intermediate to longer term. We see 2034 EBITDA margin at 42%. We forecast operation and support costs as a percentage of revenue to stand at 10.7% in 2034 versus 17% in the prepandemic year of 2019, as near-term trust and safety investments wane and generative AI customer service drives savings long term. We also expect AI to aid product development expense, which we estimate at 10.8% of revenue in 2034 versus the 20% posted in 2019, which was a heavier investment year (2018's product development as a percentage of sales was 15.9%). Further, we expect

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Airbnb to lower marketing expense to 15.5% of revenue in 2034 from 34% in 2019 (2019 was a heavier investment year, with 2018 marketing costs at 30% of sales), as the company benefits from strong global awareness and a more complete platform offering long term.

As a result, we estimate Airbnb's revenue growth to average 11% over the next 10 years, with operating margin still expanding to 35.2% in 2034 from negative 17% in 2020 (before stock-based compensation) and 10% in 2019.

Risk and Uncertainty Dan Wasiolek, Senior Equity Analyst, 4 Apr 2025

Airbnb's Morningstar Uncertainty Rating is High.

The spread of covid represented a material headwind to travel demand in 2020, driving Airbnb's revenue down 30% in 2020. But even before the pandemic, the travel industry has been cyclical and affected by changes in economic growth. Additionally, terrorist attacks can lead to a near-term disruption in bookings. Moreover, potential European “gatekeeper” regulation could affect the competitive positioning of Airbnb and Booking. Changes to the innovation and lodging tax policy could lift tax provisions and working capital. Further, directors, executives, and 5%-plus stockholders combined have 90% voting control, which could hinder the ability of individual shareholders to effect operational change.

Airbnb's core alternative accommodation market faces opposition concerned with the industry's impact on society (resident quality of life), safety (adhering to codes), and economics (cost of living). Regulation could entail guests and hosts sharing information with cities, having hosts register for a license to list on alternative accommodation platforms, limiting the amount of days a unit can be rented, and requiring units to meet safety standards. Further, Airbnb faces environmental, social, and governance risks around innovative tax code changes, data breaches, and potential fees should its platform be viewed as anticompetitive.

Focused entry from Google, Amazon, Alibaba, and Facebook and accelerated investment by Booking and Expedia could have a meaningful impact on Airbnb's growth.

Capital Allocation Dan Wasiolek, Senior Equity Analyst, 5 May 2025

Although we see Airbnb's balance sheet as sound, we view its investment strategy and shareholder distribution as fair, resulting in a Standard Morningstar Capital Allocation Rating.

Airbnb's balance sheet remains sound, given the company's medium revenue cyclicality and operating leverage. Further, we see plenty of financial flexibility as we forecast Airbnb to retain a net cash position for the foreseeable future. Its existing 0% convertible debt of roughly $2 billion is not scheduled to mature until 2026, which we see as very manageable, given our expectation for about $13 billion in free cash flow generation for the firm during 2025-29.

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We hold a fair view on Airbnb's investment strategy. We like that the company is investing in building out its advantaged alternative accommodation. We applaud Airbnb's biannual innovation updates, which add guest and hosting tools, leading to an improved network experience. Leadership has made wise improvements to its mobile app, via adding flexible date and location search capability, which we think matches the industry's evolving landscape of enduring remote working conditions. Also, Airbnb is investing behind pricing tools, which should enhance the value proposition for both users and hosts. Additionally, Airbnb is integrating artificial intelligence on its platform, which we think will further enhance the network experience. We believe Airbnb's prudent investments in expanding its international vacation rental presence and relaunching experiences in 2025 will provide incremental sales and profits during the next decade. Management has done well to turn what was an inefficient cost structure before covid into a lean model, removing meaningful marketing expense while still maintaining strong sales. This execution is supporting Airbnb's ability to reinvest in product innovation, buttressing its network advantage.

While Airbnb's founders deserve credit for building an industry-leading vacation rental platform, our fair view of management's investment capability is balanced by the company's beginnings having benefited from favorable timing and its leadership continuing to advance along a learning curve. Technology advancement opened an opportunity to improve the user experience that existed in the online alternative accommodation space at the time when Airbnb was established. For instance, Amazon Web Services (launched in 2006) allowed the founders to outsource data center processing needs at a lower cost than it would have been to build, enabling them to focus time and capital on the user experience. Additionally, the launch of the iPhone in 2007 began to allow for accessible search of places across the world at any moment, helping drive Airbnb's mobile platform and expand the marketplace. The timing was also right for the Airbnb concept from an economic and demographic standpoint. Coming out of the Great Recession, people were looking for cheaper travel options and ways to generate income, which room-sharing on Airbnb's platform offered. Also, millennials were seeking an alternative to the commoditized nature of many hotels, preferring to experience the local culture of a destination, which was provided by the neighborhood-hosted listings on Airbnb's network.

