Management Discussion Section

Operator

Thank you all for joining. I would like to welcome you all to the Pinterest Third Quarter 2024 Earnings Conference Call. My name is Brika and I will be your moderator for today. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end.

I would now like to pass the conference over to your host, Andrew Somberg, Vice President, Investor Relations and Treasury at Pinterest. Thank you. You may proceed. Andrew.

Andrew Somberg, Vice President, Investor Relations and Treasury

Good afternoon and thank you for joining us. Welcome to Pinterest earnings call for the third quarter ended September 30, 2024. My name is Andrew Somberg and I am Vice President of Investor Relations and Treasury for Pinterest.

Joining me on today's call are Bill Ready, Pinterest's CEO; and Julia Donnelly, our CFO. This conference call is being webcast and we are also providing a slide presentation to accompany our commentary. Please refer to our Investor Relations website at investor.pinterestinc.com to find today's presentation, webcasts and earnings press release.

Some of the statements that we make today regarding our performance, operations and outlook may be considered forward-looking and such statements involve a number of risks and uncertainties that could cause actual results to differ materially.

In addition, our results, trends and outlook for Q4 2024 and beyond are preliminary and are not an assurance of future performance. We are making these forward-looking statements based on information available to us as of today and we expressly disclaim any duty or obligation to update them later, unless required by law. For more information about risks, uncertainties and other factors that could affect our results, please refer to our most recent Form 10-Q or Form 10-K filed with the SEC and available on our Investor Relations website.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP measures to the most directly comparable GAAP measures is included in today's earnings press release and presentation, which are distributed and available to the public through our Investor Relations website.

Lastly, all growth rates discussed in today's prepared remarks should be considered year-over-year unless otherwise specified.

And now, I'll turn the call over to Bill.

William J. Ready. Chief Executive Officer & Director

Thanks, Andrew. Good afternoon and thank you for joining our third quarter 2024 earnings call. One year ago, at our Investor Day, we shared our business vision and outlined the strategic initiatives that we believe will drive long-term sustainable growth. These initiatives include: one, growing users and deepening engagement per user; two, making ads relevant content, which allows us to increase ad load and provide a better user experience simultaneously; three, executing on our lower funnel revenue opportunity; and finally, driving demand through third-party partners, resellers and international markets as additional levers to growth.

We stated that these initiatives, working in tandem, would result in a mid- to high teens revenue growth CAGR and improving profitability, leading to adjusted EBITDA margins expanding to the low 30% range in the next three to five years. One year later, our operating results validate our continued execution against this strategy and commitment to delivering on the targets that we laid out at Investor Day.

When we announced our three to five year financial targets at Investor Day, we had just delivered Q2 2023 revenue growth of 6%. Since then, on a trailing 12 months basis, as of Q3 2024, we have accelerated revenue growth to 18% and expanded adjusted EBITDA margins by more than 800 basis points year-over-year.

Q3 was further evidence of progress against our strategy, as we grew revenue 18% year-over-year. We've built out a full funnel ads platform with a particular focus on the lower funnel, which continues to be the fastest growing part of our business as advertisers are increasingly seeing Pinterest as a great place to connect with customers, demonstrating high commercial intent.

We're also building a fundamentally better product, focusing on the aspects of Pinterest that make us unique to our audience - the ability to find inspiration, curate and shop all in one place. We are pleased to report monthly active users of $537 million in Q3, another record high, reflecting 11% year-over-year growth. Each quarter of record users provides further evidence that we found our best product market fit in years.

Today, I'll focus my remarks on discussing themes that are driving progress against the strategy we laid out at Investor Day. Starting with an overview about AI and its impact across our business, and moving on to a more specific quarterly update on users' engagement and monetization.

At Pinterest, AI is a core competency and has played a central role in how we have transformed our business over the last two plus years for both our users and advertisers. As we've leaned into this important technology in recent years, we've generated substantial returns from our investments that have fueled growth across our business.

Effectively, all content served on Pinterest, including organic and ads, is powered by AI recommendation models that are trained by our unique first-party signal. And AI is only as good as a signal it acts upon.

Our AI models generate over 400 million predictions per second, ranking what our users might engage with every time they come to the platform. These rankings leverage hundreds of billions of user actions like searches, saves and clicks. They come from over half a billion logged-in users who are actively exploring, curating and refining their tastes. This vast data allows us to create highly personalized and relevant recommendations, introducing audiences to new brands, products and emerging trends.

We have distinctive and explicit expressions of intent, like a user searching for and saving outfits to their vacation board. This provides us with real-time insight into what inspires our users and what they're looking to purchase next, and provides a holistic understanding of user taste based on their past behavior and other users with similar taste.

So, while other platforms may see what their users are looking to purchase today, we see what users are interested in purchasing days, weeks and even months in advance. This is because the users who come to Pinterest are often undecided, but refine their tastes over multisession commercial journeys before ultimately deciding what to do or buy.

This signal creates a flywheel effect as users engage with our recommended content through curation actions like saving the boards and creating collages, or through clicking and buying behavior, we gather richer data. Incorporating this data into our recommendation algorithms enables us to deliver even more personalized and relevant content and create a network of product associations, unlike any other platform, that allows us to effectively recommend content to users with similar tastes.

Furthermore, in addition to utilizing our proprietary foundation models in areas where we are differentiated, such as computer vision, we are also leveraging our unique first-party signal to fine tune off-the-shelf large language models for a variety of use cases around organic and ads content serving. This approach has led to phenomenal results, notably a 300 basis point improvement in actionable engagement measured by clicks and saves compared to using an off-the-shelf model not fine-tuned with our data.

Our unique user signals and deep understanding of individual interests and tastes also allow us to power monetization with highly relevant ads, making the ads useful content for users. We see this clearly across the platform, including on our search surface, where the average ads relevance for top ads slots has more than doubled over the past two years. This means when a user searches for commercial queries like holiday home decor or fall boots, they see more ads that are relevant to their query that they can easily shop. Since our users come with commercial intent, these ads do not interrupt their user journey, rather they enhance it.

