

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon. Thank you for attending today's Pinterest, Inc. Fourth Quarter and Full Year 2024 Earnings Call. All lines will be muted during the presentation portion of the call, with an opportunity for questions and answers at the end.

I'll now hand the call over to Andrew Somberg, Vice President of Investor Relations and Treasury, to begin. Andrew, you may proceed.

Andrew Somberg

Good afternoon and thank you for joining us. Welcome to Pinterest's earnings call for the fourth quarter and full year ended December 31, 2024. My name is Andrew Somberg and I'm 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.pinterest.com to find today's presentation, webcast, 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 Q1 2025 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-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

Thanks, Andrew. Good afternoon and thank you for joining our fourth quarter and full year 2024 earnings call. My remarks today will cover the progress we made this past year and preview some of our key initiatives in 2025 to drive continued execution of our long-term goals.

2024 was a transformative year for Pinterest. We reached record high global users, surpassing 550 million MAUs globally and 100 million in U.S. while more than doubling our full year revenue growth rate from 2023. At the same time, we delivered over \$1 billion in adjusted EBITDA, a roughly 50% increase as we continue to drive profitable growth.

Our 2024 results are a testament that our long-term strategy is working. We've transformed our user experience to focus on why people come to Pinterest, investing in actionability, relevance, and curation, all while distinguishing ourselves as a positive place online.

The user journey from inspiration to action maps directly to our advertiser funnel, allowing advertisers to reach users at every stage of their purchase journey. And in today's advertising environment, proving performance has never been more important. As such, we've spent the last 2.5 years building a suite of lower funnel tools that captures our users' inherent commercial intent.

Our efforts are paying off. In Q4, we achieved our first \$1 billion revenue quarter as we grew revenue 18% and drove a record number of clicks during the critical holiday season. As we look forward to 2025, we intend to double down on the multi-year initiatives that underpin our strategy. We'll continue to leverage AI and our unique first-party signal to drive a more personalized and relevant experience for our users. At the same time, we'll invest in our curation experiences and the shopability of our platform to allow our users to move more seamlessly from inspiration to action. Finally, we'll continue to innovate and improve our lower funnel tools, allowing advertisers to successfully reach customers who are demonstrating high commercial intent.

Now, like last quarter, I'll start with an overview of how we're utilizing AI to drive results across our business. AI is deeply integrated into nearly every aspect of our user experience and advertising business, but AI is only as good as a signal it acts upon. In the Pinterest, we have very unique signal. We have hundreds of billions of first-party user actions on our platform, including acts of human curation that give us unique insight into each individual pins' relationship not just to the user who saved it, but also to the ideas and aesthetic reflected by the content of the board it is saved in and the search queries related to it.

These associations between pins, searches, boards, products, and users make up our Taste Graph, which is the foundation of our AI recommendation engines and is used to amplify the quality of our computer vision and discovery experiences. In practice, our Taste Graph is an essential part of the AI that determines the content we show our users and why users find our recommendations so highly relevant.

As our platform has grown and as we've incorporated more signals from user actions, our Taste Graph has become more dense with more connections and associations between pins,

searches, boards, products, and users. In fact, our Taste Graph contains many billions of connections and has grown by 75% over the past two years, bridging together user activity, content, and products across the platform.

This larger Taste Graph enhances our ability to understand how images and products are related and surface exceptionally relevant content. For example, if we know a user is searching for and saving to a board labeled Super Bowl outfits, we recommend ideas based on the activity of all the other users on Pinterest who have similar taste and fashion and are interacting with game day apparel.

And since we know this user is likely hosting or attending a Super Bowl party, we're able to help users laterally explore their taste to find other content or use cases that might be interesting to them like game day decor or recipes that are personalized and relevant to them based on what we know about them from our Taste Graph. In doing so, we can drive deeper engagement and encourage revisitation, thereby strengthening our flywheel.

Looking back at 2024, I want to highlight a few key AI-based initiatives, many of which have been informed by our taste graph that have led to positive outcomes across the business. We've made a lot of progress incorporating more context on user history into our recommendation algorithms.

In 2024, we leveraged cutting edge machine learning techniques and increased the context window on user actions such as saves and clicks that fed into our AI-based model by over 30 fold. More context on users and more powerful machine learning models mean a deeper understanding of the content they might enjoy. And as a result, we saw approximately 250 basis points of lift in saves and a 150 basis point lift in outbound clicks across the platform. Importantly, through our team's deep technical expertise, our engineering teams were able to achieve this thirtyfold increase in signal ingestion at only a fractional increase in infrastructure spend.

On the monetization side, our AI-powered whole page optimization product has enabled us to flex up relevant ad load to users in moments of high commercial intent. This means we can show users in the lower funnel phase of their shopping journey more ads to help them take action and convert while keeping ad load lighter when users are in an upper funnel discovery phase. We've also made investments to keep the relevance bar high for our ads. In fact, relevance on our search surface has more than doubled for top ad slots over the past two years. Since our users come with commercial intent, these ads are additive to the user journey.

