MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon. Thank you for attending today's Pinterest First Quarter 2025 Earnings Call. All lines will be muted during the presentation portion of the call, with an opportunity for questions at the end.

I'll now hand the call over to Andrew Somberg, VP of Investor Relations and Treasury. You may proceed.

Andrew Somberg

Good afternoon, and thank you for joining us. Welcome to Pinterest's earnings call for the first quarter, ended March 31, 2025. 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 assumptions, risks and uncertainties that could cause actual results to differ materially. In addition, our results, trends, and outlook for Q2 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 assumptions, risks, uncertainties, and other factors that could affect our results, please refer to our most recent Form 10-Q and Form 10-K, each 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 first quarter 2025 earnings call. In Q1, we demonstrated the strength and effectiveness of our long-term strategy and remain laser-focused on delivering value for our users and advertisers. We finished the quarter with another record number of users, reaching 570 million MAUs globally, reflecting 10% growth year-over-year. At the same time, we generated Q1 revenue of $855 million, up 16% year-over-year due to the strong performance we are driving for advertisers across the full funnel. We also grew adjusted EBITDA to $172 million as we continue to focus on driving profitable growth, while simultaneously investing in high ROI areas to enable us to reach our longer-term opportunity.

Before getting into the details of Q1, I'd like to discuss the current macro environment we're operating in. Our business, including our top line revenue growth, remains healthy. This is an indication that our efforts to build a more engaging and actionable product for our users and a more performant product for our advertisers are working. The strong fundamentals in our business are the result of the strategic priorities we've executed against, taking Pinterest from a platform with declining users and modest revenue growth a few years ago into a secular share taker with a more resilient business than ever before. Today, Pinterest is a shopping destination, with roughly 85% of our monthly active users coming directly to our mobile app, which is up nearly 10 points for the middle of 2022.

As we've made our platform more actionable and generated growing numbers of clicks and conversions, we've become a vital partner for advertisers across a range of categories, seeking to reach our high-intent users and drive sales. In turn, we are increasingly accessing always-on performance budgets, which are larger and tend to be more durable. Furthermore, an uncertain macro environment where consumers are more intentional and discerning with their spend presents an opportunity for Pinterest to deliver differentiated utility for our users. Our users are planners and often coming to us for their most considered purchases.

As such, our ability to leverage AI to personalize our users' experience is a key differentiator and has enabled us to find our best product-market fit in years. It also makes us a highly valuable partner to advertisers that are looking for early signals on how consumer trends may be shifting before it shows up in traditional purchasing data. From where I sit today, I'm proud of our consistent execution, the progress we've made to improve the resiliency of our business, and I remain confident that the strategy we've employed will endure for the long term.

With that, I'll now shift to our quarterly update on users and engagement, where I'll discuss just how we're delivering a differentiated product experience to ultimately drive deeper engagement with our users.

A key driver of our success is our intentional effort to build a better, more relevant platform for our users, one that connects them to styles, products, and aesthetics they may not have the words to describe. In fact, according to academic studies, 50% of the human brain is wired for visual processing. The ability for users to explore their interest visually and take action on them is one of our core differentiators and an important reason why users come to our platform in the first place. This is especially relevant for Gen Z, our largest and fastest-growing user cohort, who have been raised on an Internet of visual content across images and video, and who find utility in the ability to search visually.

Over the years, we've been investing to strengthen our visual search and content understanding capabilities to match content from our corpus of billions of Pins to a user's taste and style. This means that a search query that may begin as “beach dinner outfit” ends with a user finding and purchasing the perfect pair of linen pants, along with great accessories from the site or app of a brand that they love or a brand that Pinterest helped them discover. Throughout 2025, we're doubling down on our visual search capabilities to help users discover and effortlessly shop what inspires them, all powered by our enhanced multimodal AI models.

Our latest model is trained on both image and text data, deepening its ability to understand a Pin by creating a more informative and comprehensive representation of its content. This allows the model to better interpret user input and ultimately provide better recommendations. In fact, our proprietary multimodal AI model that powers visual search on Pinterest is 30% more likely to identify and recommend relevant content from our corpus than leading off-the-shelf models. This advantage stems from the innovations we've made to deploy this model at scale for our unique use case and from leveraging our extensive signal from the hundreds of billions of user actions that take place on our platform and make up our Taste Graph, which has grown 75% over the past two years.