We also leveraged AI to significantly enhance our ads ranking and delivery systems over the past 18 months, leading to compounding efficiency gains for our advertisers across the platform.

Additionally, in moments of high intent, our AI-powered whole page optimization enables us to flex up ad load to serve more relevant ads to our users, allowing ad load and engagement to grow in tandem.

All in all, AI is a core competency at Pinterest and at the center of the significant progress we're making across our technology stack, which is enhancing the experience for users and advertisers alike.

With that, let's get into Q3 specifically and discuss our work to grow users and deepen engagement. In Q3, we continued to improve the user inspiration to action journey. As a visual search and discovery platform, users come to Pinterest to explore their interests, seek inspiration and browse items they may like to purchase. They curate and save pins in the boards and collages, refining their taste and facilitating future shopping.

We've enhanced the actionability of our platform by integrating shoppability into all major user experiences and leveraging our computer vision technology to make pins easily shoppable. Users are taking notice of this change, with 66% of weekly Gen Z pinners saying Pinterest is the first or one of the first services they use to shop, up from 54% in the year prior.

Through curation, we gain valuable insights into product context, enabling us to refine our recommendations and enhance the user experience. Boards and collages are integral to allowing users to curate their taste on Pinterest, and we continue to make steady investments to improve these features.

For example, we recently launched a suite of new collage features, including collage remixing, which lets users collaborate, build upon and use existing collages as a starting point to express their own taste and creativity, thereby reducing the barrier to entry to create a collage.

We're also bringing shoppable recommendations to boards, utilizing context from user's own search and save history as well as our unique product associations to recommend items that might match their taste and allow them to seamlessly move down the funnel from curation to action.

At Investor Day, we also discussed the shifts we made to our shopping strategy, most notably shifting from a model that was trying to compete with retailers for the transaction to being an ad-based model that is a deep partner to retailers. Our go-forward strategy is centered on expanding shoppable content, refining recommendations through improved personalization and relevance, and seamlessly connecting users and merchants.

Over the past year, we have made significant progress in executing against this strategy, with the goal of making our platform more actionable for users. Notably, for the fourth consecutive quarter, we more than doubled outbound clicks to advertisers year-over-year, as we improve the overall actionability of the platform.

Additionally, to improve user understanding of which pins are shoppable, we've added visual shopping indicators to product pins in the US and launched filters like on sale to help users find products that match their budget and preferences.

Finally, we are expanding the availability of our shopping features to a broader audience. We recently expanded Shop the Look, which helps users shop what they see in lifestyle imagery to international markets. We also added ways to style a module that appears on close ups for women's fashion pins, showcasing inspiration on how to style the item in an outfit and complementary shoppable products from our catalog.

In summary, we are successfully executing the strategy we shared at our Investor Day to drive curation and actionability. As a result, we are seeing steady improvement across the basket of engagement metrics we measure, including the ratio of our weekly active to monthly active users as well as an exciting increase in the mix of user sessions that include actionability like curation and outbound clicks. This increasing mix of intent-based and lower funnel user actions is directly aligned with our efforts to make Pinterest more shoppable for users and a true full funnel platform for advertisers as well.

Next, I'd like to discuss how we are improving monetization by increasing Pinterest's value and performance for advertisers. We delivered strong revenue growth in Q3, up 18% year-over-year, driven primarily by strength in our lower funnel revenue for the third quarter in a row.

As we've discussed before, we've been in the process of transforming our advertising product to be a true performance platform where advertisers can meet our users across the purchase funnel. While shopping has long been a core use case on Pinterest, advertisers, historically, lacked the tools to effectively drive and measure performance on Pinterest. To address this, we've rolled out multiple lower funnel products over the past 18 months, all of which compound on each other and become more powerful when used together.

Our multi quarter lower funnel product rollout began in earnest with tools to drive more seamless handoffs. In mid-2023, we launched mobile deep linking, enabling a one click transition to an advertiser's mobile application, particularly beneficial for large retailers with deep consumer penetration of their mobile app.

We followed this offering with the release of direct links, our one-click handoff to an advertiser's mobile or desktop website from Pinterest. Combined MDL and direct links cover 100% of our lower funnel revenue today and have significantly improved both the shopping experience on Pinterest and advertiser performance, with Q3 being the fourth consecutive quarter we've more than doubled the clicks to advertisers year-over-year.

The success of these tools is evident in our strong lower funnel revenue growth over the last three quarters, as advertisers increasingly allocate budget to us after seeing performance gains on our platform. We initially began to see value capture in the form of increasing budget allocation from our largest, most sophisticated advertisers who benefited from mobile deep linking and leverage advanced measurement tools to understand the increase in ROI we were driving.

With some of these large advertisers, we've reached more than 5% of their total ad budgets or 10% plus of their digital ad budgets. While Pinterest was traditionally limited to smaller experimental budget pools, we are now taking share in performance budgets that tend to be larger and always on.

For the past three quarters, as more advertisers have implemented measurement tools to see the impact of direct links, we started to see the next tranche of large retailers. Those in the $1 billion to $30 billion sales range follow suit and increase their spend. With both of these advertiser segments, we see more headroom to grow share of wallet into 2025 and beyond, as advertisers see increasing gains to their lower funnel campaigns through the continued benefits of MDL, direct links, shopping ads and resilient measurement.

We also expect our new automation offering, Performance+, to propel an even greater portion of spend from these advertisers, as we make campaigns easier to create and more performant, compounding on the lower funnel improvements we've rolled out over the past 18 months.

Diving deeper into automation, after months of beta testing, we officially launched Performance+ for general availability on October 1. Performance+ brings together AI-driven budgeting, bidding and targeting functionalities while reducing the effort required from advertisers.

