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Airbnb, Inc. (ABNB) CEO Brian Chesky on Q2 2022 Results - Earnings Call Transcript

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Q2: 2022-08-02 Earnings Summary

Play Call | Press Release | 10-Q

EPS of $0.56 beats by $0.13 | Revenue of $2.10B (57.59% Y/Y) misses by $975.00K

Airbnb, Inch. (NASDAQ:ABNB) Q2 2022 Earnings Conference Call August 2, 2022 4:30 PM ET

Company Participants

Ellie Mertz - VP, Finance & IR

Brian Chesky - Co-Founder, CEO, Head of Community & Chairman

David Stephenson - Interim Head, Global Employee Experience & CFO

Conference Call Participants

Lloyd Walmsley - UBS

Mario Lu - Barclays Bank

Brian Nowak - Morgan Stanley

John Colantuoni - Jefferies

Stephen Ju - Crédit Suisse

Brian Fitzgerald - Wells Fargo Securities

Justin Patterson - KeyBanc Capital Markets

Thomas White - D.A. Davidson & Co.

Douglas Anmuth - JPMorgan Chase & Co.

Kevin Kopelman - Cowen and Company

Nicholas Jones - JMP Securities

James Lee - Mizuho Securities

Naved Khan - Truist Securities

Mark Mahaney - Evercore ISI

Bernard McTernan - Needham & Company

Jed Kelly - Oppenheimer

Operator

Good afternoon, and thank you for joining Airbnb's earnings conference call for the second quarter of 2022. 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'll now hand the call over to Ellie Mertz, VP of Finance. Please go ahead.

Ellie Mertz

Good afternoon, and welcome to Airbnb's Second Quarter of 2022 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, Dave Stephenson. Earlier today, we issued a shareholder letter with our financial results and commentary for our second quarter of 2022. These items were 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 this 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 measures are not intended to be substitute for our GAAP results.

And with that, I will pass the call to Brian.

Brian Chesky

All right. Thank you, Ellie, and good afternoon, everyone. Thanks for joining.

Our Q2 results demonstrate that Airbnb has achieved growth and profitability at scale. From a growth perspective, we exceeded 103 million Nights and Experiences Booked. Now this was our largest quarterly number ever. Revenue was $2.1 billion, up 58% from last year or 64%, excluding foreign exchange. Gross booking value was $17 billion, up 27% from last year or 34% if you exclude foreign exchange. Now both revenue and GBV were 73% higher than Q2 2019, significantly outperforming the travel industry.

Now from a profitability perspective, we had our most profitable Q2 ever. Net income of $379 million was a nearly $700 million improvement from Q2 2019. Adjusted EBITDA was $711 million. Now this represents a 34% adjusted EBITDA margin, which is significantly up from the 16% margin in Q2 2021, a negative 4% in Q2 2019. Finally, we generated $795 million of free cash flow. Now this is a $1.1 billion improvement from the nearly $300 million cash burn 2 years ago at the depth of the pandemic. Over the last 12 months, Airbnb generated $3 billion in free cash flow, nearly $3 billion, and ended the quarter with nearly $10 billion in cash.

So what explains this transformation in our business? Well, first, our business model is adaptable. We have nearly every type of space in nearly every location so however travel changes, we can adapt. And regardless of the economic environment, our guests come to Airbnb because they can find great value and our host can earn extra income.

Second, we've relentlessly innovated while also staying focused and disciplined. When the pandemic began in 2020, we made some incredibly difficult decisions. We significantly reduced spending, making us a leaner and more focused company. And we've kept this discipline ever since, allowing us to keep the hiring and investment plans made in the beginning of the year. And Airbnb is well positioned for whatever lies ahead. In fact, we're so confident in our long-term growth and profitability that today, we're announcing a $2 billion share repurchase program. And this is coming only 1.5 years after our IPO.

Now returning to our Q2 results. Our strong financial performance was driven by a number of positive business trends. First, guest demand in Airbnb is as high as ever. In Q2, we surpassed 103 million Nights and Experiences Booked, marking our highest quarterly number ever. Now despite broader macroeconomic concerns, we still saw a 25% increase in Nights and Experiences Booked compared to the quarter of 2021.

Now early in Q2, strong guest demand exceeded our expectations. This is because guests in Europe and North America booked earlier than they have historically. Now given this earlier booking, growth rates compared to last year decelerated in May and June. And since the end of Q2, what we've seen is growth in nights booked reaccelerate from June to July as we enter peak travel season.

Second, guests continue to return to cities and cross borders. In previous quarters, we've talked about how we saw significant growth driven by surges in domestic travel as well as travel to rural destinations. Now these trends continue. But we're also seeing guests returning to cities and crossing borders above pre-pandemic levels.

Third, guests continue to stay longer in Airbnb. They're not just traveling Airbnb, they're now living on Airbnb. We saw long-term stays of 28 days or more remain our fastest-growing category by trip nights compared to 2019. The long-term stays has increased nearly 25% from a year ago. And actually, long-term stays have increased almost 90% since Q2 2019.

Fourth, guest demand is driving growth on our host community. We continue to see the strongest supply increases in areas of greatest demand, with nonurban active listings up 50% compared to Q2 2019. But as demand is returning to cities, we're also seeing an increase in total urban supply. And we believe the upgrades we introduced last year, including our new host onboarding flow and AirCover are supporting this growth, but we're not stopping there. So you're going to see some exciting new product features to recruit the next generation of host later this year.