This ultimately leads to more relevant recommendations and a better experience throughout the user's journey. Leveraging this enhanced multimodal technology, we are unlocking a new level of personalization for our users. Earlier this month, we launched an entirely new user flow on women's fashion Pins globally that upgrades the visual search experience on Pinterest, allowing our users for the first time to search and refine their taste using multimodal image and text-based inputs. This new user experience flow starts with the search image icon in the form of a magnifying glass. Once in this flow, users can select an element of the Pin to zoom in on and refine their search further using suggested attributes and filters recommended through our AI models.

For example, if a user comes across a lifestyle image of a celebrity wearing a stylish pair of sneakers, they can utilize this new flow to hone in specifically on the shoes to find content with a similar aesthetic, including other products and lifestyle images. Once they do so, they might see descriptor words like street wear or athleisure, alongside terms like graphic pattern or earth tones, which further specify visual or stylistic characteristics of the image, and also allow the user to narrow down their search to the products and images that are most relevant to them. And through this new flow, we also connect users to a carousel of stoppable products from our catalog that match the characteristics of what they're searching for, in turn allowing them to seamlessly go from inspiration to action.

With hundreds of millions of users, one of the largest image corpuses in the world and leading AI capabilities, Pinterest is a leader in visual search. As the landscape continues to evolve, I'm excited about the innovations we're making to our platform to continue offering a differentiated experience for our users.

Turning to monetization, all of the efforts we've made to improve our user experience directly tied to our value proposition for advertisers. This is our flywheel, a richer user experience with more actionability drives deeper engagement, providing us more unique signals to serve relevant ads.

Since relevant ads are additive to the user experience on Pinterest as they allow end-market consumers to connect with products and brands they may like to purchase, we can scale up the amount of ads we're able to show users, ultimately increasing the amount of impressions we're able to monetize.

At the same time, we are improving the overall efficiency, relevancy, and performance of each ad served, driving higher click-through and conversion rates by leveraging our AI recommendation models to better understand a user based on past activity, and predict the type of ads that might be best suited for them at that given moment.

For example, we recently developed an innovative approach to effectively integrate large-scale knowledge graph embeddings into our ads ranking models to drive better performance for advertisers. These knowledge graph embeddings are a way of extracting complex networks of user interactions and ingesting them into our ads ranking models in a format that they can better interpret. This drives improved recommendations for users, leading to a 4% uplift in click-through rate on ads shown in our related Pin surface. The end result of this is a more shoppable and relevant experience for the user and a more performant ad suite for our advertisers.

Our flywheel comes to life for advertisers by offering the ability for them to market across the full funnel, which is synergistic with the way users engage with our product. Advertisers can reach consumers throughout their entire shopping journey, from building upper funnel awareness to driving lower funnel conversions. We're seeing that advertisers are using upper funnel objectives in tandem with lower funnel objectives to create full funnel campaigns with even better performance. In fact, those who spend on multiple objectives see nearly 2 times higher conversion rates than those who spend on one objective alone. This approach addresses the longer-term industry trend we're seeing of CMOs seeking to tie upper funnel brand dollars back to their own revenue growth objectives.

Turning to our lower funnel ad offerings, over the last few quarters we've rolled out and expanded our performance solution set to drive advertiser value, while improving the efficiency of advertisers' time and dollars. These efforts continue to yield benefits, with clicks to advertisers up significantly year-on-year, even as we lap the rollout of direct links. They also compound. As advertisers adopt multiple tools, they see more benefits accrue. As a result, some of the most sophisticated performance marketers in the world are spending 5% to 10% of their advertising budgets on Pinterest as they lean into our lower funnel tools and the improved performance in the form of increased clicks and conversions that we are delivering.