Recognizing that giving up control can be challenging for certain marketers, we've gone through multiple levels of alpha and beta testing to validate the effectiveness of automated campaigns and simplifying the experience for marketers and delivering superior ROI. The results are clear. Advertisers need 50% fewer inputs to set up a campaign and on average see a 10% better cost per action.

Moreover, advertisers who use Performance+ for their shopping ad campaigns, on average, see a 20% plus cost per action improvement. While we're only five weeks into the general availability launch of Performance+ campaigns, we're pleased with the early signals from advertisers as they begin to adopt the automation suite. This is especially true for the smaller and medium-sized advertisers, who have historically struggled to build successful campaigns on Pinterest.

Beyond its initial suite of automation tools, Performance+ is expanding to include new creative and bidding features. Performance+ creative, which also went into general availability in early October, helps advertisers create and optimize their ad creatives across formats, including generative AI backgrounds on shopping ads. Beta testing has demonstrated a 14% average increase in conversion rate and a 9% lower cost per action for advertisers utilizing Performance+ creative.

For example, Ruggable, an online retailer known for its innovative washable rugs, use Performance+ creative to automate ad creation from their extensive product catalog. In addition to the significant time and effort savings from automation, they drove a 37% better click-through rate compared to their standard shopping campaigns.

Our second key investment area is bidding, with features designed to enable advertisers to bring more inventory onto Pinterest and find value across a broader swath of their catalog. For the largest advertisers, we built in the optionality to bid at the item level of their product catalog so advertisers can have more granular controls to bid at different price points.

For the next tier of advertisers, we introduced Performance+ ROAS bidding, which automatically optimizes bids based on performance or customer value in order to maximize return on ad spend. While ROAS bidding is currently in beta and our alpha tests, most advertisers saw at least a 15% increase in return on ad spend by using Performance+ ROAS bidding. We expect Performance+ ROAS bidding to exit beta testing and be more broadly available to all eligible advertisers in Q1.

Underlying our lower funnel improvements are efforts to implement our resilient measurement solutions. Conversions API or CAPI remains our highest priority within the suite of measurement solutions, as it enhances conversion visibility for advertisers, and in turn, can be used to tune and optimize their spend for future performance.

We increased our CAPI coverage again this quarter and also introduced CAPI Connect, a lower touch adoption method for advertisers with fewer in-house developing resources to further simplify the process. We are also promoting the adoption of other resilient solutions depending on an advertiser's preference.

For example, many of our large retail partners have implemented clean rooms with us to improve their conversion visibility and measurement models. By providing a wider range of durable measurement solutions, we are aligning with advertisers' needs and meeting them where they are. As a result, advertisers utilizing one or more of our privacy centric measurement tools now make up over half our total revenue, or two-thirds of our lower funnel revenue specifically.

We continue to make progress across the lower funnel suite, one of our key investment areas in the business, and look forward to sharing more progress in the quarters to come as this suite of solutions continues to roll out.

Next, I'll touch on our global partnership efforts, which are meant to fill in gaps in our auction and expand our international presence. We've made great progress since we discussed these partnerships at our Investor Day a year ago.

Starting with our third-party demand partnerships, we announced in September that as a start to our international expansion, we expanded our relationship with Amazon Ads from the US to now include Canada and Mexico as well. Next, our Google partnership continues to grow as we test, learn and expand to new regions, including both under-monetized and previously unmonetized markets. Both of these partnerships have continued to build sequentially throughout the year and we expect that trajectory to persist into Q4.

Turning to our reseller partnerships. Throughout this year, we have turned on multiple new partnerships to expand our sales coverage across our international footprint. Resellers complement our first-party sales efforts and our third-party demand partnerships, and are now helping to drive revenue in over 30 under-monetized markets. We expect these partnerships to ramp in our Rest of World markets and a steady progression throughout the next few quarters.

Finally, with the holiday season right around the corner, I'd be remiss not to discuss some of our most exciting launches to help users shop and help advertisers drive sales during the most important retail period of the year.

For users, we're taking the work out of holiday shopping by introducing gift guides, curated by celebrities, brands, publishers and tastemakers with shoppable gift ideas available to users right in their feed.

For advertisers, we've launched a suite of new tools powered by machine learning to better help advertisers highlight their holiday shopping discounts. The first tool is promotions, which allows advertisers to showcase promotions like free shipping, site-wide sales and buy one get one offers to users based on their taste and preferences. The test results have been promising.

For example, Spanx was an early adopter of our new promotions feature and saw 2x increase in click-through rate on their recent campaign.

Second, we launched new deal ad modules, making ads with special offers more visible to users with a carousel format, helping brands stand out during sale moments. These enhancements help users easily find that perfect gift they've been looking for and helping advertisers connect with our high-intent user base.

Overall, I'm pleased with the progress we are making across a number of initiatives, many of which were in the early stages of development at our Investor Day a year ago, and I'm even more optimistic about what's ahead.

With that, I'll turn the call over to Julia to share more details about our financial performance.

Julia B. Donnelly, Chief Financial Officer

Thanks, Bill, and good afternoon, everyone. Today, I'll be discussing our third quarter 2024 financial results and provide an update on our preliminary fourth quarter 2024 outlook. All financial metrics, except for revenue, will be discussed in non-GAAP terms, unless otherwise specified, and all comparisons will be discussed on a year-over-year basis, unless otherwise noted.

Let's start with our third quarter results. We ended the quarter with 537 million global monthly active users, or MAUs, growing 11% and reaching yet another record high.

Additionally, we continue to demonstrate user growth across all our reported geographies. In Q3, our US and Canada region had 99 million MAUs, growing 3%; our Europe region had 139 million MAUs, growing 8%; and in the Rest of World markets, we had 300 million MAUs, growing 16%.

Moving to revenue. In Q3, our global revenue was $898 million, up 18% on a reported and constant currency basis. The revenue strength this quarter highlights how we are driving value for advertisers across the full funnel, with strengths coming from our lower funnel consideration and conversion objectives, which optimize for clicks and conversions.