Finally, I'd like to share a few highlights from the 2022 summer release. In May, we introduced Airbnb Categories. Since launch, listings in the Airbnb Categories have been viewed more than 180 million times. Through Categories, we are distributing guest discovery across more destinations and dates.

Now we also introduced AirCover for guests. Since launch, the Net Promoter Score for guests that had an issue with their stay has already improved. And the real insulin -- instance where our host cancels, AirCover has led to 10% more rebookings.

So to recap. We achieved significant milestones this quarter with our results. Nights and Experiences Booked were our highest ever. Revenue and adjusted EBITDA were records for Q2, and free cash flow was $795 million. In the last 12 months, we generated nearly $3 billion in free cash flow.

Now before I go to questions, I want to talk about an update on my co-founder, Joe Gebbia. Last month, Joe announced that he'll be stepping back from this full-time operating role. Joe will continue to serve on the Board of Directors of both Airbnb and Airbnb.org. Airbnb is a founder-led company. So he's going to continue to take a role at Airbnb, and this will be as an adviser to me on future concepts and creative culture.

Since the beginning, Joe has always been focused on big ideas to help others. These are uncompromising True North. So it will be fun to be able to spend more time with them on dreaming up new ideas, just like the early days. And as I reflect back on the last 14 years together, I just can't believe how lucky Joe, Nate and I have been. If anything, I've just gone a few degrees in a different direction, I wouldn't be doing this call with you right now. That's how fragile ideas are. And it's what gives me gratitude to know Joe and Nate. And what I'm most thankful for is that we're still together, still meeting every Sunday 14 years after we started. We built a dream together, and now, after all these years, we still continue to dream. So thank you, Joe.

And with that, Dave and I look forward to answer your questions.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question is from Lloyd Walmsley with UBS.

Lloyd Walmsley

Two questions, if I can. First, just it looks like room Nights and Experiences Booked grew a little bit sequentially less in 2Q this year than it did in '19. And similarly, the guidance looks like it's calling for a little bit slower sequential growth. Just wondering if there's anything you'd call out that's behind that?

And then secondly, can you give us an update on what you're seeing around just how people are using the platform post some of the new search and discovery innovations this summer? Are you seeing demand move into a wider dispersion of areas or any changes in conversion rates? What are early learnings from some of those innovations this past summer?

Brian Chesky

Thank you very much. Dave, why don't you take the first question about Q2, Q3 growth, and I can talk a little bit about how the launch from Airbnb Categories have affected how people use Airbnb?

David Stephenson

Yes. So our Q2 gross nights before the cancellations, they came in actually above our internal expectations. We did see some elevated cancellations in the back of the quarter relative to our forecast. We believe that some of the elevated cancellation's related to flight cancellations around the world, but it was mostly in North America towards the end of Q2 '22. And we're just seeing strong overall nights kind of growth, the 25% year-over-year growth in nights and experiences, we feel very confident in. And the same -- having the same results for Q3, we also feel quite good about. We're just seeing strong demand for guest travel all around the world.

Brian Chesky

And just to answer the second question, just to give a little bit of background, for decades, travel search has worked the same way. There's a box, a search box, and you are asked to enter a location. And the problem with that is that Airbnb is in 100,000 locations all over the world. And so people can't think to type in 100,000 destinations into a search box. And so people miss millions of unique Airbnbs they would have never known to search for. And the reason this is important, as you asked is because we think that category categories can allow us to point demand to where we have supply. This, I think, is one of the really big opportunities.

So as I said, since release, listings in every categories have been viewed over 180 million times. We've also seen that guests are now showing more flexibility with their dates and their destinations than before. So for example, a typical search, properties are 30 miles further apart than they would have been before. So we are seeing search radiuses increase. And additionally, we are seeing more people continue to use the flexible date feature. So we believe our theory is working. Airbnb categories allows us to highlight what makes us unique. It allows us to point demand where we have supply. And I also think it helps us be in the inspiration business where people to start to travel on Airbnb.

Operator

Our next question is from Mario Lu with Barclays.

Mario Lu

So the first one is on new initiatives. So we look at the third quarter guidance, it seems like bookings is expected to contract by more than 10 points in 3Q versus 2019 versus the second quarter. So does that change the timing or focus on these other new initiatives such as experiences? Or are more resources now being focused back on the core business?

Brian Chesky

No. I mean we have a very consistent strategy. And our strategy is, number one, we want to unlock the next generation of hosts. We have 4 million hosts on Airbnb, and I think that millions more can turn to hosting, especially during these economic times. So that, I think, is really priority #1.

As we add more hosts, we continue to grow. We want Airbnb to be the ultimate host to our guests and host. That's why we offered AirCover where we continue to provide better service all over the world and continue to up level. And guests aren't just traveling Airbnb, they're now living on Airbnb. And so we want to continue to offer more opportunities for them to travel and live on Airbnb.

So we are still focused on our core business. That is the priority for us. We are also continuing to invest in long-term stays and other initiatives and most importantly, providing an incredible service that people love. And I would also just say, again, we're feeling really, really solid and good about Q3. Dave, anything you want to add.

David Stephenson

Yes. I'll just double click on Brian's comment. Yes, I mean, we do really feel good about stable bookings in Q3. I mean, in particular, given we have long lead times that we're seeing. We're seeing some pull forward for summer travel here in Q2 and just the broader economic conditions overall. We are -- if you look at our gross booking value growth versus 2019, Q1 was 73%; Q2, 73%. We're just seeing strong gross booking value growth relative to 2019. And to see further kind of quarter-over-quarter acceleration, we just need to see continued recovery in Europe and APAC, which remains significantly depressed.