We're also utilizing AI internally to promote employee productivity across our engineering team. Coding assistants help our developers accelerate code production and improve code quality. The majority of our engineering team uses coding assistants and 15% of our current code base is generated through AI.

Lastly, I'd be remiss not to point out Performance+, which I'll talk about in more depth later on in my remarks. Performance+ is a key advancement in our lower funnel ad product suite that

utilizes AI to bring greater performance and better efficiency to our advertisers while automating much of the campaign setup process.

With that, I'd also like to discuss some of the user and engagement wins from Q4 and 2024. Throughout 2024, we focused heavily on improving the user experience and the reasons users came to Pinterest in the first place. This meant investing in a better curation experience through boards and collages and driving further actionability across our core surfaces.

In Q4, we continued to deepen our efforts to show users how they could utilize Pinterest for shopping. Holiday shopping season kicked off with a bang and we saw users with high commercial intent lean into Pinterest to find and shop the best ideas and products for their loved ones.

Our holiday shopping efforts, which included gift guides and promotions, drove deeper, more actionable sessions and helped more users find and buy the perfect gift on Pinterest. For example, we created gift guides spanning 27 categories from fashion and beauty to travel and gaming, partnering with celebrities, creators, and brands to showcase nearly 40,000 of the best products from our catalog, a mix of both expertly curated and Pinterest-recommended content to maximize relevance for our users.

We then distributed these guides through personalized recommendation modules, showcasing the guides that are the most relevant to a user's interest, past activity, and search queries. We saw gift guides resonate with users as click-through rates from products recommended through gift guides were over 40% higher than the average product pin. I'm pleased that our efforts to improve the actionability of our platform are paying off in the form of another quarter of record users.

At the same time, we reported our highest-ever weekly active to monthly active user ratio of 62% in 2024. This means users are coming back more frequently as we continue to drive strong product market fit and performance for advertisers. In fact, in Q4, we grew clicks to advertisers over 90% even after lapping the initial launch of direct links that began in Q4 of last year, which is clear evidence that showing more relevant and shoppable content aligns with both the needs of our users and advertisers.

Next, I want to mention one of my favorite reports that we share annually, Pinterest Predicts. Using consumer insights and predictive analytics-based user behavior like clicks, saves, and searches that happen on Pinterest every day, we've identified the 20 emerging Pinterest trends that we believe will hit the mainstream in 2025. And over the last five years, 80% of the predictions we've made have come true.

These trends reveal what people will shop, try, and buy next across all verticals. For example, our trend, Cherry Coded, predicts that Gen Z and millennials will infuse cherry into their makeup, menus, and aesthetics this year and trend, Peak Travel, predicts that mountain ranges will become the ultimate travel destination for Gen Z and Gen X.

Pinterest Predicts also serves as a valuable lever for advertisers to reach customers by aligning company initiatives with up-and-coming trends. Marriott Bonvoy leaned in to the Peak Travel trend, partnering with Pinterest to bring it to life through a pop-up concierge desk in New York City, surprising people with Peak Travel-themed giveaways.

They're also sponsoring the trend on the platform through an exclusive Predicts badge that will be live throughout 2025 on a variety of Peak Travel-related pins that highlight exciting Marriott Bonvoy properties in mountainous locals.

Looking to 2025, I'm incredibly excited for the evolution of our platform as we further lean in to product features that can grow users, deepen engagement, and increase revisitation. We'll continue to invest in why users come to Pinterest and what makes our platform valuable to advertisers. This means further investing in curation functionality that allows users to identify and refine their tastes and incorporating actionability throughout our core surfaces to allow users to take action and shop the products they love.

Next, I'd like to discuss how we are improving monetization by increasing Pinterest's value and performance for advertisers. In 2024, we made impressive strides against our monetization priorities, particularly to transform our ad platform into a true lower funnel performance engine, which led us to deliver 19% revenue growth in 2024 compared to 9% in 2023.

Looking back at some of our key lower funnel launches, we began with mobile deep linking and direct links to bring users directly to an advertiser's web or mobile property, enabling us to significantly grow clicks. We complemented these efforts with adoption of our privacy-centric measurement tools to prove our performance, giving advertisers the tools they need to accurately measure spend and vote with their dollars.

We also created new formats like promotion ads to help retailers showcase special offers during key promotional periods. Advertisers leaned into this format over the Q4 holiday season, with those who included a promotion for their conversion campaign seeing an 18% increase in conversion rate compared to the same ads without a promotion.

Finally, we built and launched Performance+ to transform the advertiser experience, driving performance improvements through lower CPCs and CPAs and automating much of their campaign workflow. These efforts culminated in a record Q4 as we delivered over \$1 billion in revenue in a single quarter for the first time in our company's history, with our ad platform delivering significant gains compared to last year given all the product innovation I just laid out.