From a vertical perspective, we continue to see broad strength in retail. Additionally, emerging verticals like financial services, automobiles and technology continue to be a source of strength. However, this growth was partially offset by ongoing softness within the food and beverage sub-sector of CPG, where advertisers continue to navigate broader industry headwinds.

Next, as expected, revenue from our third-party demand partnerships continued to ramp in Q3, growing sequentially off the revenue base we delivered in Q2, as it continues to complement our growing first-party business.

Turning to our geographical breakouts for Q3. In the US and Canada, we generated $719 million in revenue, growing 16%. Strength came from retail and emerging categories, including financial services, technology and automobiles.

In Europe., revenue was $137 million, growing 20% on both a reported and constant currency basis. Strength in Europe was driven by retail. Revenue from Rest of World was $42 million, growing 38% on a reported basis or 45% on a constant currency basis.

In Q3, ad impressions grew 41%, while ad pricing declined 17% year-over-year. Our efforts to begin serving ads and monetize international markets or previous gaps in our auction have been accretive to net revenue. However, as we started to call out last quarter, the ramp of these initiatives has also naturally led to an increase in ad impressions growth and downward pressure on overall global platform pricing due to this ongoing mix shift.

Moving to expenses, though year-over-year comparisons are becoming more challenging due to the substantial margin expansion achieved in the second half of 2023, we continued to drive adjusted EBITDA margin expansion again in Q3 through effective expense discipline, while also allocating resources towards our highest ROI initiatives.

In Q3, cost of revenue was $182 million, up 9% year-over-year and up 1% versus Q2. Due to increased infrastructure spend related to user and engagement growth, partially offset by our continued work to drive cost optimizations on our infrastructure spend.

Our non-GAAP operating expense was $478 million, up 15%. The increase was primarily due to R&D where we are investing in head count growth with smaller increases in sales and marketing and G&A.

Our revenue strength and expense discipline led to another strong quarter of adjusted EBITDA, coming in at $242 million with an adjusted EBITDA margin of 27%. This was up approximately 280 basis points versus Q3 last year.

Finally, we ended the quarter with cash, cash equivalents and marketable securities of $2.4 billion. In the quarter, we allocated $466 million towards share repurchases, bringing our year-to-date spend to $500 million for a total of 15.9 million shares. In addition, we have utilized $306 million of cash year-to-date on net share settlement of equity awards.

Lastly, we have replenished our buyback capacity by authorizing a new $2 billion share repurchase program intended to be used over a multiyear period to mitigate dilution from stock-based compensation or opportunistically buyback shares.

Now, I'll discuss our preliminary guidance for the fourth quarter. We expect Q4 2024 revenue to be in the range of $1.125 billion to $1.145 billion, representing 15% to 17% growth year-over-year. Based on current spot rates, we expect the impact of foreign exchange to be minimal.

Turning now to our expense guidance. We expect Q4 non-GAAP operating expenses of $495 million to $510 million, growing 11% to 14% year-over-year. Our operating expense guidance does not include cost of revenue. However, we anticipate a more modest level of year-over-year Q4 non-GAAP cost of revenue leverage versus the prior three quarters as we anniversary significant gains from our cost optimization work.

The increase in non-GAAP operating expense year-over-year is driven by investment increases in R&D, where we continue to invest in head count for AI talent and other product initiatives supporting users and monetization.

Consistent with our prior commentary, we expect year-over-year adjusted EBITDA margin expansion in both halves of 2024, though at a more modest level in the second half as we anniversary the strengthening adjusted EBITDA margins we drove in the second half of 2023.

Overall, we are pleased with our progress in 2024 toward our long-term adjusted EBITDA margin targets.

In closing, I'm pleased with our team's performance this quarter, which demonstrates ongoing progress against our strategic plans as we grow users and engagement and continue to strengthen our full funnel offering for advertisers.

With that, I'll hand it over to Bill for some final words.

William J. Ready. Chief Executive Officer & Director

Thanks, Julia. I want to thank our teams at Pinterest, our advertising partners and all the people that come to Pinterest to find inspiration and to shop.

And with that, we can open the call up for questions.

Question And Answer Section

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] We have the first question on the phone lines from Ross Sandler with Barclays. Please go ahead.

Ross Sandler, Analyst, Barclays Capital

Great. Thanks, guys. Maybe just starting with the macro. Julia, your guide for 4Q looks like a couple point decel at the midpoint. Could you just talk about what you're seeing quarter-to-date? Any impact from the shortened holiday window or any kind of category strength or weakness that we would flag here? And then just generally, how are things heading into 2025? Thanks a lot.

Julia B. Donnelly, Chief Financial Officer

Thanks, Ross. So, as you noted, we're guiding Q4 at 15% to 17%, which is roughly similar to the 16% to 18% we guided for Q3. And obviously, we came in at the high end of that range in Q3 at 18%.

And that guidance for Q4 reflects a continuation of many of the factors that helped drive our growth in Q3 and really throughout this entire year. Lower funnel revenue growth has been the fastest growing part of our business for the past three quarters, driven by the product innovation we've had over the last 18 months. And we expect that lower funnel strength to continue, not just into Q4 but into 2025 and beyond.

Revenue from third-party demand partnerships also continues to ramp sequentially into Q4. However, we've also noted for the last few quarters that we're seeing softness among food and beverage advertisers who are navigating broader headwinds within that category. And we think this trend continues into Q4 as well.

I would also call out that, as expected, Performance+ is still in the early rollout phase with many advertisers limiting budget shifts and adoption of new features during holiday peak period. We also have more functionality on the come with Performance+ with ROAS bidding future expected to be released in Q1 next year, which is consistent with our prior commentary on the timeline.