We think management could have benefited from making more proactive versus reactive investments in regulatory and safety safeguards. As detailed in Leigh Gallagher's book "The Airbnb Story," the founders received business training from investors during the company's early establishment years, which guided the young entrepreneurs to reach out to the platform's users (arguably something they could have been doing more of initially), allowing them to use their skill sets and build an improved user experience. Also, one could argue that the founders lacked a full understanding of the market environment, as an Airbnb host was the one who notified the company of New York's anti-room-sharing legislation in 2010. Having an upfront understanding of affordability issues that often framed anti-room-sharing laws across cities throughout the world could have allowed the company to partner earlier with local governments and develop legislation more favorable to the accommodations platform operator.

Finally, we see Airbnb's shareholder distributions as appropriate. The company refrains from paying dividends (something growth companies in growth industries tend to shy away from, given the opportunity to invest into growth prospects). Airbnb started repurchasing shares in 2022, which we view as prudent when occurring at discount to our intrinsic valuation, given the strong demand recovery and cash flow generation since the pandemic.

Analyst Notes Archive

Airbnb: Exciting Services and Experiences Launch Buoys Its Network Advantage; Shares Attractive

Dan Wasiolek,Senior Equity Analyst,15 May 2025

On May 13, Airbnb entered the services and experiences markets with a redesigned app. Users can book 10 types of services to an accommodation, including chefs and spa treatments. Also, local hosts and celebrities offer distinctive experiences, like spending a day with Patrick Mahomes. Why it matters: We reiterate our view that Airbnb's communal culture and 4 million individual hosts will offer unique services and experiences that are tough for peers to replicate in this $250 billion market, with just 30% online penetration, compared with about 70% for the total global travel industry. With Airbnb's expansion into services and experiences, travelers no longer need to stay at hotels to get food, spa, and gym services. This stands to increase Airbnb's allure, which is important, as eight of nine accommodation stays today are at hotels, according to the company. In 2024, no-moat Tripadvisor's Viator brand led the services and experiences market with $4 billion in bookings. Given its unique position, we believe Airbnb can generate more than $12 billion in services and experiences bookings by 2030, a high-single-digit percentage of its total. The bottom line: We maintain our $154 per share fair value estimate for wide-moat Airbnb. We see shares as attractive and view the service and experience launch serving as a catalyst for intermediate-term revenue growth and EBITDA margin expansion. We expect services and experiences to aid Airbnb's margin expansion, given low capital costs as supply already exists with the hosts and users of the digital platform, and sales take rates are about 20%, above the company's total 13.6% take rate in 2024, stoked by the fragmentation of the industry. Our valuation forecasts 2025-34 bookings growth averaging 11% annually, with EBITDA margins expanding to 41.7% in 2034 from 36.4% in 2024.

Airbnb Earnings: Despite Near-Term Demand Softness, Prudent Investments Stoke Long-Term Growth

Dan Wasiolek,Senior Equity Analyst,2 May 2025

Airbnb's first-quarter revenue increased 6%, at the high-end of its 4%-6% guidance, aided by 8% room night growth. Adjusted EBITDA decreased 2% due to prudent product development investments in international alternative accommodation markets and the experiences vertical. Why it matters: In a cyclical downturn Airbnb's platform could see increased supply and user adoptions, as hosts look for ways to generate incremental income and travelers seek more affordable travel options. Still, its demand will not be immune from pullbacks in spending. While Airbnb's second-quarter revenue growth target of 9%-11% points to resilient global travel demand, the company has seen relatively softer results in the US due to economic uncertainty. Despite the uncertain consumer spending landscape and maintained plans to invest $200 million to $250 million in new product verticals this year, Airbnb still sees EBITDA margins of at least 34.5%. This compares with our 34.8% estimate, which we plan to maintain, and 36.4% in 2024. The bottom line: We don't plan a meaningful change to our $152 per share fair value estimate. We see shares as undervalued and think the market is overjealous on near-term economic concerns and investment that hinders 2025 margins but will strengthen Airbnb's wide-moat network advantage. We model stout performance for Airbnb, with our 2025-34 sales growth averaging 11% and EBITDA margins climbing to 42% in 2034 from 36% in 2024. Big picture: Our constructive view of Airbnb's network position is buttressed by its expansion opportunities in international markets and the experiences vertical. We see Airbnb's communal culture adhering well to offering unique experiences, which we believe can yield over $10 billion in bookings by the end of this decade, representing a low-single-digit percentage of the global market at that time. We believe Airbnb can generate tens of billions of dollars in incremental bookings through international vacation rental expansion.

