

APARTMENT BROKER AIRBNB AIMS FOR DIRECT LISTING



The room and apartment broker Airbnb has long been a thorn in the side of the big names in the hotel industry. Started eleven years ago as a small sleeping-place exchange, the group is now aiming to go public in mid-2020. In its last round of financing, the current tourism heavyweight was valued at around 31 billion dollars. Recent share purchases are said to have increased the value of the brokerage platform to 46 billion dollars.

It remains to be seen whether investors actually go along with this valuation in the IPO planned for next year. For comparison: **Established competitors such as the hotel chains Hilton and Marriott currently have market capitalizations of around 26 and 40 billion dollars.**

The worrying development of the office space broker WeWork, which had to cancel its IPO and is now obviously struggling for money, is a good example of how investors are no longer blindly following the high expectations of banks - the calculations of JP Morgan and Goldman Sachs, who pumped up the start-up years earlier with money and services and were supposed to accompany the issue, did not work out.

So it is quite possible that Morgan Stanley and Goldman Sachs will be somewhat more cautious. The business could be less lucrative for them anyway: Because Airbnb probably tends to go public directly rather than through a regular Initial Public Offering (IPO).

With this "direct listing", which the music streaming service Spotify and the office communications service provider Slack had also previously opted for, existing shareholders can sell their shares on the stock exchange, where the price is formed from supply and demand. There is no placement of new shares, the role of the investment banks is rather limited to an advisory mandate, their proceeds are significantly lower than in a traditional IPO.

However, this is by no means a guarantee for a better share price performance: since their IPO, the Spotify and Slack securities have fallen by around 20 and 40 percent, respectively. But even Uber and Lyft, who chose the conventional route, have disappointed investors to date.

Obviously, there is no clear royal road to identify in advance the most successful of the companies aspiring to the stock exchange. This was recently made clear by a large-scale study by Goldman Sachs, which analyzed the development of 4500 newcomers to the stock market since 1995. The conclusion is sobering: the performance of the vast majority of stock market newcomers lagged behind that of the market as a whole - despite mostly enormous growth in turnover, which is considered an important determinant of outperformance.

Airbnb also generates high sales: The marketplace generated more than a billion dollars in sales in the second quarter, the second time in its eleven-year history. The company did not comment on possible profits. According to Airbnb's own statements, however, the company was in the black both in 2018 and a year earlier. If this is the case, Airbnb would be ahead of WeWork, Uber, Lyft and others.

Date: 2019-10-14

Article link: <https://www.tourism-review.com/apartment-broker-airbnb-to-go-public-news11213>