And just like our previous lower funnel product efforts like MDL, direct links and CAPI, we expect the adoption curve and value capture cycle to be more of a multi-quarter beginning in 2025 and to further compound the gains we are seeing in the lower funnel.

Operator

Thank you. We now have Brian Nowak with Morgan Stanley. Your line is now open.

Brian Nowak, Analyst, Morgan Stanley

Thank you for taking my questions. I have two. The first one is just can you – Bill, can you sort of walk us through just kind of step back and say your most important 2025 ad innovation, focal points and perhaps how have new GenAI capabilities sort of changed those over the course of the last year?

And then the second one, for either Bill or Julia. As you sort of think about the ad tech innovation areas. Are there any where you really see the potential to just drive durably faster ad revenue growth sort of hopping into the 20s or is it just sort of it's more of a challenge to add that many dollars? Thanks.

William J. Ready, Chief Executive Officer & Director

Yeah. Thanks, Brian. So, first of all, we feel really good about the levers we have to drive revenue growth in 2025, as we make further continued progress in building out the full funnel platform with a concerted focus on the lower funnel.

If we look back at the initiatives that we outlined at our Investor Day, those all continue to play out nicely. As I noted, we've rolled out number of lower funnel tools and solutions like mobile deep linking, direct links and CAPI, privacy resilient measurement that are leading to increased share of wallet and value capture, especially with our largest most sophisticated advertisers and now increasingly with the next tranche of advertisers as well.

So we see more room to grow with both cohorts of advertisers in 2025. And it's worth noting that for some of our largest advertisers, lower funnel revenue objectives now account for over 80% of their spend with us, which is up significantly over the last two years and significantly higher than the overall mix of lower funnel that we see across the business.

A couple things to note. Performance+ just went GA with value capture still on the come, as you go into 2025, especially from mid-sized accounts as Performance+ really helps automate and expedite new campaign creation. And then, of course, global partnerships, including third-party demand resellers are also an added contributor as we look into 2025.

And then as we've noted on the last several quarters, macro headwinds, specifically within the food and beverage category, are not unique to us, but we do have more concentration there. And those are somewhat out of our control. So setting those aside, we continue to feel good about our initiatives to grow the business into 2025 and beyond.

And it's worth noting, you asked about – your second question of getting to growth in the 20s. If you excluded food and beverage, we grew revenue in the low 20% range in Q3, which really speaks to the strength in the rest of the business on the back of the initiatives that we're driving.

And so you talked about durability. I mentioned in my prepared remarks, as we're moving into those lower funnel performance budgets, those tend to be much larger than the experimental budget where we played before and much more durable. And that is increasingly where we are gaining share. So that, we feel really good about. And again, if you were to exclude food and beverage, where there's been a broader macro headwind, we just have a little more exposure to that, because of the unique use cases on our platform. The rest of our business growing in the low 20% range in Q3.

And then finally, on engagement, we continue to be excited with the progress there. We're seeing an increasing mix of sessions that include lower funnel actions. And that's really directly aligned with our efforts to improve actionability. And we have more room to go, as monetization per unit of intent is still a fraction of what it could be on the platform, but we've really proven out that Pinterest is a shopping platform.

And we've talked about winning the next-generation with Gen Z. Pinterest is where Gen Z goes to shop. That's increasing the case year-over-year, as I shared in my prepared remarks, and we see that across the platform. And so, again, that's why we feel good about picking up share in those lower funnel objectives, performance budgets, retail being a source of strength. Those are all things that have been consistently part of our story and those efforts continue to compound on one another. Hopefully, that helps.

Operator

Thank you. We now have Ken Gawrelski with Wells Fargo. Please go ahead.

Kenneth James Gawrelski, Analyst, Wells Fargo

Thank you very much for the opportunity. On Performance+, could you talk to us about – I know you just rolled out in GA, but could you talk about how we should think about the contribution to 2025 growth? And over time, do you think that it builds throughout the year, or how do you see clients adopting Performance+ and its contribution in 2025?

And then maybe to follow up just on the same matter. Do you see this as driving greater advertiser adoption or do you see it driving better conversions and therefore, better pricing on an impression level that has already been expanding pretty dramatically? I know it could have both impacts, but I'd love to hear your thoughts on one versus the other. Thank you.

William J. Ready, Chief Executive Officer & Director

Yeah. Thanks for the question, Ken. So we're feeling good about the rollout of Performance+. As you noted and I noted in my prepared remarks, that went to general availability just at the beginning of October. So we saw really encouraging results from the beta testing and from our early deployment of that, but it is early. And these are always multi-quarter adoption cycles.

And I called out in my prepared remarks that a year ago at our Investor Day, we had just printed 6% revenue growth in the quarter before our Investor Day. A year later, we've done 18% revenue growth on a trailing 12-month basis. That's really because of the things that we had launched then direct links, mobile deep linking, those early shopping efforts, those paid compounding dividends over the coming year. And we think about Performance+ similarly that as we go into next year that that gives us a next leg of budget gains that we can make with advertisers.

And some of the stats I called out, those initial results, we're seeing 50% fewer inputs to set up a campaign. So to your question about getting to more clients, that really helps us get to those sort of mid-sized on down advertisers, where setting up campaigns, finding performance had been a struggle them. 50% fewer inputs to set up the campaign and a 20% plus CPA improvement for those.

So that's going really well in terms of the performance that we're delivering and the reduction in effort, which should get us to a wider swath of advertisers. The creative side of that, I mentioned the Ruggable case study on the call. As we're doing AI-generated creative that makes products appear more visually compelling for users, we're seeing really great results there. In the Ruggable study, a 37% better click-through rate using Performance+ creative compared to their standard shopping campaigns.

So that gives you a sense of just how significant the benefits are there. So a lot more to come on that in 2025. Your question about – so I addressed expanding to more advertisers, where we're going from those very largest events, really picking up steam for some time with us now to the next sort of $1 billion to $30 billion group Performance+, ease of campaign creation gets us more into those advertisers.