Tariff Impact Causes Us to Reduce Online Travel Fair Value Estimates by 3%-4% Dan Wasiolek,Senior Equity Analyst,4 Apr 2025

Shares of our online travel coverage dropped 5%-9% on April 3 after President Donald Trump announced a 10% baseline tariff on all imports, with select countries facing higher tariffs.Why it matters: Tariffs are likely to hurt travel demand due to a weaker economic outlook, which had already been evidenced by a recent softening in US consumer sentiment. The Index of Consumer Sentiment dropped for a third consecutive month in March, to its lowest level since November 2022, as expectations for personal finances, unemployment, and inflation deteriorated, according to the University of Michigan. US travel demand growth has outstripped GDP, with revenue per available room increasing an average of 3.3% versus 2.4% for GDP during 1988-2019. But it is not immune from economic slowdowns, as shown in revPAR dropping 2% in 2008 amid a slight GDP decline.The bottom line: We cut our fair value estimates for the online travel companies by 3%-4%, to $4,600 for wide-moat Booking, $152 for wide-moat Airbnb, $204 for narrow-moat Expedia, and $18 for no-moat Tripadvisor. Of these, we highlight Airbnb, which trades in 4-star territory. We think investors are discounting Airbnb's network advantage, which we see driving strong international alternative accommodation and experience bookings, leading to 11% revenue growth on average during 2026-34. Our updated revenue growth outlook for 2025 is 3.5% for Booking (versus 8% previously), 5% for Airbnb (10%), 3% for Expedia (6%), and 4% for Tripadvisor (6%).

Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
130.50 USD 6 Aug 2025	154.00 USD 5 May 2025 00:18, UTC	0.85	74.08 USD Bil 7 Aug 2025	Wide	Large Blend	High	Standard	4 Jun 2025 05:00, UTC

Airbnb: Upgrading Moat Rating to Wide on Robust Network and AI Position Dan Wasiolek,Senior Equity Analyst,11 Mar 2025

We have upgraded our moat rating for Airbnb to wide from narrow, driven by a strengthening network advantage and our view that the company is well positioned for artificial intelligence. As a result, we have increased our fair value estimate to $157 per share from $140. We see the shares as undervalued.We think Airbnb's leading online travel platform will continue to flourish, helped by its expansion into international alternative accommodations. Currently, Airbnb's top five countries represent three fourths of its total bookings; the company believes it can bring many other countries to similar penetration rates over the next several years, supporting our forecast for tens of billions of dollars in incremental bookings through the end of this decade from international markets. Airbnb's experience in Brazil offers confidence that the company can successfully expand its user base globally, as nights booked in the country are 3 times the prepandemic level thanks to increased supply, awareness, and local payment offerings.Our constructive view of Airbnb's network position is also buttressed by its launch into experiences. Here, we see Airbnb's communal culture adhering well to offering unique experiences, which we believe can yield over $10 billion in bookings by the end of this decade, representing a low-single-digit percentage of the global market at that time.We expect that AI search products will draw upon data owned by either the direct suppliers or aggregated platforms like Airbnb, which have accumulated an amount of customer travel data that is hard for others to produce. Further, we believe that the alternative accommodation industry is particularly protected from the potential threat of mass-market AI/large language model search products driving bookings directly to large brand suppliers, given that it is heavily fragmented and individually owned, unlike US hotels, where over 70% of rooms are part of a brand.

Airbnb Earnings: Expansion in International and Experience Markets Can Endure Strong Booking Growth Dan Wasiolek,Senior Equity Analyst,14 Feb 2025

Airbnb shares increased 14% during Feb. 13 after-hours trading after it reported fourth-quarter sales growth of 12%, ahead of our 9% estimate. We plan to increase our $132 per share fair value estimate by a mid-single-digit percentage to account for upside in the quarter and stronger intermediate-term profitability. We continue to expect Airbnb's network advantage, source of its narrow-moat rating, will strengthen during the next several years, driven by expansion in its core vacation rental international business and relaunch of experiences later this year. While shares are slightly overvalued, we wouldn't need much discount to our valuation to recommend shares of this high-quality company.Nights booked increased 12%, ahead of our 9.5% estimate, driven by strength in the travel industry (hotel and online travel peers have also reported strong results) and investment behind building out supply and awareness in international markets. Encouragingly, Airbnb noted that nights booked in these expansion markets grew twice the rate of its core markets. This instills confidence in our forecast for international