Digging into Q4, our advertisers saw immense value creation with over 90% growth in clicks to advertisers year-over-year. On top of over 100% growth last Q4, as we lapped the initial direct links product rollout, the value we created also led to significant value capture as retailers leaned into Pinterest to drive results. In fact, we saw the largest volume of revenue ever over the Cyber 5 holiday surge while simultaneously decreasing CPAs by over 30% year-over-year.

In 2025, we have a strong road map to continue to drive value to advertisers and capture additional share of wallet. Performance+ is one component of this. Stepping back, it's worth noting that Performance+ is at the beginning of a multi-year product cycle.

We will continue to release new features and functionality while simultaneously continuing to drive adoption and increase the percent of revenue eligible to take advantage of key features within the automation suite. And while we're still early, I'm excited about the momentum we're building.

We're seeing performance improvements, positive advertiser feedback on the simplified campaign setup, and promising initial adoption of Performance+ campaigns and features while recognizing it's still in the early phases of rolling out. Expanding on our launch from last fall, we'll also build new features for Performance+ in 2025, including enhanced bidding and creative functionality.

ROAS bidding, which optimizes bids to maximize return on ad spend, will be live to all eligible advertisers by the end of Q1. A large retailer with a sizable product catalog leaned in to this product and saw strong results with a significant improvement in return on ad spend in their internal measurement system. Following their test, the retailer increased their shopping budget in Q4 to take advantage of the strong results.

Our Performance+ creative tools will also be an area of focus in 2025. We're doubling down to give advertisers more creative control, which we've seen have a positive impact on their performance. That means automated cropping, adjusting image brightness, and adding logo overlays so their brand is present, all of which we expect to add in the first half of this year.

Complementing the lower funnel product set is our commitment to improving conversion visibility and measurement. This helps advertisers build stronger, more accurate data foundations that they need in order to scale their budgets on Pinterest.

Advertisers use a variety of different methods to see and measure their spend. In order to show up as accurately as possible wherever an advertiser is measuring their spend, we'll invest in scalable ways to continue to connect our conversion data into third-party measurement sources of truth.

Our lower funnel advertiser offering is made possible by our ability to make ads relevant content for our users. As we've long said, when users come to Pinterest, they have a very different mindset than traditional social media, often coming to invest in themselves, find inspiration, shop, and take action. If you take our three main surfaces, home feed, search, and related pins, you can see the purchase funnel come to life. With roughly one-third of our engagement on the home feed while lower funnel search and related pins, a form of visual search, make up roughly two-thirds of our engagement. Because of this, relevant ads can improve the user experience and drive even more value to advertisers by more efficiently reaching the right audience at the right time.

This flywheel improves over time as more intent signals feed more relevant content to help users shop and provide even more intent signals. Moreover, we have tangible evidence that the flywheel is working. Monthly active users continue to grow double digits reaching all-time highs each consecutive quarter of 2024.

Ad impressions are growing while clicks to advertisers are growing faster than ad impressions and ad relevance on our search surface doubled over the past two years as our models are able to capture more signals and more efficiently place ads in the right place at the right time. In 2025, we are continuing to leverage AI to grow ad load while growing users, improving relevance and increasing shopping and actionability on the platform.

Finally, I'll touch briefly on our monetization initiative to diversify demand through partnerships and international growth. 2024 marked a year of scaling our first third- party demand partnerships with Amazon Ads and Google. We complemented these efforts by launching resellers in 30 markets in Q3. These efforts are paying off as Rest of World revenue growth accelerated throughout 2024.

As I think about all we've accomplished in 2024, I'm filled with pride about the work our teams delivered across our strategic priorities and feel optimistic about what's to come in the year ahead. More importantly, I'm proud of how we are building our business.

We've proven that a business model built on positivity not only benefits our users, particularly our Gen Z users, who value Pinterest as a place to manifest their dreams away from the toxicity found elsewhere on social media, but it leads to better business outcomes. We've consciously invested in products and policies that tune AI for positivity and ultimately help our users feel their best.

For example, body type ranges and skin tone and hair pattern search let our users see themselves represented in the content on the platform. In fact, users who search with these refinement tools save on average 75% more pins than users who search without using these tools. Additionally, our ethos around positivity is a unique value proposition to advertisers who wish to align their brand with a positive environment.

And with that said, I'll turn the call over to Julia to share more details about our financial performance in Q4.

Julia B. Donnelly

Thanks, Bill, and good afternoon, everyone. Today, I'll be discussing our full year and fourth quarter 2024 financial results and provide an update on our preliminary first quarter 2025 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.

Before I dive into the details of the fourth quarter, I want to pause and reiterate Bill's comments about how 2024 was a transformative year for Pinterest. Last year, we generated \$3.65 billion in revenue, representing 19% growth, more than doubling our growth rate from 2023.

Importantly, this growth illustrates the significant progress we've made to become a true full funnel platform. We grew revenue primarily from our lower funnel clicks and conversions-based objectives, which signal that our new lower funnel performance tools and strategy are working.