But the other part of your question of like, can we get to more of their inventory, more of the advertisers' inventory? And so this gets to how we grow share of wallet even for our largest advertisers, things that we've done like SKU level bidding and ROAS bidding, these help the advertiser bid at a more granular level and see performance across a much wider swath of their inventory, which should bring more advertised inventory onto the platform and be another source of expansion as we go into next year.

So that Performance+ ROAS bidding that I mentioned, that's still in beta with encouraging results and general availability on that to come in Q1. So both those things – or all those things together really give us confidence that there's a lot more share of wallet that we can gain. And that's all on the back of the inherent commerciality of our users. Again, we've really proven out Pinterest as a great place to shop.

So it's early days, but we're really encouraged by what we're seeing there, given the strong performance among the beta advertisers. And we do see incrementality there and early signs of budget shift. So while that broader adoption is more H1, the signs there are encouraging, even though advertisers don't make big shifts during holiday shopping season.

Operator

Thank you. We now have Ron Josey with Citigroup.

Ronald Josey, Analyst, Citigroup Global Markets

Great. Thanks for taking the question. Bill, I wanted to follow up on that question just now around engagement. But specifically, you mentioned we've proven out Pinterest is a great place to shop. So would love your thoughts on this engagement rates on the platform. Aside from MAUs, but just engagement rates around shoppable engagement. And as you think about the benefits from AI, would you say we're in the early days here, that 300 basis points?

And then a second question just on the lower funnel products and adoption. With outbound click continue to double here, help us understand just the process of adoption of these tools like direct links and CAPI. Does it usually take two or three quarters? Or how would advertisers see this in terms of adoption now that we're several quarters into launch? Thank you.

William J. Ready, Chief Executive Officer & Director

Yeah. Thanks, Ron. So on the engagement question, just to be really crystal clear about this, the significant improvement in user growth and deepening engagement has been a bright spot over the past two years. Those trends continue to be really encouraging as we continue to deepen engagement, while also reaching record high monthly active users. Place you see that really clearly is in the steady improvement in our WAU to MAU ratio in 2024. Even as we bring in record amounts of new users, oftentimes bringing a lot of new users can be dilutive to your engagement per user. But even as we bring on record amounts of new users, our WAU to MAU ratio continues to see steady improvement, which just really gets to how we're driving depth of engagement and how – as we bring more relevant shoppable content, including ads onto the platform, that's just driving further user engagement.

When you unpack what's driving engagement across the back of activity that we look at, we see that actionability, specifically sessions with curation and clicks, are driving an increasing share of engagement. That's really encouraging as it aligns with the shift of our business model toward the lower funnel and is a higher value activity, both for the user and the advertiser, compared to passive view time alone. So that's really encouraging.

And finally, our most mature markets are our most engaged, with engagement per MAU being highest in UCAN and continuing to grow. And that's consistent with our other developed markets. So we're furthest along in our actionability efforts in these mature markets, but lots of opportunity as we take that further internationally, but these things do continue to build upon themselves.

And so you were asking about lower funnel adoption. As we called out many times, these things are multi-quarter adoption cycles for retailers. But it's also worth noting that in addition to the multi-quarter adoption cycle, you see compounding benefits to these things. So we've talked about the flywheel effect of as users come to the platform and curate and take action more, that gives us rich signal to make better and better relevant recommendations. Those more relevant recommendations bring users back to the platform more often and drive more shopping behavior that are there for advertisers to meet those users and create monetization events for us.

So we talked about this being the fourth quarter in a row where we have more than doubled the number of outbound clicks to advertisers. Every time we get one of those clicks, that's a shopper that we helped find what they were looking for, that feed does better signal back into what's relevant to bring them back to next time, but also gives us more opportunity to monetize in the future.

So that flywheel effect even beyond the adoption of the product features, that flywheel effect of increasing engagement through relevancy, more shoppable events for more advertisers, bringing more shoppable content onto the platform, more advertised SKUs, those things all compound upon each other. And so we think that, while the adoption cycles are multi-quarter, we think the compounding effects are durable in multiyear. So hopefully, that helps.

Operator

We now have Shweta Khajuria with Wolfe Research. Your line is open.

Shweta Khajuria, Analyst, Wolfe Research

Thank you for taking my question. I have a question on ad load. So where do you think is a good normal level for ad load on Pinterest? And what in your opinion are the biggest opportunities on the platform? How are you thinking about balancing engagement as you continue to increase ad load? Thanks a lot.

William J. Ready, Chief Executive Officer & Director

Yeah. Thank you. Well, just touching on a bit, our engagement continues to deepen. Our WAU to MAU ratio continues to improve through 2024, and that really is driven by actionability. And at the core of the actionability has been shoppable ads. So to your question about what's a normal ad load, I think we are still at a fraction of the monetization per unit of intent on our platform that I've seen in analogs from past life.

So I think there's a lot more headroom to go. And the headroom on that is really driven by how much you can bring on the right relevant ads that help the user complete their shopping journey. And we see a lot more of that to go. I talked about how Performance+ is helping us bring on more retailers and letting more retailers advertise, how more granular bidding controls allow us to bring on more inventory from each of the retailers. So these things help drive even more shoppability on the platform. And the more we get the right relevant ads, the more we can take the ad load higher.

And again, from analogs that I would have from past life and that you can see, looking at other sort of highly commercial products, particularly in search and places like that, there's a lot more headroom to go in terms of where ad load can go. We're always looking at making sure that is driving positive engagement. And we see that our WAU to MAU ratio continues to improve, really driven by that improved actionability on the platform.

And we've talked about things like whole page optimization where we do that dynamically that we look at when the user is in a commercial context. And we see there, if we can drive more relevant ads, we'll bring more relevant ads because the user, if they're in a commercial context, cares less about whether the pin is sponsored or not sponsored and more about was it the right product for them in that moment. And as we continue to do better and better on that, I talked about how our ad relevance has more than doubled over the last two years in our search results, that's letting us drive more and more relevant ads where the ads are synergistic with engagement. And again, you see it in our increasing MAUs and our increasing depth of engagement per user. Hopefully that's helpful.