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Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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markets to add tens of billions in bookings over the next several years. Additionally, Airbnb plans to relaunch experiences later this year, which we believe can produce about $10 billion in bookings by 2030, given the market's size of about $200 billion and view that the company's communal culture adheres well to hosts offering a unique set of things to do. We plan to maintain our 11% average bookings growth estimate for the company during the next 10 years.Airbnb's 2024 EBITDA margins came in at 36% versus our 35.5% forecast, with upside driven by operational and cost of goods leverage. We think artificial intelligence can help leverage these line items nearly 200 basis points combined during the next 10 years, while technology and marketing expense starts to leverage beyond 2025. We now see 2030 EBITDA margins between 40%-41% versus 39.5% previously.

Airbnb: Ready for AI, Given Its Ownership of Vast Customer Data and Ongoing Innovation Dan Wasiolek,Senior Equity Analyst,3 Feb 2025

Our constructive view of Airbnb's network position (source of its narrow moat) is not swayed by the potential risk of generative artificial intelligence bypassing the online travel company's platform. We aren't blind to the fact that large language models will increasingly have the capability to quickly return relevant travel content information to a user. However, we think that either the direct supplier or aggregated platforms like Airbnb will own the content these generative-AI search products draw upon. In our view, this customer data is essential to unlocking the promise of more-customized offerings and generating bookings in an AI world. Moreover, we believe that the alternative accommodation niche is particularly protected from the potential threat of mass-market AI/LLMs search products, driving bookings directly to large-brand suppliers. This specialized market is heavily fragmented and individually owned, unlike US hotels, where more than 70% of rooms are part of a brand. Also, Airbnb's steadfast commitment to develop leading innovation will serve it well as it leverages its stout customer data and pristine financial position to train large language models for specific use cases across its platform. To this point, Airbnb is already using AI to provide customized search results for travelers and pricing recommendations to its hosts. AI is also being used to do background checks on guests and hosts to reduce discrimination and wrongdoing. Further, Airbnb is using AI to analyze the quality and accuracy of reviews and listing descriptions. Operationally, AI is helping engineers to develop products quicker, while automating customer service functions, which can lead to cost and innovation improvements.We are maintaining our $132 per share valuation and wouldn't need much of a discount to our fair value estimate to recommend shares of this high-quality network-advantaged company.

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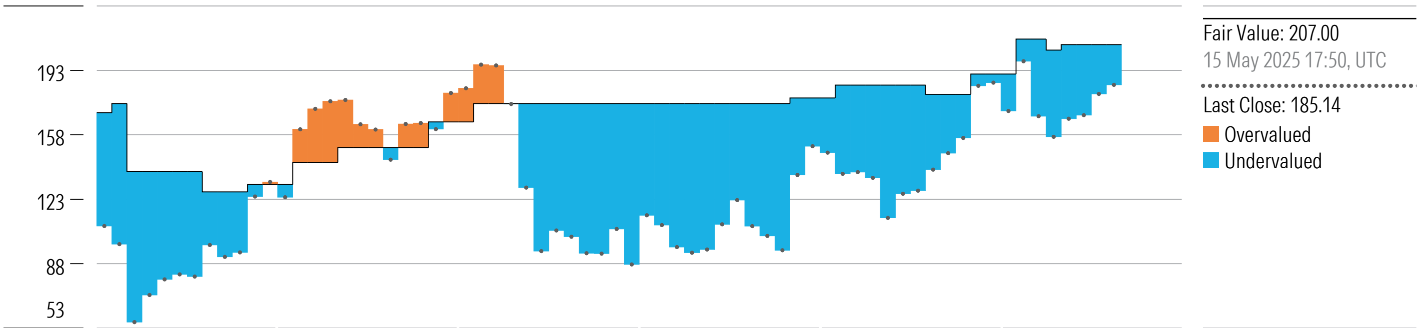
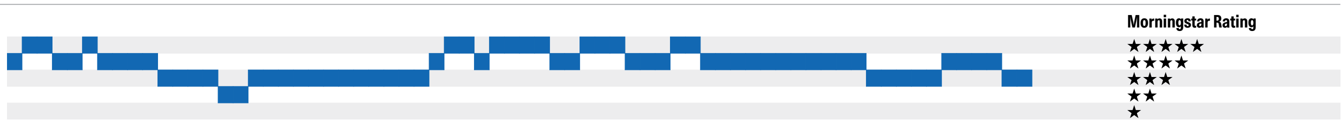
Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Competitors Price vs. Fair Value