We've also remained strategic about our investments, focusing on high ROI opportunities across users and monetization. This includes utilizing AI to improve personalization and content recommendation to enhance the user experience and building automation tools to drive better performance for advertisers.

And we're doing this all while continuing to exercise expense discipline. This focus on profitable growth has led to a roughly 50% increase in adjusted EBITDA dollars year-over-year in 2024, with margins expanding by 510 basis points. Finally, we achieved a significant milestone in 2024, reaching GAAP profitability on a net income basis for the first time since 2021.

Now, let's dive into the fourth quarter. We ended the quarter with 553 million global monthly active users or MAUs, growing 11% and reaching another record high. Users also continued to grow year-over-year across all of our geographic regions.

In Q4, our US and Canada region had 101 million MAUs, accelerating to 4% growth. Our Europe region had 145 million MAUs, growing 7%. And in the Rest of World markets, we had 307 million MAUs, growing 15%.

Moving to revenue, in Q4, our global revenue was \$1.154 billion, 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 particular strength coming from our lower funnel consideration objective, which optimizes for clicks.

From a vertical perspective, we continue to see broad-based strength in retail. Additionally, emerging verticals like technology and financial services continue to be a source of strength.

As expected, growth was partially offset by softness within the food and beverage subsector of CPG. Additionally, as a reminder, unlike other platforms, we do not accept political advertising and therefore did not see a benefit from election-related spend in Q4.

While the majority of our growth came from our core first-party demand generated by our internal sales force, as expected, we also saw revenue from third-party demand partnerships ramp in Q4, growing sequentially off the revenue base we delivered in Q3 as they continued to round out gaps in our auction and complement our growing first-party demand.

Turning to our geographical breakout for Q4, in the US and Canada, we generated \$900 million in revenue, growing 16%. Strength came from retail and emerging categories, including technology and financial services. In Europe, revenue was \$196 million, growing 21% on a

reported basis or 20% on a constant currency basis. Strength in Europe was driven by retail. Revenue from Rest of World was \$58 million, growing 44% on a reported basis or 53% on a constant currency basis.

In Q4, ad impressions grew 43% while ad pricing declined 18% year-over-year. As we've discussed for multiple quarters, 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've begun to scale these initiatives, it has 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, in Q4, cost of revenue was \$191 million, up 10% year-over-year and up 5% versus Q3 due to increased infrastructure spend related to users and engagement growth. Our non-GAAP operating expense was \$496 million, up 12%. The increase was primarily due to R&D where we are investing in head count with a smaller increase in sales and marketing.

Our revenue strength and expense discipline led to another strong quarter of adjusted EBITDA coming in at \$471 million with an adjusted EBITDA margin of 41%, an increase of 320 basis points versus Q4 last year. In Q4, we also recorded a \$1.6 billion income tax benefit. This was driven by the release of a valuation allowance against a significant portion of our US deferred tax assets due to our sustained profitability and continued forecasted income.

I'd like to take a moment now to discuss our cash flow. Our ability to generate significant free cash flow, which we define as cash flow from operating activities less purchases of property and equipment, speaks to the inherent profitability of our business and asset-light nature of our model. For the full year 2024, free cash flow increased 55% to \$940 million. This compares to 2024 adjusted EBITDA of \$1.0 billion, representing free cash flow conversion of 91%. Investors should analyze our free cash flow annually as quarterly free cash flow can fluctuate due to the seasonality of our business, among other factors. We ended the quarter with cash, cash equivalents and marketable securities of \$2.5 billion.

As a reminder, at our Investor Day in fall 2023, we laid out the four pillars of our capital allocation framework, which remain unchanged. First, investing in product and technology innovation; second, balance sheet optimization; third, dilution management; and fourth, preserving flexibility for opportunistic and disciplined M&A.

In Q4, we made further progress mitigating dilution as we allocated \$100 million towards share repurchases, bringing our full year 2024 share repurchases to \$600 million for a total of 19.1 million shares. In addition, we utilized \$390 million of cash in the year on net share settlement of equity awards. Combined for full year 2024, these actions have driven an approximately 1.7% decline in year-over-year fully diluted share count.

Now, I'll discuss our preliminary guidance for the first quarter. Please note that starting this quarter, we are transitioning to provide adjusted EBITDA guidance and will no longer provide an outlook for non-GAAP operating expenses.

We expect Q1 revenue to be in the range of \$837 million to \$852 million, representing 13% to 15% growth year-over-year or 15% to 17% growth on a constant currency basis as our guidance assumes the impact of foreign exchange to be approximately 2 points of headwind based on current spot rates. Our guidance also reflects the effects of lapping Leap Day and the earlier Easter timing in Q1 2024.

We expect Q1 adjusted EBITDA to be in the range of \$155 million to \$170 million. We anticipate Q1 2025 non-GAAP cost of revenue expense to be relatively consistent with Q4 2024. Within non-GAAP operating expense, our primary area of investment will continue to be head count within R&D, which will support our efforts in AI as well as other product initiatives, which enhance the user experience and monetization.