In Q1, we made further inroads on our lower funnel performance efforts by launching additional bidding functionality into our Performance+ suite with ROAS bidding, which went into general availability in March. Previously, our automatic bidding functionality optimized for the maximum number of conversions at the lowest cost. While this remains a core offering for many advertisers, ROAS bidding addresses the need for some advertisers who want to bid based on basket size. For example, a retailer with a large variance in catalog price points may want to bid on conversion value versus conversion volume. While still in the early rollout days, we received positive initial feedback and adoption from advertisers.

PacSun, a lifestyle clothing brand popular with Gen Z, saw a 3 times higher return on ad spend using ROAS bidding within their catalog campaigns compared to their previous campaigns. We also enhanced Performance+ Creative with image resizing. Image resizing is a scaled way for advertisers to bring their shopping catalog creative, which may be designed or optimized for other platforms and automatically enhance the ads' visuals through resizing and cropping to better fit the Pinterest platform. While still in beta, initial results on shopping ads using image resizing show a 6% improvement in click-through rate compared to those without.

Through the year, we expect to test and launch more scaled ways to improve advertiser creative within the Performance+ suite, further automating and optimizing the process of building campaign collateral for advertisers. Overall, we feel great about what we're seeing so far with Performance+. As a reminder, Performance+ brings together existing AI-powered advertiser tools that we've built and launched over multiple years into a simplified campaign setup, while also adding new creative and bidding functionality. We brought this new automated AI suite into general availability in Q4, and continue to make meaningful product improvements to bolster our offering and drive efficiency and value to lower funnel advertisers.

We consistently see that Performance+ outperforms traditional campaigns, and 80% of A/B tests, a testament to the continued value creation we're driving to our advertisers. While we're pleased with our progress, we're still in the early days of driving adoption, and will continue to drive advertisers to adopt the full Performance+ suite of solutions in the quarters and years ahead. Performance+ is just the latest product in our suite of new lower funnel tools, which are leading to a significant transformation in our business. In our US and Canada region where we're furthest along in lower funnel shopping, we've been breaking into always-on performance budgets.

We're seeing that some of the largest, most sophisticated accounts are increasing their share of wallet with us. And within those accounts, over 85% of their trailing 12-month spend has been in the lower funnel. We are also seeing budget penetration with the next tranche of advertisers, specifically those in the $1 billion to $30 billion sales range. Those advertisers are seeing results from our performance tools and increasing spend, following continued value creation through 2024 from direct links, CAPI adoption and the initial stages of the Performance+ rollout. For markets outside of the US and Canada, we are successfully exporting our lower funnel shopping playbook and increasing actionability.

Revenue from our catalog shopping ads format was up meaningfully in Q1 year-over-year, with both the Europe and Rest of World regions growing shopping ad revenue over 3 times faster than the overall revenue growth of their respective regions as we drive deeper budget penetration in these markets and unlock new accounts focused on performance. International revenue is also benefiting from the scaled solutions we've unlocked over the past year, including resellers and other demand partnerships. In Q1, we expanded our reseller efforts to eight additional markets, while making strong progress through these reseller partnerships and previously unmonetized or under-monetized countries.

Finally, I'll touch on our commitment to improve conversion visibility and measurement. As the industry becomes increasingly focused on data-driven results, the need for privacy-centric measurement remains a priority, even as the privacy landscape continues to evolve. In Q1, we drove increased coverage of our privacy-centric measurement tools across our revenue base through continued adoption of our own solutions like Conversions API and Clean Rooms, and integrations with third-party measurement partners. We also recently entered into strategic partnerships with Northbeam and Triple Whale. These partnerships aim to improve the accuracy of Pinterest performance measurement by providing more comprehensive cross-channel measurement to help advertisers understand the true value of their spend on Pinterest.

Overall, I'm proud of our team and their continued strong execution on our strategic plan. With that, I'll turn the call over to Julia, to share more details about our financial performance.

Julia B. Donnelly

Thanks, Bill. Good afternoon, everyone. Today, I'll be discussing our first-quarter 2025 financial results and provide an update on our preliminary second 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 get into our first quarter results, I'll spend a few minutes discussing how we're thinking about our broader business strategy. Over the last few years we've been executing on a durable long-term strategy focused on our key differentiators as a business, including the user commercial intent on our platform, the ability to create a relevant and actionable experience with ads as useful content, and leveraging our full funnel playbook to drive tangible performance gains for advertisers.