Expedia Group Inc EXPE

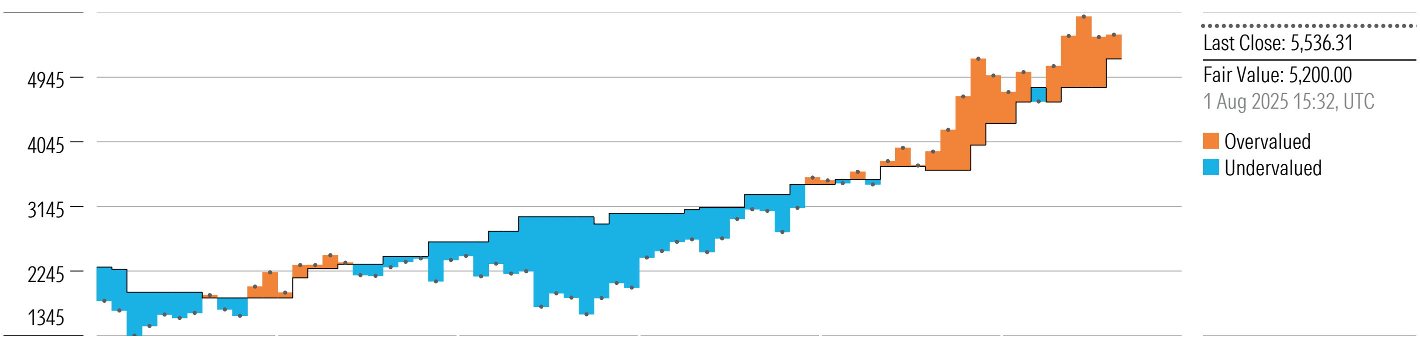


	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.01	1.10	0.50	0.85	0.98	0.91
Total Return %	22.75	36.50	-51.53	73.28	22.76	-0.21

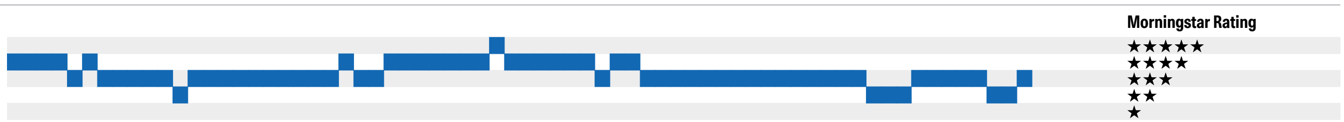


Total Return % as of 06 Aug 2025. Last Close as of 06 Aug 2025. Fair Value as of 15 May 2025 17:50, UTC.

Booking Holdings Inc BKNG



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.19	0.91	0.66	1.03	1.16	1.04
Total Return %	8.45	7.72	-16.00	76.02	41.05	11.82



Total Return % as of 06 Aug 2025. Last Close as of 06 Aug 2025. Fair Value as of 1 Aug 2025 15:32, UTC.

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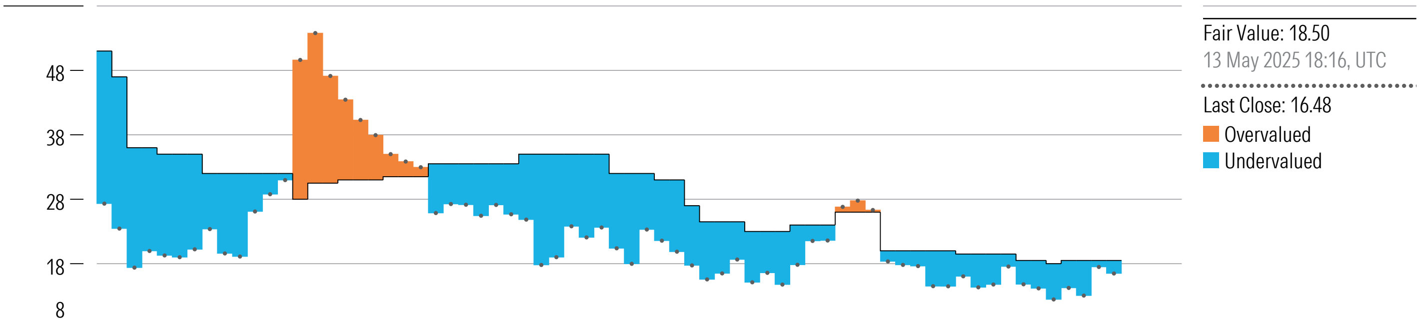
Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