Last year, we made significant progress in margin expansion towards our long-term goals, growing 2024 adjusted EBITDA margin by 510 basis points year-over-year. We expect margin expansion again in 2025, though we anticipate the rate of margin expansion to be lower than the outsized expansion we delivered in 2024 as we continue to invest behind our initiatives and drive profitable growth.

In closing, I'm extremely pleased with our team's performance in Q4 and full year 2024. We have made significant progress against our strategic priorities, growing users and engagement, executing on our lower funnel opportunity all while driving profitable growth.

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

William J. Ready

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'll now open the line for questions. The first question is from the line of Eric Sheridan with Goldman Sachs. You may proceed.

Question – Eric J. Sheridan: Thanks so much for taking the question and thanks for all the details in the prepared remarks. Bill, prepared remarks, I want to know what your key takeaways are from 2024 in terms of how the platform evolved? And maybe with the eye forward, what are the two or three biggest strategic priorities you're setting up to try to execute against based on those learnings in 2024 as we proceed deeper into 2025? Thanks so much.

Answer – William J. Ready: Thanks, Eric. If we take a step back, 2024, as I mentioned, was a transformative year for our business. We more than doubled our revenue growth rate, going from 9% growth in 2023 to 19% in 2024. We brought on a record number of users while deepening engagement as best evidenced by our highest-ever weekly active to monthly active ratio.

We just finished Q4 at 18% revenue growth and are guiding Q1 15% to 17% on a constant currency basis. So, all this really represents the considerable progress against our stated longer term goals, and we feel good about sustainability of the revenue growth that we've been driving. So, as a result, we're doubling down on our strategy, and we see multiple initiatives with strong balanced execution to drive our growth in 2025 and beyond.

First, is continuing to grow our user base and deepen engagement, and bring back users more frequently through our efforts in actionability and curation. As we stated many times, relevant ads can be great content for our users and additive to the user experience, particularly when they're in commercial context. And as such, we see room to further grow our ad load, particularly in high-intent surfaces and verticals on our platform, and for those users that, again, are in a commercial mindset.

Secondly, we'll continue to drive improved performance for advertisers through lower funnel product innovation and ad platform efficiencies. Performance+, which we just rolled out late last year, will continue to be enhanced through features like ROAS bidding and Performance+ creative. As I've always said, we expect Performance+ to be a steady build with a multi-year product and adoption cycle. No hockey stick in growth in one particular quarter, but a steady build over a multi-year product and adoption cycle.

And finally, we'll continue to complement our strong and growing first-party business through new sources of demand as you've seen us do through the launch of resellers and third-party partners. And we'll continue to optimize and test with incremental sources of demand over time.

Answer – Julia B. Donnelly: And maybe just to add a little bit more color there from a vertical standpoint, retail has been strong for us in 2024, and there's certainly more room to go there in 2025. We continue to see opportunities to capture more value from the clicks we're driving, especially as we roll out Performance+ to the lower funnel and more granular bidding functionality, allowing advertisers to effectively bid on a wider swath of their catalogs.

As I noted in the prepared remarks, emerging verticals such as financial services and technology also continue to remain a nice driver for us. We saw strength in those categories in Q4 and really much of 2024. Those are ad verticals with billions of dollars in digital ad spend, and we still have a very small percentage market share today. So, we see lots of opportunity there.

Within the food and beverage subsector of CPG, which was softer in 2024 due to category-specific headwinds, in 2025, we begin to anniversary the weaker trends in that category. And while we are seeing very early green shoots there in Q1, it's too early to say the

headwind in food and beverage is fully behind us. So, as Bill described, we have several initiatives at play, and we continue to feel confident in the sustainability of our current trajectory and the steady ongoing execution of our plans.

Operator

Thank you. The next question is from Brian Nowak with Morgan Stanley. Your line's now open.

Question – Unidentified speaker: Thanks for taking the question. This is Nat on for Brian. Can you talk a little bit about the GPU-enabled machine learning and GenAI areas that you think can be the most material drivers to further platform improvement in 2025? Thanks.

Answer – William J. Ready: Certainly. Thanks for the question. As a visual search platform, AI is a core competency here at Pinterest. Effectively, every pin and product shown as a result of our cutting edge AI technique and recommendation algorithms that ingest hundreds of billions of user actions to understand what a user might be interested in. And as I mentioned in the prepared remarks, those are really unique user actions that only take place on Pinterest where users are curating, making product associations. And so that's what's really driven significant improvements in the relevance of our recommendations.

So, our strategy remains unwavering. We're going to continue to invest in AI that drives great experiences for our users and better performance for our advertisers. This has included things like switching from CPU to GPU serving to leverage larger models that improve organic and ad serving, integrating LLM tech into our AI to drive user experiences like guided search and computer vision tech for experiences like Shop the Look, ways to style, et cetera.