Mario Lu

Great. And just a follow-up, speaking of APAC. You guys mentioned that the domestic business is trending down in China, which I believe you guys said was around 1% of your business. Is there any other color you can provide in terms of the P&L impact from shutting that down? And any color on how large the outbound bookings for China is?

Brian Chesky

Dave?

David Stephenson

Yes. I mean the China business has been a small part of business overall. I mean, it's had less than a 1% impact on our revenue. One of the things that has been important in us getting out of the domestic business in China is maintaining a focus on what we think is the most valuable and important part of China, which is the outbound business. So really, what we've done is we've shifted all of the resources that we're applying and splitting between both domestic and outbound travel. We focused all that on outbound, which we think is the greater prize and the most important part for the long term.

So until China has their COVID policy kind of in place and allowing people to kind of travel outbound from China, it will kind of remain to be depressed. But as that evolves and Chinese travelers travel again, we think that will be a nice unlock for our Asia Pacific business. It's not going to have a material impact on our P&L.

Operator

Our next question is from Bernie McTernan with Needham & Company.

Bernard McTernan

Great. ADRs are hanging in there better than feared, I believe, still expecting them to be up year-over-year. Can you just talk to some of the puts and takes, demand-driven pricing versus mix shift?

Brian Chesky

Dave?

David Stephenson

Yes. If you kind of rewind to what we've seen with ADRs back at the beginning of the pandemic, all of the increase was driven by mix, right? This initial resurgence of the travel for North America, whole home, nonurban. And then over time, we've seen mix become less and less a part of the increase in the ADR.

Here in both Q1 and Q2, what we've seen is that ADRs were up 40% year over -- 3 years back to 2019. And about 2/3 of that increase has been price appreciation, and about 1/3 due to mix. And so we do anticipate that over time, as more people return to travel to urban, more cross border, ADRs may moderate. But yes, as you see, 2/3 of that has actually been price appreciation. So it's been stickier than we anticipated, maybe 6 months ago.

Bernard McTernan

Got it. And then the dip in May and June from the earlier booking windows and then reacceleration in July, is that reacceleration for near-term bookings in terms of late summer? Or is that kind of early bookings for the fall and winter period?

David Stephenson

Well, it's a bit of both. I mean, really, we have on the books for Q4 of this year, we have more nights on the books in Q4 than relative to the same kind of period a year ago. It's very strong. We're seeing really strong demand in the back half of the year. So we're seeing a bit of both.

Operator

Our next question is from Justin Patterson with KeyBanc Capital Markets.

Justin Patterson

Great. Two, if I can. Brian, when you look at host right now and just the friction to onboarding, what are you looking to really solve with this upcoming release? And then secondly, perhaps for both you and Dave, you've clearly shown a lot of margin progress, free cash flow progress over the next few years. How should we think about just the puts and takes between overall growth and showing more margin, more free cash flow generation ahead?

Brian Chesky

And just to confirm, you're talking about with this upcoming release, right, this winter?

Justin Patterson

Yes. Well, I mean it can be a little broader in there. Just where the friction point on onboarding is.

Brian Chesky

Yes. So that's a great question. Let me -- why don't I answer the first question, and then, Dave, you can talk about margin improvement, and then I can potentially elaborate on that answer as well. We have -- as we said, we have 4 million hosts on Airbnb, but we think there are millions more people that could turn to hosting. I mean, honestly, hosting is one of the easiest ways to be able to make money with an asset that you already have. For most people, they don't need to have a start-up cost and the majority of people get a booking within the first week.

And so there are a number of things that we're going to be doing this fall -- this winter and beyond, but one of the most important things we want to do is continue to make it easier to host. And one of the high -- things I want to highlight that we launched last year was Ask a Super Host. Ask A Super Host pairs our very best super hosts with prospective hosts. And this is really cool because, basically, what it does is it allows our community to help train new community members, new hosts to come on the platform. That's made a big difference.

And we're going to continue to double down on that product. We're going to -- but we're looking at some other opportunities to continue to reduce friction. So you're going to see some really cool products to just continue to make it even easier to host. And so that's probably the primary thing that we're going to be focused on this fall. We're also looking at some additional protections for hosts, and just ways to really try to get everyday people with their primary homes that want to host occasionally to host on Airbnb.

A lot of people don't realize that the number -- the top professions for a host in the United States, for example, are school teachers, they're health care workers, they're students, these are top 3 kind of professions and locations in Airbnb. And so what we really think the big opportunity is to continue to attract regular people to become host. And we think one of the biggest sources of new hosts are prior guests on Airbnb, 36% of new hosts last quarter were prior guests.

So this is where we're going to be focused on. It's a really big opportunity for us. And I think, again, Airbnb was founded during a recession in 2008, financial crisis. People were worried about being able to pay their bills, pay for their homes and their income. And so they turned to hosting. And we think a lot of people may turn to hosting once again. So this is a big opportunity for us. Dave, if you want to talk about the margin improvement?

David Stephenson

Yes. Thanks. We're really proud of the progress we made to reduce our fixed costs and make improvements in our variable costs. We've really exercised discipline on our spending here in 2022, and we're going to continue to do so. But while we're thrilled with this margin expansion, we're heavily in growth mode. We are not in profit maximization mode. We really want to balance profitability with growth.