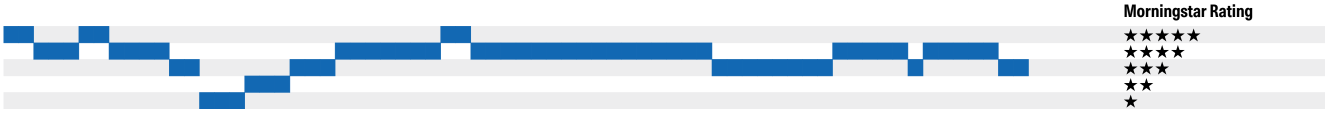
Competitors Price vs. Fair Value

Tripadvisor Inc TRIP



	2020	2021	2022	2023	2024	YTD	
	0.90	0.81	0.56	0.90	0.76	0.87	Price/Fair Value
	-5.27	-5.28	-34.04	19.74	-31.40	11.58	Total Return %

Morningstar Rating



Total Return % as of 06 Aug 2025. Last Close as of 06 Aug 2025. Fair Value as of 13 May 2025 18:16, UTC.

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Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
130.50 USD 6 Aug 2025	154.00 USD 5 May 2025 00:18, UTC	0.85	74.08 USD Bil 7 Aug 2025	Wide	Large Blend	High	Standard	4 Jun 2025 05:00, UTC

Morningstar Valuation Model Summary

Financials as of 04 Apr 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Revenue (USD Mil)	8,399	9,917	11,102	11,841	13,106	14,679	16,441	18,331
Operating Income (USD Mil)	1,891	1,518	2,553	2,624	3,199	3,908	4,713	5,573
EBITDA (USD Mil)	1,883	1,562	2,618	2,672	3,252	3,967	4,779	5,646
Adjusted EBITDA (USD Mil)	2,903	3,653	4,041	4,121	4,744	5,505	6,363	7,278
Net Income (USD Mil)	1,893	4,792	2,648	2,658	3,144	3,657	4,300	4,971
Adjusted Net Income (USD Mil)	1,893	4,792	2,648	2,658	3,144	3,657	4,300	4,971
Free Cash Flow To The Firm (USD Mil)	1,684	634	3,881	1,848	2,026	2,379	2,903	3,501
Weighted Average Diluted Shares Outstanding (Mil)	680	662	645	630	618	607	592	573
Earnings Per Share (Diluted) (USD)	2.78	7.24	4.11	4.22	5.08	6.03	7.26	8.68
Adjusted Earnings Per Share (Diluted) (USD)	2.78	7.24	4.11	4.22	5.08	6.03	7.26	8.68
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 04 Apr 2025		Actual			Forecast					
	3 Year Avg	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year Avg**
Operating Margin %	19.9	22.5	15.3	23.0	22.2	24.4	26.6	28.7	30.4	26.5
EBITDA Margin %	—	22.4	15.8	23.6	22.6	24.8	27.0	29.1	30.8	—
Adjusted EBITDA Margin %	—	34.6	36.8	36.4	34.8	36.2	37.5	38.7	39.7	37.4
Net Margin %	31.5	22.5	48.3	23.8	22.5	24.0	24.9	26.2	27.1	24.9
Adjusted Net Margin %	31.6	22.5	48.3	23.8	22.5	24.0	24.9	26.2	27.1	24.9
Free Cash Flow To The Firm Margin %	20.5	20.1	6.4	35.0	15.6	15.5	16.2	17.7	19.1	16.8

Growth & Ratios as of 04 Apr 2025		Actual			Forecast					
	3 Year CAGR	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year CAGR**
Revenue Growth %	22.8	40.2	18.1	12.0	6.7	10.7	12.0	12.0	11.5	10.5
Operating Income Growth %	67.6	248.8	-19.7	68.2	2.8	21.9	22.2	20.6	18.3	16.9
EBITDA Growth %	94.1	231.7	-17.1	67.6	2.1	21.7	22.0	20.5	18.2	16.9
Adjusted EBITDA Growth %	36.4	82.1	25.8	10.6	2.0	15.1	16.0	15.6	14.4	12.5
Earnings Per Share Growth %	—	-586.8	160.0	-43.3	2.8	20.5	18.5	20.5	19.5	16.2
Adjusted Earnings Per Share Growth %	—	-586.8	160.0	-43.3	2.8	20.5	18.5	20.5	19.5	16.2