As I also mentioned in the prepared remarks, we're using coding assistants to help engineers accelerate velocity of produced code, and to help with improving code test coverage and quality. We see really strong internal uptake in these tools and like I said, roughly 15% of our code base is AI-generated through these coding assistants.

So, we see these results clearly in our top line numbers with WAU to MAU at an all-time high, users at an all-time high. Clicks to advertisers continue to be strong even at those all-time high user numbers. So, again, AI really has a core competency to the platform and I talked about Performance+ being at the beginning of a multi-year product and adoption cycle. We think there's a lot of improvement there and again, with what we're seeing in AI, we think we'll continue to drive great advancements and what we can do for user experience and advertising performance.

Operator

Thank you. The next question is from John Blackledge with TD Securities. Your line's now open.

Question – John Blackledge: Great. Thank you. On the 1Q 2025 guidance, could you discuss the quarter-to-date advertising trends that you're seeing? And then what are kind of the puts and takes that got you to the 1Q 2025 revenue outlook? Thank you.

Answer – Julia B. Donnelly: Thanks, John. We just finished Q4 with revenue growth of 18% and guided Q1 to 15% to 17% on a constant currency basis. And if you look at Q1 on a two-year stack basis, you'll see our guidance implies a sequential acceleration this quarter.

So, in Q1, we'll look to continue to drive performance across the lower and upper funnel. Our new lower funnel tool set continues to drive improved value to advertisers, most recently driving over 90% increase in clicks to advertisers year-over-year in Q4.

We still have more value capture to go as advertisers increasingly turn to Pinterest to drive performance. We're seeing nice adoption of newer ad formats and capabilities, including ongoing growth of spotlight ads and the adoption of more granular bidding capabilities to give advertisers more bidding control across their catalog.

And finally, as Bill mentioned, we're at the beginning of a multi-year product cycle for Performance+. We're seeing really good results, but more of the opportunity is in front of us than behind us. We expect the adoption impact to steadily build as it would with any new product rollout. And want to reemphasize, it's multi-quarter, multi-years, new functionality continues to be rolled out.

While challenges still remain within the food and beverage category, we are now lapping the early stages of that softness, which started in December of 2023. As such, we're expecting the overall drag from food and beverage to our top line revenue to lessen slightly in Q1 as we start to see very early signs of green shoots in that category, but it's too early to say the headwind is fully behind us, and that is factored into our guidance as well. So, those are some of the factors as we think about Q1 overall in our 15% to 17% constant currency guidance.

Operator

Thank you. The next question is from Mark Kelley with Stifel. Your line's now open.

Question – Mark Kelley: Great. Thank you very much. I wanted to ask you, and you touched on this a little bit in the prepared remarks, but looking back at last year, I guess can you talk through the contribution from the third-party partnerships? I guess would you characterize them as in line with expectations, better, maybe a little bit slower? And then how much can we expect those partnerships to contribute this year? Thanks very much.

Answer – William J. Ready: Thanks, Mark. Since the beginning, we've said that our efforts to bring in new demand inclusive of third-party demand and resellers was targeted at rounding out gaps in our auction with a particular focus on improving shopability as a complement to our first-party sales efforts.

If we step back, we've seen great progress here on multiple fronts. Our platform is more shoppable than ever as evidenced by the strength of our holiday shopping performance, and we've made significant progress in rounding out gaps in our auction with first-party relationships leading the way exactly as we would hope, and new demand efforts providing a complement

when needed. As our capabilities as a true lower funnel platform take hold, we're driving strong first-party demand.

At the same time, we've enhanced our ability to bring in programmatic demand as well as demand through resellers. The net effect of that is we've driven significant improvements in the shopability of our platform by closing gaps in our auction with ads and search results now being two times as relevant as they were two years ago.

Lastly, as we see strength in our first-party business and advertisers come to us directly, which is what we want, we're finding we have fewer gaps in our auction, especially in our more mature markets. Therefore, as the core first-party business grows, it reduces the need for third-party demand. Again, that's a very healthy dynamic for our overall business.

However, what's exciting is that our capability to ingest demand from many sources such as resellers and multiple third-party demand partners and thereby reduce gaps in our auction is more advanced than it's ever been, which allows us to respond more dynamically when and if there are shifting demand patterns. So, this is an area that we'll continue to optimize and advance as we move forward.

Julia, anything you'd add there?

Answer – Julia B. Donnelly: Yeah. So, I guess I would say, Mark, thanks for the question. We've been very consistent that we'll not break out revenue from third-party partners or resellers separately. We've noted these initiatives were new and began to scale in 2024 with each quarter ramping sequentially. And we'll continue to test and optimize as we move forward, as Bill noted.

As we've mentioned, there are many levers for growth in 2025, including growing users engagement, increasing ad load on high-intent surfaces synergistically with that engagement, improving ad relevance and ongoing kind of full funnel ad product innovation in addition to some of the opportunities to continue to take share in retail, some of the emerging categories I noted earlier like financial services and technology. So, on balance, we see multiple initiatives with strong balanced execution going forward to help drive our growth in 2025.