We -- one of the things we're very proud in Q2 is that we are showing both growth and profitability at scale. But we'll continue to invest in growth. We're going to prioritize things. We'll grow the business over the long haul.

Operator

Our next question is from Doug Anmuth with JPMorgan.

Douglas Anmuth

Just hoping you can talk a little bit about just kind of macro environment, just what you're seeing in terms of consumer activity or types of trips being booked. And also just to get your view on long-term stays. I think you talked about 25% growth year-over-year, but just the trends there going forward.

Brian Chesky

Dave?

David Stephenson

Sure. Well, if you start the macro environment, again, we are very pleased with our results despite any kind of macroeconomic. We're seeing strong demand here in Q3. And as I said, the Q2 nights and experiences grew 25% year-over-year, we're seeing a similar growth for Q3, and our demand in Q4 reservations is really strong, as I mentioned kind of earlier.

What we've seen so far is North America and Europe have been our strengths. We're seeing -- but we are seeing an uptick in more cross-border and more urban. So those are historic strength areas for us, and we're starting to see those parts of the businesses come back. But ultimately, if you just kind of step back, you just see the resilience of our business overall, right, that because we have so much different kinds of supply in so many places around the world, we have any kind of place for anyone that wants to travel. And there's just so much pent-up demand for travel and just so much demand for travel in general, that people would like to spend money on the experience of travel and getting out of their home more than on things that we're just continuing to see that great strength in our business.

And then in terms of long-term stays, it continues to be the fastest-growing business by tripling. So if you look at nights of 28 days or longer, that part of the business is growing faster since 2019 than any other segment stays. And actually, if you kind of subsegment it, nearly 50% of our nights are 7 days or longer. And which I think, again, you start to stay any place 7 days or more, an Airbnb is the best way to kind of experience that stay. So long-term stay trend continues to be very solid, growing faster than any other part of the business.

Operator

The next question is from Nick Jones with JMP Securities.

Nicholas Jones

Two. I guess, first, can you just kind of give us an update on the I'm Flexible option and how that's kind of playing out and what kind of experiences you're able to provide in those markets that maybe are less dense? And then a follow-up.

Brian Chesky

Yes, yes. So Nick, I'm Flexible, essentially with the product that we launched last year, it really has 2 components. There's flexible dates that allows people to say, I'm flexible when to travel, and we can say, I'm really interested in traveling anywhere for a week and a week or a month anytime in the next year. And we also had I'm Flexible destinations.

We rebuilt I'm Flexible destination from the ground up, and that became Airbnb Categories. So that's the product that has been used or people have seen listings that have been featured in the Airbnb categories over 180 million times since May 11. This has definitely been like a huge boon for us. And what we're seeing is that people are, in fact, discovering homes they would have never otherwise seen in their books. We're seeing the search radius widen by, I think, it was 30 miles, what I said before.

The other thing we're seeing is that people are continuing to be more flexible about their dates. So more and more people are using the I'm Flexible dates feature as well.

And so we're really excited about this. I think this is a really big thing that we're going to be focusing on, and we're going to continue to be investing in this product because I think this is a bit of a paradigm shift for how people will travel. Not everyone is going to be flexible about how they travel. But for anyone that's not traveling for business or not visiting family, if you were doing leisure travel, almost by definition, you probably have some flexibility.

And as fewer and fewer people are going to be required to go into office 5 days a week, I think this option is going to be more and more important. And our business model works uniquely for this because we have a lot of unique inventory. So it has been used quite a lot, and hopefully, that answers your question.

Nicholas Jones

Yes. And then, I guess a follow-up is in some of the areas that are outside of urban areas, less dense, less, I guess, arguably activities, how are you thinking about adding more optionality to make these types of experience more engaging for the guests?

Brian Chesky

Sorry, can you elaborate outside of urban areas. Or I'm trying...

Nicholas Jones

Like if you're in a rural area and there's less activities, arguably, because there's less population, how are you adding -- looking to add more experiences for those guests in those regions?

Brian Chesky

Oh, I see. Yes. Well, it's a great question. So number one, Airbnb Categories and the new products we're doing are great ways to highlight really interesting home and communities you never know existed, right? We have like these incredible barns and farm stays and capsules and treehouses. And many of these are in towns you've probably never even heard of, most of them.

But there's another good question, if you go to Paris, you have the Eiffel Tower. But if you go to a rural area in upstate New York or in California or some other place, what do you do when you're there? And we do think Airbnb Experiences are great. Obviously, for like places that are not iconic tourism destination. So that's why we're continuing to invest in that product and people really love Airbnb Experiences. They actually have a higher 5-star rating even than home.

So I think this is a great opportunity for rural destinations, and we have a lot of really popular experiences. So like if you go on a farm, you can do a farm stay and then you can have interesting experiences on that farm. So that's just one example. We have really popular experiences, for example, in Tuscany. You can make pasta with a nearly 90-year-old grandmother who's been making pasta the same way for more than half a century. So these are experiences you would have never been able to find, and we're really excited about that.

Operator

The next question is from James Lee with Mizuho.

James Lee

And maybe as we look into FY '23, obviously, we have a lot of economic uncertainties here. If the economy indeed slows down and consumers start to trade down, how do you think that impacts Airbnb's business?

And also on the other hand, if you look at expenses, the demand slowdown, is there anything in your cost structure you could optimize to offset any potential headwinds?

Brian Chesky

Dave, do you want to take that?