Valuation as of 04 Apr 2025	Actual			Forecast				
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Price/Earning	30.8	18.8	32.0	28.4	23.6	19.9	16.5	13.8
Price/Sales	6.4	8.8	7.4	6.2	5.6	5.0	4.5	4.0
Price/Book	10.5	11.0	10.1	7.9	6.6	5.7	5.0	4.5
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	16.1	21.5	18.0	15.6	13.6	11.7	10.1	8.9
EV/EBIT	24.8	51.8	28.5	24.5	20.1	16.5	13.7	11.6
Dividend Yield %	—	—	—	—	—	—	—	—
Dividend Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 04 Apr 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
ROA %	11.8	23.2	12.6	11.7	12.3	12.7	14.5	15.3
ROE %	34.1	58.7	31.5	27.8	28.0	28.4	30.3	32.8
ROIC %	26.4	17.9	27.8	27.7	31.4	34.9	38.1	40.8

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Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
130.50 USD 6 Aug 2025	154.00 USD 5 May 2025 00:18, UTC	0.85	74.08 USD Bil 7 Aug 2025	Wide	Large Blend	High	Standard	4 Jun 2025 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	2022	2023	2024	2025	2026	2027	2028	2029
Debt/Capital %	4.2	2.6	2.7	1.9	1.8	1.7	0.0	0.0
Assets/Equity	2.9	2.5	2.5	2.4	2.3	2.2	2.1	2.1
Net Debt/EBITDA	-3.9	-5.0	-3.2	-3.1	-3.1	-3.1	-2.9	-2.7
Total Debt/EBITDA	0.8	0.6	0.6	0.5	0.4	0.4	0.0	0.0
EBITDA/ Net Interest Expense	-15.5	-6.3	-5.2	-5.6	-6.1	-7.1	-8.0	-9.1

Forecast Revisions as of 4 May 2025	2025		2026		2027	
Prior data as of 4 Apr 2025	Current	Prior	Current	Prior	Current	Prior
Fair Value Estimate Change (Trading Currency)	154.00	151.69	—	—	—	—
Revenue (USD Mil)	11,841	11,678	13,106	12,941	14,679	14,494
Operating Income (USD Mil)	2,624	2,568	3,199	3,140	3,908	3,840
EBITDA (USD Mil)	4,121	4,064	4,744	4,685	5,505	5,435
Net Income (USD Mil)	2,658	2,614	3,144	3,097	3,657	3,604
Earnings Per Share (Diluted) (USD)	4.22	4.15	5.08	5.01	6.03	5.94
Adjusted Earnings Per Share (Diluted) (USD)	4.22	4.15	5.08	5.01	6.03	5.94
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 04 Apr 2025	
Cost of Equity %	9.0
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	8.9
Long-Run Tax Rate %	21.0
Stage II EBI Growth Rate %	7.5
Stage II Investment Rate %	25.8
Perpetuity Year	20

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 04 Apr 2025	USD Mil
Present Value Stage I	21,877
Present Value Stage II	25,393
Present Value Stage III	38,929
Total Firm Value	**86,199**
Cash and Equivalents	10,611
Debt	1,995
Other Adjustments	-1,088
Equity Value	**93,726**
Projected Diluted Shares	624
Fair Value per Share (USD)	**154.00**

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Airbnb Inc Ordinary Shares - Class A ABNB ★★★★ 7 Aug 2025 21:56, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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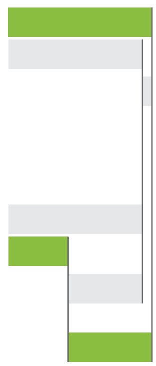
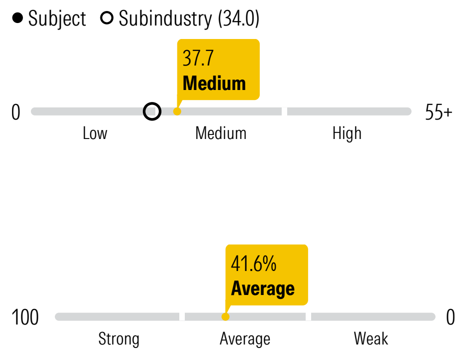
ESG Risk Rating Breakdown

Exposure	
Company Exposure[1]	37.7
– Manageable Risk	35.2
Unmanageable Risk[2]	**2.5**
Management	
Manageable Risk	35.2
– Managed Risk[3]	14.6
Management Gap[4]	**20.6**
Overall Unmanaged Risk	**23.1**