Operator

Thank you. The next question is from Rich Greenfield with LightShed Partners. Your line's now open.

Question – Rich Greenfield: Thanks for taking the question. Bill and Julia, in the release, there's the quote people are coming to Pinterest more often and obviously, Bill, you've talked a few times about the improvement in weeklies to monthly, your weekly users relative to monthlies. But could you help us understand engagement a bit better?

You've got US MAUs up 4%. Should we take your comments on WAUs growing substantially faster than MAUs to mean or WAUs growing high single digits, double digits? Like any way to

think about given the importance of the US market to revenues, just how to think about how fast that engagement metric has grown or any engagement metric within that is growing?

And then you're at 101 million MAUs in the US and Canada. I don't want to put a timeframe, but is that long-term 150 million? Is the ceiling 200 million? Like how do you think about the domestic TAM for your business?

Answer – William J. Ready: Yeah. Thanks, Rich. So, yeah, as I noted, our weekly active to monthly active ratio is at an all-time high for the platform at 62% for our global user base, which is a sign of deepening engagement even at record number of users other than noted before. Oftentimes, if you add large volumes of new users, that can be dilutive to your overall engagement, but yet we still achieved record highs in that weekly active to monthly active ratio.

And it's worth noting you're parsing sort of global versus U.S. Our WAU to MAU is highest in our most mature regions like U.S. and Europe. So, I've said for quite a long time that especially in our mature markets, it's really about deepening engagement per user versus chasing new users, particularly in our most mature markets. And we're getting the dynamics that we'd want there with, again, great deepening engagement across the platform, the greater frequency from weekly to monthly active ratios and with those being highest in our most mature regions. So, users continue to grow nicely.

As noted, we had another quarter of all-time user highs and our strategy remains the same, to bring actionability to the forefront of the user experience, drive curation through boards and collages, and create a positive space for our users, which are increasingly Gen Z as our largest, fastest-growing audience. So, those efforts around actionability, shopping, curation, really resonating across our user base, especially with Gen Z and that deeper actionability on the platform. I also noted that's also leading to clicks to advertisers growing at over 90% year-on-year in Q4 even after lapping the initial impact of direct links from Q4 of 2023 where those clicks were up more than 100% year-on-year.

So, even lapping a really strong growth, again, 90% lift in clicks to advertisers. So, really finding a great dynamic around positive MAU trajectory, positive engagement, and tying the user engagement to things that are highly monetizable even as users engage more and more with that.

Operator

Thank you. The next question is from the line of Shweta Khajuria with Wolfe Research. Your line's now open.

Question – Shweta Khajuria: Thanks a lot for taking my question. I guess I have one on ad products and features. Bill, how should we think about contribution of all this product innovation that you have done and will do this year as we think about one, two, three years out from Performance+ to spotlight ads, new bidding capabilities, increasing ad load, deep linking, everything, and what's to come? What are you most excited about in terms of the magnitude of

the impact and how should we think about when we see the impact from each of these different things through, call it, one, two, three years? How do you see it evolve? Thank you.

Answer – William J. Ready: Yeah. Thanks for the question. As I mentioned in my remarks, 2024 was quite transformative for us. We more than doubled our revenue growth rate from '23 to '24, our lower funnel objectives being the strongest. And we've been on a journey over the last 2.5 years to really make Pinterest a true performance advertising platform. And the things that we've done, as I've said before, I wouldn't think of them as like one-off launches. They have compounding effects over not just multiple quarters, but multiple years.

So, we created immense value for advertisers in 2024 through our lower funnel innovation, including direct links, mobile deep linking, conversion API. Clicks were up 90% in Q4 after lapping the 100% click growth from the prior year, doubled ad relevance on search. This all culminated in the doubling of the growth rate in revenue from '24 compared to '23 and our first \$1 billion quarter in Q4. So, all of these – again, all of these launches are compounding on each other but that's an effect that we see continuing forward.

As we look forward, we're not changing our strategy. We're doubling down, and there's still a lot more yield from these various efforts as they continue to mature. For example, Performance+ is very much in its early days. It just went into general availability in October and this is a longer term, multi-year innovation cycle and adoption curve. And if you think back to when other platforms launched similar products, it kicked off multi-year adoption cycles for them as well.

Notably, these platforms were still iterating and enhancing those products today three to four years after their initial launch. We think about this similarly. There's tremendous benefit yet to come and more benefit in front of us than behind us. However, we feel really good about the product performance we've seen, with testing showing a 20% CPA improvement for advertisers using Performance+ for shopping ad campaigns.

Advertisers also required 50% less inputs to create campaign now, those that are using our Performance+ products, and that's a significant improvement in campaign setup. So, while early, advertiser adoption is also going well and with that said, again, it's a multi-year product cycle, with more the opportunity in front of us than behind us. We'll continue to roll out features in Performance+ suite over the course of this year and next.