Operator

Thank you. We have the next question from Mark Mahaney with Evercore ISI. Go ahead when you're ready.

Mark Mahaney, Analyst, Evercore ISI

Okay. I was just going to ask about the Amazon and Google partnerships. And I apologize if you already covered this early on. But any update on how those are progressing? And especially, if we look at the average revenue per user metrics, like, is the greater monetization – I think this is more Google than Amazon, but the greater monetization that we're sort of seeing in RoW and Europe, is that at all being impacted so far by Google or is it still too small to impact that? Thank you.

William J. Ready, Chief Executive Officer & Director

Yeah. Thanks, Mark. So we continue to build upon those partnerships. We see them continuing to improve sequentially quarter-on-quarter and build upon themselves. I noted in the call that with Amazon, we're now expanding that to Canada and Mexico. So we're starting to get the

Amazon partnership international. And on our Rest of World markets, we have both the Google relationship as well as resellers there.

I would say, while we're pleased with our progress, we continue to see sequential results that are improving on that. We are earlier days on the Google and international partnerships than we are on our Amazon third-party relationship. But with each of those, we talked about how we wanted to see them filling in gaps in the auction. We see them doing exactly what they were intended to do and continuing to build upon themselves even as we go into international markets.

And I think on some of your questions, like how that's appearing, it is still relatively early days on that Rest of World, but we've seen really encouraging progress there even though it's early days.

Operator

Thank you. Your next question comes from Rich Greenfield with LightShed Partners. Your line is open.

Rich Greenfield, Analyst, LightShed Partners

Hi. Thanks for taking the question. I guess, Bill, you made the comment about UCAN about deepening engagement. And I guess if we could just drill down a little bit on that, when you think about engagement, is total time spent – like if you were to look at an individual user, whether it's day, month, week, however, best to think about it, but is time spent per Pinterest user in UCAN growing on a year-over-year basis?

And could you give us – I think between the product enhancements and the AI that you spent a lot of time on during your prepared remarks talking to, everyone is trying to understand like what is happening to that in terms of total time spent per user because, obviously, that creates more inventory, which fuels our ad business. So any way to quantify or give us some direction on what deepening engagement actually mean?

William J. Ready, Chief Executive Officer & Director

Yeah. Thanks, Rich. So this is a really great question because one of the things that has been a fundamental shift in our business over the last two-plus years is that we shifted from being a couple years ago a platform that was chasing entertainment-based use cases, where time spent would have been the right measure. And we've shifted from entertainment-based use cases to really driving search-related use cases. Search is two-thirds of our business.

So if you look at how our usage breaks out, it's basically a third on home feed and then a third on search and a third on related, which is really just a purely visual search. So two-thirds of our business is search.

And when you think about the right way to measure a search business, you would never measure a search business on time spent. In fact, the more time spent in search oftentimes means you did a worse job of getting user to the right answer. So as we do things like getting the user more relevant results, I talked about the 2 times improvement in the relevancy of ads, the more than doubling clicks year-on-year for the fourth quarter in a row, those are the things that say we're getting our users to the things they were looking for in a better, more compelling way than we were previously.

And if you're looking at search, you would never say like, oh, the user found the results on the first – at the top of the first page, instead of having to go to tab through four pages. Well, time spent went down so you're product's worse, you would never think of it that way. You'd say, oh, it's a great thing that you got the user the right answer faster. So we don't look at time spent. But what we do look at are those measures of actionability.

And to the question of depth of engagement per user, again, I think the best way to look at that is our is our improvement in the weekly active to monthly active ratios because as we do a better and better job of making great relevant recommendations to our users, helping them find the thing they're looking for in a faster, more compelling way, the more we see them coming back. And that's reflected in that improving WAU to MAU ratio even as we bring on record levels of new users to the platform.

So, hopefully, that gives you some sense. I talked about clicks and save and actionability really being in our basket of measures, the things that are improving the most, which is exactly what you'd want to see in a search-driven business and a commercial context. Hopefully, that's helpful.

Operator

Thank you. We now have Colin Sebastian with Baird on the line.

Colin Alan Sebastian, Analyst, Robert W. Baird & Co

Great. Thanks. I have a couple of questions, if I could. I guess, first off, you guys have talked about the potential contributions to growth from new advertisers as well as increasing budget allocations from existing advertisers. And you talked about the two tranches of large advertisers. But any way to break out the contributions from new advertisers this year in terms of the growth rate?

And then as a follow-up on, I guess, Q4 and what it sort of implies for 2025. It looks like monetization rates were a little bit lower in Europe on a sequential basis. So just curious if there's anything geographically to call out that could be a headwind to Q4 growth. Thank you.

William J. Ready, Chief Executive Officer & Director

Thanks, Colin. I'll take the first part and then I'll give the second part to Julia. On the new advertisers versus existing, we've not broken that out, but we are seeing growth in the total number of active advertisers. And we're seeing really nice share of wallet gains, particularly with existing enterprise accounts, both with the largest, most sophisticated advertisers and that next tranche of mid-tier advertisers that have revenues in the $1 billion to $30 billion range.

And so I've talked about this adoption curve where as we were looking to make the platform more shoppable, we started with the largest, most sophisticated advertisers. Those that could engage with us via API and those that had much broader swaths of shoppable inventory. That's really where we saw those largest, most sophisticated advertisers leaning in first and we've gotten now to 10% plus of digital ad spend with a number of those. That was the first wave of adoption, and we continue to see more opportunity to gain share there, and we see that happening as we give more of these granular controls around item-level bidding and those kinds of things.