We have multiple revenue drivers that have allowed us to take share in a competitive environment across a variety of advertiser verticals. The first is continuing to grow our user base and deepen engagement, bringing users back more frequently through our efforts and actionability in curation. As we've stated many times, relevant ads can be great content for our users and additive to the user experience. And as such, we see room to further grow our ad load as we increase monetizable supply through user commercial intent and more efficient ad delivery. Second, we're continuing to drive improved performance throughout the full funnel, from spotlight ads on the awareness side to rapid product velocity, especially in the lower funnel with the launch of direct links, CAPI, and most recently, Performance+, which is in the early days of multi-quarter and multi-year advertiser adoption.

Finally, we're finding ways to complement our strong and growing first-party business through new sources of demand, including efficient ways to scale our monetization through partnerships such as resellers, which is starting to drive more meaningful revenue contribution in under-monetized and previously unmonetized regions. At the same time, we continue to be thoughtful about expenses and prioritizing investment in high ROI opportunities, which has allowed us to make considerable progress towards our longer-term margin goals. For example, we continue to focus our AI investments towards initiatives that have a near-term uplift to engagement and monetization, such as improving our visual search capabilities as Bill described earlier, as well as improving the technology that underpins our ad-serving efficiency, such as whole page optimization and Performance+.

Simultaneously, we're investing in areas which accelerate employee productivity. For example, over 25% of our code is now generated through AI, which is up 10 points since the beginning of the year. Similarly, we've begun testing productivity tools to automate repetitive tasks and standardize content for our sales force, ultimately allowing our sellers to spend more time with clients. Ultimately, as Bill noted upfront, we are confident in the long-term durability of our strategy and the continuation of our steady execution of that strategy through our prudent investment philosophy. Now let's move to our first quarter results. We ended the quarter with 570 million global monthly active users, or MAUs, growing 10% and reaching another record high.

We continue to demonstrate user growth across all of our geographic regions. In Q1, our US and Canada region had 102 million MAUs, growing 4%; our Europe region had 148 million MAUs, growing 5%; and in the Rest of World markets, we had 320 million MAUs, growing 14%. Shifting to revenue. In Q1, our global revenue was $855 million, up 16% or up 17% on a constant currency basis. We saw strength across our awareness and conversion objectives. From a vertical perspective, we continue to see broad-based strength in retail. Additionally, emerging verticals led by financial services continue to be a source of strength. As expected, the drag from the food and beverage subsector of CPG lessened slightly as we lapped the full quarter of softer Q1 2024 trends in that category.

Turning to our geographical breakout for Q1. In the US and Canada, we generated $663 million in revenue, growing 12%. Strength came from retail and emerging verticals, including financial services. In Europe, revenue was $147 million, growing 24% on a reported basis or 27% on a constant currency basis. Strength in Europe was driven by retail. Revenue from Rest of World was $45 million, growing 49% on a reported basis or 59% on a constant currency basis. In Q1 ad impressions grew 49%, while ad pricing declined 22% year-over-year. As we've discussed for multiple quarters, the sequential acceleration in ad impressions and corresponding decline in ad pricing is primarily driven by international mix shift, as last year we began to serve ads in previously unmonetized or under-monetized international markets, which carry lower ad pricing than our more mature markets.

Moving to expenses, in Q1, cost of revenue was $193 million, up 10% year-over-year and up 1% versus Q4, due to increased infrastructure spend related to users and engagement growth. Our non-GAAP operating expense was $494 million, up 12%. The increase was primarily in R&D due to increases in head count, with a smaller increase in sales and marketing. Our robust revenue growth and expense discipline led to another strong quarter of adjusted EBITDA, coming in at $172 million with an adjusted EBITDA margin of 20%, an increase of 300 basis points versus Q1 last year. We also delivered Q1 free cash flow of $356 million. Consistent with prior years, Q1 is seasonally our strongest quarter of free cash flow due to higher Q1 collections following peak Q4 revenue.