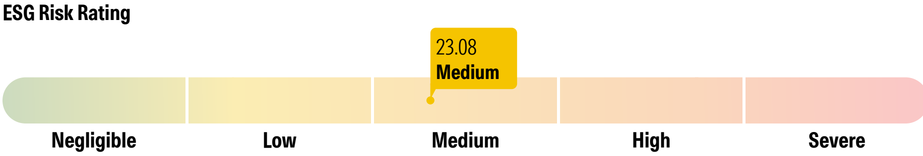




- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 41.6% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Jun 04, 2025. Highest Controversy Level is as of Jul 08, 2025. Sustainalytics Subindustry: Internet Software and Services. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 04 Jun 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
Airbnb Inc	37.7 | Medium	0	55+	41.6 | Average	100	0	23.1 | Medium	0	40+
Expedia Group Inc	41.3 | Medium	0	55+	51.3 | Strong	100	0	21.7 | Medium	0	40+
Booking Holdings Inc	33.0 | Low	0	55+	60.3 | Strong	100	0	14.4 | Low	0	40+
Tripadvisor Inc	42.1 | Medium	0	55+	37.6 | Average	100	0	27.4 | Medium	0	40+
Wyndham Hotels & Resorts Inc	40.7 | Medium	0	55+	52.9 | Strong	100	0	21.0 | Medium	0	40+

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Appendix

Historical Morningstar Rating

Airbnb Inc Ordinary Shares - Class A ABNB 7 Aug 2025 21:56, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★★★★	★★★	★★★	★★★	★★★★	★★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★	★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★	★★★	★★★	★★	★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★	★★★	★★★	★★★	★★★★	★★★	★★	★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★	★	★	★	★	★	★	★	★	★	★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	—	—	—	—	—	—	—	—	—	—	—

Expedia Group Inc EXPE 7 Aug 2025 21:32, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
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Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★★	★★★★★	★★★★★	★★★★★	★★★★	★★★★★	★★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
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Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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Booking Holdings Inc BKNG 7 Aug 2025 21:32, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
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Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
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Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
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Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
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Morningstar Equity Analyst Report | Report as of 7 Aug 2025 23:04, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Tripadvisor Inc TRIP 7 Aug 2025 21:46, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
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Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★	★★★	★★★	★★	★★	★★	★	★	★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

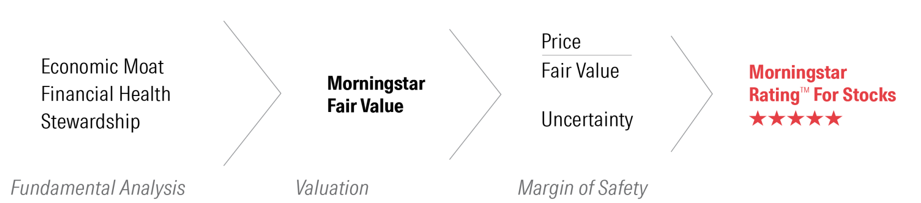
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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Research Methodology for Valuing Companies

outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

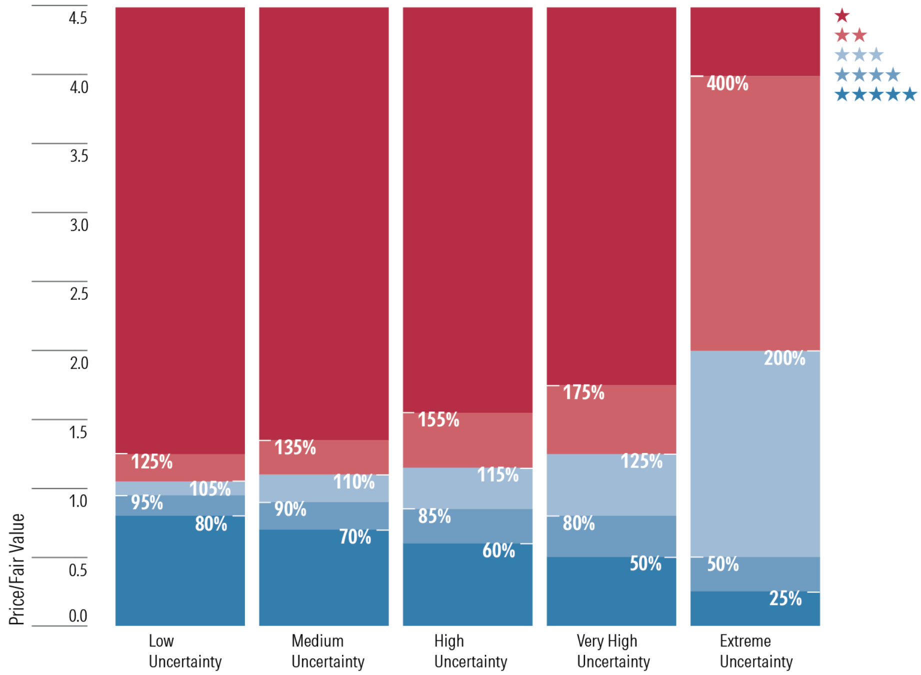
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

Research Methodology for Valuing Companies

and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

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