And we'll also introduce Performance+ functionality to more formats and advertisers to grow eligibility. And just consistent with what we've done over the last 2.5 years, we've usually seen a steady build, steady execution on these things. Don't think of these as moments in time or as a hockey stick in a given moment. These have a steady build over time and a compounding effect of these things as they build on each other. And again, we see that as a multi-year cycle that we're still in the early innings of.

Operator

Thank you. The next question is from the line of Ron Josey with Citigroup. Your line's now open.

Question – Ronald Josey: Great. Thanks for taking the question. Bill, maybe the quick follow-up to Shweta just there. I really enjoyed your comment not one-time launches, but compounding over multiple years. We're now a year in the direct links, maybe a year and a quarter. And so with outbound clicks growing 90%, I would love to hear how advertiser adoption of the direct links is going, the sales process is going, et cetera, and really how that's compounding to more advertisers just diverting more always on ad spend.

And then maybe more tactically, with ROAS bidding set to launch, I think, you said end of the quarter, I'd love to understand just the benefits and the real opportunity around ROAS bidding. What do you think could – how do we think about what could happen here once launched? Thank you.

Answer – William J. Ready: Yeah. So, on this compounding effect and direct links, mobile deep linking, as we talked about before, we launched those in Q4 of 2023 is when we launched direct links. And we said then that we were focused first on value creation and then value capture second. So, we launched mobile deep linking, and direct links in the back half of 2023. Then that gave advertisers a reason to go launch measurement tools with us.

And so we really focused on getting more advertisers adopting our measurement tools through 2024 based on the evidence of the click traffic we were able to drive. And we saw as those advertisers adopted performance measurement with us, privacy safe measurement that consistently, that would lead to them being able to see the value that we are driving and then shifting budgets in our direction.

And we see more of that to go both on that value capture from the measurement implementations that are happening as well as the next phase of work, which we talked about, which was after we created the value, made it so they could measure the value. Then with Performance+, that makes it so they can easily take action on that value with easy campaign creation and setup.

And then so we've created tremendous value through direct links, through mobile deep linking and really just the shopability of our users because it's not just the format change that as we make shopping better for users, we're seeing users engage more with shopping, clicking more on the platform, taking action more on the platform, and advertisers taking advantage of all of that value creation. Again, we see more of that value in front of us than behind us, which is what gives us a lot of confidence in the pipeline ahead.

There's not just a pipeline of strong products. It's a pipeline of value that we have created that we're giving advertisers better and better ability to take advantage of. And again, we're still in the relatively early days of that even though we see very clear signs of those users taking action.

To give you a tangible example of just how much action we see advertisers taking, for some of our largest advertisers, the lower funnel revenue objective now accounts 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.

So, when you step back and, say, 2.5 years ago, we embarked on a mission to really turn Pinterest into a performance advertising platform for some of the largest, most sophisticated advertisers. We're getting to 5% of their total ad budgets, 10%-plus of their digital ad budgets, demonstrating that we can be a much larger portion of the overall ad market even as we started first with those largest advertisers and doing that with focus on durable low funnel budgets, again, with some of the largest, getting to 80%-plus of their spend in that lower funnel.

And over the course of last year, we've seen this trend for the next tranche of advertisers, think of, as I've said before, in the \$1 billion to \$30 billion range in that next tranche is still quite sizable as they recognize the immense value creation that we've driven in the form of doubling the amount of clicks year-on-year. We continue to see room to grow share of wallet with both of these cohorts.

Operator

Thank you. The last question is from Jason Helfstein with Oppenheimer. Your line's now open.

Question – Jason Stuart Helfstein: Thanks. Thanks for taking the question. So, in the quarter, you saw a sequential improvement in both US and Europe MAU. How should we think about MAU growth for this year and then how are you thinking about further improvement in the DAU to MAU ratio after the improvement in 2024? Thank you.

Answer – William J. Ready: So, we don't guide to users. So, I'm not going to answer the question precisely. But as I've shared in my remarks, we see really positive trajectory in giving better recommendations to our users, the curation on the platform leading them to work through more of their decision-making journey and then the actionability that we brought in the platform, making it easier for them to take action.

So, those are the things when we look at why we're getting to record highs in MAU, the deepening engagement as evidenced in the WAU to MAU ratios at all-time highs. It is leveraging AI against our unique signal to make really great recommendations to our users that are fed by the unique curation signal that we have, and that compounding effect we see continuing forward. So, while we don't guide to users, the underlying effects that are driving user engagement and MAU growth, we see those as long-term durable effects.

And as I mentioned in my remarks, we have a lot more to do to continue doubling down on that work when you think about how much shopping activity occurs in the broader ecosystem, the size of that market. There's a lot more of that out there for us to capture. So, again, while we don't guide to users, I think the effects that we see, we believe, are durable and based on the uniqueness of our platform and we continue to focus on that as we look ahead.

And with that, I'd like to thank all of you again for joining the call and for your questions. We look forward to keeping the dialogue going, and we hope you enjoy the rest of your day.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.