David Stephenson

Sure. I think we've highlighted this a bit on the call that you don't know what the economy is going to bring, but we do know that Airbnb is resilient to almost any kind of economic shock. As Brian mentioned, we're founded in a recession, and we've obviously thrived in the era of COVID despite COVID. And what we're just finding is that people can come to Airbnb because we have any kind of property, whether it's a small shared room or a private room to luxury stays, we have something for anyone depending on their travel needs.

And we likely saw on COVID, if they can't cross borders, they're going to stay domestically. They get in the car and they go down the road. If domestic -- if air travel gets too expensive, they -- again, they can stay domestically, and they can basically, within their budget, find the perfect place for them because we have such a diversity of types of offerings for them. So I think that is one of the things that just gives us this great resilience.

And then in terms of expenses, if the business slows down, I mean, again, we've already made the hard choices. In 2020, we substantially reduced our fixed costs. We eliminated a number of positions. We moved from being divisional to functional. So we are a leaner, tighter machine, and we will remain that way. We're going to continue to grow. We're growing headcount maybe high single-digit percentage rates, but that is going to be able to support us for the very long term, and we're going to remain very focused and disciplined in our investments. So I feel really good about the position that we're in with our investment model.

Operator

The next question is from Brian Fitzgerald with Wells Fargo.

Brian Fitzgerald

We wanted to ask about the recovery of supply that you continue to see, maybe particularly in urban areas. Are you seeing hosts who had come off the platform now coming back, wondering how you're making these hosts aware of the increased urban demand and helping to reactivate them? And any color there on that, maybe latent supply capacity, if you could, that'd be awesome.

Brian Chesky

Dave, do you want to take this?

David Stephenson

Yes. A couple of notes on the supply growth. We just continue to see strong supply growth. I think since 2019, our Nights and Experiences Booked, they grew 24%, and our active listings have grown 23%. And we have over 6 million active listings now even taking down the domestic listings in China. So as you mentioned on the urban side, the active listings -- well, I'll start with the nonurban. Nonurban increased 7% quarter-over-quarter and 16% from Q2 '21.

And then in North America, they've increased 23%. But then to your specific question, yes, as demand returns to cities, we're seeing a return to growth in the total urban supply. And exactly right, the people that have properties, they come back on to Airbnb and are ready to host again. I mean, if you kind of step back and think about it, because the vast majority of our hosts are individual hosts, and then therefore, the vast majority of their listings are either their primary home or maybe a secondary home, they don't get rid of those in a recessionary environment and other things.

I mean it's not like a professional host, which may be looking at the pure return on investment opportunity of the property at a particular point in time. And so with those individual houses, when the demand comes back, they come back on to Airbnb and the listings are there. So it's precisely what we're seeing. When the demand comes back, the supply is right there ready for them to stay.

Operator

The next question is from Mark Mahaney with Evercore ISI.

Mark Mahaney

Okay. I think I'll ask two questions. Just talk about the China outbound market and how you tap into that, how material that's been for you to date? And then on experiences, I know that's in that list of -- a long list of things that you've been working on in terms of product innovations. It seems like it was less -- it's been less of a priority, but is there anything that suggested it's rising a little bit in your list of priorities and that you want to lean into it more aggressively in '23?

Brian Chesky

Yes. Dave, why don't you take China, I can expand on the answer and I'll take Experiences.

David Stephenson

Yes. I mean we're very bullish on China over the longer term. I mean it's obviously been significantly impacted due to COVID. People are not traveling outbound. I mean that's actually right how we started the business, is seeing great outbound travel from China all around the world. And then -- and that is still the prize for us to kind of continue to focus on.

So right now, APAC is still significantly depressed. I mean if you look at our overall nights growth, as we said, it's 25% up from Q2 of 2019. But if you exclude APAC, it's actually up 35%. So you can see what kind of a drag that has. And I think the reacceleration -- further acceleration of the business from where we're at today will be benefited by having -- trying to outbound come back and resurrecting our APAC business.

Brian Chesky

Yes. I would just add to that, that we have absolutely seen in every other geography in the world that there is pent-up demand. In North America, there was pent-up demand. In Europe, there was pent-up demand. We expect there will probably be a lot of pent-up demand for travel from China outbound and more broadly in APAC.

And so how we've been preparing? Well, number one way to prepare for the China outbound business is to make sure we have really great supply in the corridors where people in China are traveling to. This includes like Japan and Korea, Southeast Asia and beyond. The next thing is just making sure that once people are ready to travel, our product is continuing to be updated, and we have the marketing campaign ready to go. So it's a pretty simple strategy.

The great thing is we don't have to make a lot of changes. We think our product as it is, is going to be great once the China outbound rebounds, and we think it will. We expect -- everything suggests it will, just like every other market. So we're pretty excited about that. And I think that in the coming years, this will actually be a pretty important part of our APAC business.

Now with regards to experiences, yes, I mean, Mark, let me just give a little bit of context. 2018, 2019 experiences is going along pretty well, and we expected that 2020 was going to be a breakout year for experiences. And I was going to -- we were going to focus quite a lot of energy on it. And then, of course, the opposite happened. There was a pandemic. We had to pause the business, people were not comfortable gathering in person, let alone meeting strangers.