But we are – as we've noted the last the couple quarters, we're seeing that broaden out into the next tranche of advertisers, first, in that $1 billion to $30 billion revenue range. And as we introduce tools like Performance+, that's making it sort of smaller and smaller advertisers can – in a very simple way see performance from our platform really as simple as give us your seed creative, give us an objective and a budget and we'll go deliver great results.

And so we see that being a continuing trend as we roll out more and more of these AI-driven advertising tools.

Julia B. Donnelly, Chief Financial Officer, Pinterest

And then, Colin, to your second question on Europe specifically, I would just call out, in Europe, we saw really good growth in Q3 at 20%. This was down slightly versus 25% in Q2, but that's really on the back of a much tougher comp in Europe last year. We went – our comp last year went from 12% to 33% and from Q2 to Q3. So that's really the primary driver there.

Despite this tougher comp, we're seeing really nice strength in retail in Europe. We expect that to continue. We're also starting to see a mix shift in some of our cross-border spend, which is benefiting the European region this quarter. However, our general strength in retail in Europe is really broad-based and not just driven by one particular advertiser. So we're feeling really strong about Europe in general.

Operator

Thank you. Your next question comes from Doug Anmuth with JPMorgan.

Doug Anmuth, Analyst, JPMorgan Securities

Thanks for taking the questions. One for Bill, one for Julia. Bill, you've doubled clicked to advertisers for the past four straight quarters and you talked about the shift from value creation to value capture. Just curious if there's any specific hurdles in your view that keep you from closing the gap more here. And then, Julia, on Rest of World advertiser spending, I think it was down slightly sequentially. Just wondering if there's any comments that you have there or in particular, related to APAC advertising spend.

William J. Ready, Chief Executive Officer & Director

Thanks, Doug. On the first part of your question there, that value creation and value capture, exactly as you noted, we started out – Q4 of last year was our first quarter where we were doubling the number of clicks to advertisers year-on-year. And we said then that we had rolled that out in a way that they didn't have to do work to get it, but they'd have to do work to be able to measure it and they don't shift budgets until they measure it.

And so that has been a big focus throughout the year this year is driving privacy resilient measurement across our advertiser base. I noted in my prepared remarks that we now see more than half the revenue on our platform with privacy resilient measurement and more than two-thirds of our lower funnel revenue with privacy resilient measurement. So we've continued to see the same trend that we've talked about before that more than doubling the number of clicks, as we then come behind that and get the advertisers to implement measurement tools, we see consistently that that leads to wallet share shift to us, particularly in those larger, more durable performance budgets.

So that trend continues and we feel really encouraged about the progress that we made this year on getting our advertisers on to privacy resilient measurement, doing a lot to meet them where they are on their ad tools, on clean rooms and those kinds of things. So while we've made tremendous progress, there is still more of that value capture to go. I've noted that half of our revenue is on privacy resilient measurement, two-thirds of our lower funnel. That means there is more of that to go. And even for those that have implemented measurement, they're now getting more of our AI-driven advertising tools, as I noted in the Performance+ remarks.

So there's more of that value capture to come there. Through the automated bidding, the automated campaign optimization, all those things will lead to more value capture as well. So the raw material, at the end of the day in our business, we sell views, clicks and conversions. And the click and conversions are far more valuable than a view.

The volume of increase in clicks and conversions has just been a tremendous bright spot. So that raw material continues to be really, really encouraging. As we now come behind that and give better measurement, better AI tools for campaign creation and optimization, we see that value capture happening, but there's still a lot more of that in front of us than behind us.

Julia B. Donnelly, Chief Financial Officer

And Doug, then to the second part of your question on the Rest of World part of our business, we're actually seeing good acceleration there, quarter-over-quarter, year-over-year, both on a constant and reported – constant currency and reported basis. So that's where you're really starting to see the growth contribution from some of our ongoing partnerships with retailers that we're launching and early contribution from some of our third-party demand partnerships internationally. So we're actually seeing good growth there.

Operator

Thank you. We have our final question on the line from Dan Salmon with New Street Research. Please go ahead.

Daniel Salmon, Analyst, New Street Research

Great. Good evening everyone. Thank you for the question. Bill, I want to follow up on your third-party partnership strategy. You've obviously talked about how you're expanding with Amazon. You've talked a lot about kind of the synergy in some of the emerging markets of working with the Google platform, but also having the resellers in there. Does it make sense for you to have more partners? Just curious how you think about that on both a short-term and long-term basis, maybe some that could bring you demand from different verticals you're underexposed to maybe in certain markets. Just would love to hear your thoughts on that.

Thanks.

William J. Ready, Chief Executive Officer & Director

Yeah. Thank you for the question. As we've built the – I said this from our very first partnership that we are building our ability to ingest third-party demand in a way that could allow for many partners. And so we started with Amazon in the US, but we always said we would have multiple. We then went to Google on international. We're now expanding Amazon beyond the US. We're working with resellers, but we've always intended that we would work with multiple.

So while we don't have any new partnerships that we're announcing at the moment, we've built the platform that way. You've seen us expand it that way. And as I mentioned earlier, like, we are still significantly under-monetized as a platform relative to the amount of commercial intent on the platform. So as we look at how we bring more advertiser demand to meet that commercial intent, the things now we're doing first-party with things like all of our AI-driven performance suite, Performance+, the things that we're doing to bring that in through third parties, things we're doing to bring in through resellers. And certainly, we expect that we'll have much more that we do there. Even though we don't have anything new that we're announcing at the moment there, that is our long-term intent. Hopefully, that's helpful.

Operator

Thank you. I would now like to turn it back to Bill for some final remarks.

William J. Ready, Chief Executive Officer & Director

Thank you, all, again for joining the call and for your questions. We look forward to keeping this dialogue going and we hope you all enjoy the rest of your day.

Operator

Thank you all for joining the Pinterest third quarter 2024 earnings conference call. Please enjoy the rest of your day and you may now disconnect from the call.