And so during the depths of the pandemic, we got focused back on our core business. We got back to basics. And I think that explains a lot of the business transformation we experienced, especially now we've generated nearly [indiscernible] of free cash flow. That being said, we remain incredibly bullish about the long-term potential of experiences. The average 5-star rating for Experiences, as I mentioned, is higher than the average 5-star ratings even for homes. And we just think people need to know more about this product. It needs to be continually integrated into the search flow, and we need to continue to market it.

So the answer to your question, yes, Experiences will become once again a rising priority, and we are making quite a few investments in the product to continue to highlight experiences. And I think it's going to be a big part of our story in 2023 and beyond over really the next 5 years. So I'm really excited about them.

Operator

Our next question is from John Colantuoni with Jefferies.

John Colantuoni

So last quarter, you mentioned an expectation for marketing as a percentage of revenue to remain relatively flat compared to 2021. Maybe -- is it possible for you to update us on whether or not that's still your expectation following marketing in the first half coming in a few hundred basis points below last year? And I have a follow-up.

Brian Chesky

Dave?

David Stephenson

Yes. The short answer is we anticipate marketing as a percentage of revenue in 2022 will be consistent with 2021. So a very modest increase in the back half of the year.

John Colantuoni

Okay. Great. And second question on take rate. It looks like outlook for the third quarter implies a take rate that's better than what we were expecting and up a decent chunk versus the same quarter in 2019. Any chance you can give us some detail about the puts and takes driving that take rate?

David Stephenson

Yes. The underlying kind of -- if you shifted take rate is unchanged. So any of the variation in take rate is just a timing difference between revenue stays versus timing of bookings.

Operator

Our next question is from Stephen Ju with Credit Suisse.

Stephen Ju

So Brian, I think you yourself signed up to be a digital nomad and joined your employees who could now, I guess, work from anywhere. So is there anything you can share in terms of what you're seeing from the organization overall regarding pickups or declines in productivity or your ability to innovate?

And Dave, at the time of the IPO, I think you guys had disclosed that the different cohorts of guests were displaying pretty similar revenue retention as they age. But as we enter the pandemic, you probably had a pretty good influx of new users who signed up to experience Airbnb for the first time ever. So is there anything you can share in terms of the behavior of the 2020 and the '21 cohorts relative to what you have seen for the folks who are arguably the earlier adopters.

Brian Chesky

Yes. So why don't I take the first question on really remote work. So in April, we announced that Airbnb employees can live and work anywhere. And why do we do this? Well, there are a couple of reasons. Number one, we had the most productive 2 years in our company history. And those 2 years were 2 years when we rebuilt the company from the ground up, fixed our cost base, accelerated growth. And all of this was done on Zoom. And so it's very clear to me that like the most productive we have ever been is on Zoom. And so I thought -- there was no question that we can maintain that productivity.

Additionally, I think a really good way to predict the future is to look at what young companies do, right? 20 years ago, young companies had open floor plans and they had a lot of perks on site, and that became the dominant way that people worked in offices around the world. If you look at a lot of young companies today, they have a lot of flexibility. They're embracing remote work. And so I think this is a really good leading indicator of what the office space -- office place -- office environment of the future will look like in the next 10 years.

Now that being said, we do think in-person interaction is really important, but I don't think that requires you to have to come to an office 3 days a week. So the guideline that we've given is we'd like to gather employees at least 1 week a quarter. So rather than kind of coming in every week, we want more meaningful, less frequent interactions and gatherings. And otherwise, we think Zoom is really, really efficient for productivity.

And the other thing I'll just say is I know a lot of CEOs are kind of nervous about productivity if their employees aren't in an office. But we have a pretty unique way we run the company. We do these 2 releases every year, and it's a really great mechanism for accountability. So you can see the productivity of everyone in the organization because all the work is kind of coming together twice a year to make these really big leaps in the organization. So it's actually, in a sense, kind of easier to track productivity when everything is really online. And so that's something that we're really embracing.

David Stephenson

Great. And then relative to cohorts, what we're starting to see is we believe, to start with, that we have some of the highest guest retention rates in travel. We still -- we said it in our IPO, and we still believe that to be true. And our booking frequency remains quite strong. It's getting closer to 2019 levels. And as we manage -- look at the cohorts, really, what we're seeing in 2020 and 2021, the new guest cohorts, they've been actually very retentive, even maybe more so than kind of historical levels likely due to some self-selection.

New guests who joined in the years of pandemic are willing to kind of travel now are probably more inclined to kind of travel than others. And then in terms of rebooking rates of past guests, we've seen nice improving rates in those trends here in 2022, above kind of 2021 levels, but maybe still a bit below 2019, again, just given the nature of self-selection of who's willing to kind of travel at this time.

Operator

The next question is from Kevin Kopelman with Cowen.

Kevin Kopelman

Can you give us a sense of what listings growth looks like ex the China shutdown? And then qualitatively, if you could talk about the key drivers and trends you're seeing there and listings.

Brian Chesky

Dave, do you want to take that?

David Stephenson

Yes. Yes. I mean in terms of the growth, what we've stated is that we're still well above 6 million active listings, even excluding the takedown of the China domestic. So -- and as we kind of mentioned in our results, we're seeing strong listings growth, specifically in the areas where we have the strongest kind of bookings. So...

Kevin Kopelman

Did you give the number of China listings?

David Stephenson

We have not specifically mentioned the China listings, no.

Kevin Kopelman

Okay. And then just a quick follow-up on -- so on the Q2 guide, you talked about slowing later in the quarter, but you were still pretty much on your -- where you had guided for nights. Is it safe to assume for the third quarter, you're also assuming some slowdown in the remainder of that quarter?

David Stephenson

Well, if anything, what we're seeing is an acceleration of the business here in July and actually kind of a very stable overall nights booked growth for the quarter on Nights and Experiences Booked. I mean, obviously, then for our revenue, it has a modest -- has a decel on a year-over-year basis, but actually will be up from kind of a year over 3 years.

Operator

The next question is from Brian Nowak with Morgan Stanley.

Brian Nowak

I have two. The first one, just any update on the number of I'm Flexible queries or sort of how big that's gotten? I know it's a number that you all were disclosing for a couple of quarters.

And then secondly, there remains to be an ongoing debate about how much of the shift toward Airbnb long-term accommodations was sort of COVID, and now you're going to have a mean reversion back to our hotels.

What are 2 or 3 of the KPIs that you look at that sort of give you confidence that your addressable market of users, of the hosts, everything has really expanded. Like what are you seeing in the internal KPIs that you watch now in July and August that give you confidence that you're still going to have outsized market share growth into '23.

Brian Chesky

Dave, you want take this?

David Stephenson

Yes. I mean we're continuing to see just really strong growth in our new guests. Obviously, looking at our new guests, our new guest retention, which is one of the questions we just had, which remains quite strong with people coming back on. We're continuing to see just overall utilization of Airbnb versus hotels. We didn't ever dip as much as hotels did, and we introduced Airbnb to millions of new customers. And we see the new use cases.

I mean, we've highlighted things like our long-term stays and the use cases where people aren't going to want to be at a hotel for more than 7 days. And so the portion of our business, nearly 50% that are over 7 days is really helpful in that regard and over 28 days, it's nearly 1/5 of our business. So we look at just the destinations that people are able to kind of travel. So the robustness of historically have been cross-border in urban. And now what we've seen is great growth in suburban and nonurban and some of the distribution of the nights around the world. I think that is also giving us great confidence in the growth of our business overall.

Because we don't just tap out. If we were only, say, a vacation rental destination-type company, you can tap out in either supply and even demand in those kind of areas. But that's really -- we have such a diversity of supply around the world that we're able to continue to grow quite well.

Brian Chesky

Yes. Maybe I'll just -- Brian, maybe I'll add a little bit of context. It's good to remember that before the pandemic, our bread and butter was cross-border and urban, right? That was our bread and butter, it was cross-border travel and urban travel. And of course, when the pandemic occurred, that got primarily shut off, and yet our business recovered because people were using Airbnb differently.

I think that really the key important thing here is that our model is obviously incredibly adaptable. We are in nearly every community in the world. We have nearly every type of space at nearly every type price point. And I think that the reason that people would use Airbnb will continue to endure. People are looking for value. They want to feel like they live at the local. As more and more people have flexibility and trip trick length and continues to increase, nearly half of our business is a week or longer, it's prohibitive probably to stay in hotels. So there's a lot of new use cases that we think are here to stay. So the thing I'm pretty excited about is that a lot of the older use cases, cross-border and urban, are coming back.

Operator

The next question is from Naved Khan with Truist Securities.

Naved Khan

I'm really surprised by the continued strength in North America and in the U.S. I think you talked about a 37% growth in Nights and Experiences versus EMEA, maybe up 25%. Is it just that EMEA continues to lag? Or just from everything that we've been hearing, it seems like EMEA saw like a burst of demand in the second quarter. So just trying to reconcile that.

Brian Chesky

Dave?

David Stephenson

Yes. I mean EMEA is still lagging behind the acceleration that we've seen in North America, and we think that, that is actually one of the opportunities for future acceleration of the business. I mean, clearly, things like the impact of the war in Ukraine certainly has had an impact. And there's obviously the economic impact of even just foreign exchange rates, lower euro and British pound relative to the U.S. dollar. So there are some reasons why Europe has been lagging. It's still a strong business for us. It's still doing well, but it could even do better.

Naved Khan

And then maybe just as a follow-up. So if I have to think about the back half and the advertising channels, do you see opportunity to increase the branded ad spend? Or do you think you're pretty much maxed out and might just stay on these levels?

David Stephenson

Well, again, I think we have a very -- a modest increase in our overall marketing spend in the back half of the year. We're very happy with the approach to our brand spend. I mean, again, if you step back, one of the big strengths of Airbnb is our ability to market to both guests and hosts at the same time, to be able to bring guests with 90% of our traffic remaining direct or unpaid. And I think this brand strategy, frankly, it's more of a product marketing strategy that we have to market the features and capabilities that we have in Airbnb, what makes us different, has been a huge strength for us.

So we're really happy with that investment. We think we're investing fully at the moment there. We will look over time to maybe expand the countries that we're doing more of that investment. So later this year and into early next, you could see us expanding into more countries because we're seeing such good success with our investment right now.

Operator

The next question is from Jed Kelly with Oppenheimer.

Jed Kelly

Great. Two, if I may. Just one on the nonurban listings, it continues to grow well, and you're adding a lot of supply. Can you sort of touch on where the share gains are coming from, like where those listings are coming from? Is it coming from people not using their second home as much and going back to more urban destination? Or are you taking more share with property managers? Or are you opening up with new destinations?

Then my second question just relates to over and all seasonality this year. It seems like the room nights is following a consistent seasonal trend as 2019. So should we expect a similar 4Q seasonality as 2019?

Brian Chesky

Yes. So maybe -- why don't I -- I can at least answer the first not the urban listings at a high level. And Dave, you can answer maybe more specifically and also talk about seasonality.

So Jed, at the highest level, I would say that one of the things that we've seen is that we have a global network where the fastest-growing market from a supply basis are typically the fastest-growing markets from a demand basis. And this is not surprising because the #1 source of host are prior guests.

So specifically in non-urban listings, it's -- it's not a uniquely different composition. It's not like it's a lot more property managers or anything like that. It's pretty consistent composition from years prior. So the vast majority of listings are individuals, but there are also property managers that are continuing to come out on the platform. We're also seeing people continue to open up more nights on their calendar. As demand goes up, people are often motivated to add more availability on their calendar.

And also as people get more business, they tend to tell their friends about it. And this is one of the great things about having a business where the vast majority of your supply are individuals. So we continue to see really strong growth in nonurban listings. But as urban recovers, we are anticipating that we're going to see some solid supply growth in urban areas as well. Dave, feel free to elaborate on that and take the second question as well.

David Stephenson

Yes, I think you covered the first really well. I mean, I'll just say on the Nights and Experiences Booked kind of seasonality. Now that we kind of enter Q3 and Q4, it's probably just better to look at the year-over-year growth rates as kind of being more normalized. And I think that's the better way to kind of look at the overall seasonal growth.

Operator

The next question is from Tom White with D.A. Davidson.

Thomas White

Brian, during the early days of the pandemic, you talked about narrowing your focus on Airbnb's most perishable opportunities. You guys have now achieved profitability at scale. Your cash balance has grown significantly. Can you update us on maybe your latest thinking about those nonperishable opportunities? Are any of them particularly attractive to you? Or should we maybe infer from the buyback announcement that maybe you're not super close to really exploring those opportunities again?

Brian Chesky

Tom, yes. So again, during the 2020 pandemic curve, just to recap, we got really focused. We got back to basics. And over the last 2 years, I think we've really, really benefited by perfecting our core product. That being said, we are now looking and we are thinking very expansively. So you should look at our stock buyback as our confidence in our long-term growth and profitability. That's all you should believe that stock buyback's about.

That being said, we are going to continue to be investing aggressively over the coming years. So we are not pulling on the brake; we are now stepping on the gas. Remember, like the biggest innovations I had aren't going to be in my 20s and 30s, right? So we have some pretty big opportunities coming up. I'm excited about some of the things we're going to be releasing later this year, but we have another release coming next spring in time for the summer release and the following winter. And again, we're going to continue to focus on unlocking the next generation of host.

So we have some really exciting new products built to attract the next generation of host, especially individuals that want to host occasionally. We are going to continue to think of radical innovations around Airbnb becoming the ultimate host to our guests and host. We're going to continue to innovate on our search technology. And we have a lot of opportunities around helping people travel and live on Airbnb. So there's going to be some pretty exciting opportunities coming forward, and I'm pretty bullish about it. I don't know if, Dave, if there's anything you want to add to that?

David Stephenson

Yes. I'll just reemphasize, our priority is investing in growth. And $10 billion cash is more than we need, $8 billion is more than sufficient to aggressively invest in growth in the business. And that is our #1 priority. At the same time, we're able to both invest and grow just given the profitability profile of our business overall. So I'm proud that we can do both, but the priority for us is investment growth.

Thomas White

Great. Maybe just one quick follow-up on FX. Over the years, I remember some of the kind of traditional OTAs talking about how maybe it's less about kind of the absolute level of one currency relative to another, but it's maybe more like the volatility of foreign exchange rates that kind of dictate customer booking behavior. Curious whether you'd say that was a similar dynamic in your business? Or just generally how to changes in FX rate, what changes impacts are you seeing kind of in terms of customer behavior?

David Stephenson

I think the biggest impact you see with FX is in the cross-border travel, obviously, right? A strengthening dollar gives you the ability for Americans to travel abroad, specifically right now, probably Europe and to the U.K., and a weakening euro and pound makes it more difficult for them to kind of travel back. But again, if you look at Airbnb, the fact is that people adjust their travel to meet their overall kind of budgets.

And as we saw in COVID, people are more willing to -- maybe they stay domestically if their budget doesn't allow the cross-border traveler. Maybe they stay domestically if they don't feel like they can afford the cost of airline travel. So the FX impact from a consumer standpoint is usually this kind of cross-border impact.

And then to our overall business, we're just seeing that as we generate nights stayed in euro and pounds and then we bring them back to the U.S. and into the U.S. dollar, we're just seeing the headwind of foreign exchange, which was -- which is material in Q1, it was 600 basis points of revenue growth driven by the FX move. So I'd anticipate Q3 probably be something less than that to our overall P&L.

Operator

That will conclude our question-and-answer session for today. I'll hand it over to Brian Chesky for any closing remarks.

Brian Chesky

All right. Well, thank you, everyone, for joining us today. So I just want to say I'm incredibly proud of what we've delivered this quarter. Record Nights and Experiences Booked, we had our most profitable Q2, and we generated $795 million of free cash flow, bringing our total free cash flow over the last 12 months to nearly $3 billion. This transformation of our business was only possible because of our adaptable model and a relentless innovation.

And regardless of economic environment, we believe guests will continue to come to Airbnb because they can find great value and hosts can earn extra income. Airbnb is ready for whatever lies ahead, and we're so confident in our long-term growth and profitability that today, we're announcing a $2 billion share repurchase program. So thank you all for joining us today, and I'll see you next quarter.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.