We ended the quarter with cash, cash equivalents and marketable securities of $2.6 billion. In Q1, we allocated $175 million towards share repurchases and $94 million on net share settlement of equity awards as part of our ongoing efforts to mitigate dilution.

Now I'll discuss our preliminary guidance for the second quarter. Before addressing specifics, I want to acknowledge the current evolving landscape. As Bill noted, our business trends remain healthy overall, and we feel good that the product investments we've made over the last three years are working. While we are not immune to the macro environment, we are confident in our multiple revenue initiatives, the steady ongoing execution of our plans, and our ability to compete effectively across a number of scenarios.

We expect Q2 revenue to be in the range of $960 million to $980 million, representing 12% to 15% growth year-over-year. Based on the current spot rates, we expect modest impact from foreign exchange in Q2.

Moving down the P&L, we expect Q2 2025 adjusted EBITDA to be in the range of $217 million to $237 million. We anticipate Q2 2025 non-GAAP cost of revenue to grow at a similar rate on a year-over-year basis as we saw in Q1. Within non-GAAP operating expense, our primary area of investment in Q2 will continue to be head count within R&D, which will support our efforts in AI and other product initiatives, as well as investing in sales and marketing, which tends to be seasonally higher in Q2 than in Q1 due to the timing of certain marketing expenses.

From where we sit today, we expect to deliver adjusted EBITDA margin expansion year-over-year for the full year 2025, though consistent with our commentary last quarter, the level of expansion will be lower than the outsized expansion we delivered in 2024.

In closing, I'm extremely pleased with our team's performance in Q1. We're focused on executing against the levers firmly in our control, like growing and deepening user engagement through a better, more relevant product, and driving performance for our advertisers, all while balancing investing in the business and driving long-term 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 take action. And with that, we can open the call up for questions.

QUESTION AND ANSWER SECTION

Operator

The first question is from the line of Ross Sandler with Barclays. You may ask your question.

Analyst: Ross Sandler

Question – Ross Sandler: Great. Bill, just starting with like the guidance, 2Q looks pretty solid, all things considered, just a very modest decel. We know you have Easter in the second quarter this year, which may help a little bit. But just curious what you're seeing in the pipeline, and are any of the kind of high tariff exposed categories in retail and CPG showing any softness thus far? How do you see this playing out throughout the year? Thanks a lot.

Answer – Julia B. Donnelly: Thanks, Ross. I'll take that one. So first and foremost, as we noted in our prepared remarks, we're seeing strengths in our business, and trends remain healthy both in Q1 and the early signals on Q2. Our products are really working well as we leverage AI to drive gains in relevance, personalization, and actionability for users, and drive increasing performance gains for our advertisers across a range of verticals.

To your specific question on the Q2 guide, given the situation remains somewhat fluid, our guidance reflects a slightly expanded revenue range. As always, our Q2 revenue outlook factors in both what we are seeing in quarter-to-date trends, as well as what we are hearing from our advertising partners directly about their spend expectations for the remainder of the quarter as of today.

There have been small pockets of spend that have been impacted by tariffs in recent weeks. For example, like other platforms, we have observed a reduction in spend from Asia-based e-commerce retailers in the US given the change in the de minimis exemption. However, we've also seen a geographic diversification from some of those Asia-based retailers to our European and Rest of World user regions. And that's a theme that has continued to play out over multiple quarters now and continues today.

So stepping back, the fundamentals of our business remains strong. Our investments over the past three years against our multiple revenue levers have helped us build a more resilient platform, and that's a vital partner to advertisers more so than ever before, and we'll continue to execute on the key strategic initiatives within our control.

Operator

Thank you. The next question is from the line of Eric Sheridan with Goldman Sachs. Your line is now open.

Analyst: Eric J. Sheridan

Question – Eric J. Sheridan: Thank you so much for taking the question. Bill, it felt like last quarter and then building a momentum this quarter, there was a shift in you framing where the platform and its products were going in terms of things that were inside of your control. So leaving the macro aside for a minute, I know we'll talk a lot about on this call, but of the things in your control in terms of where you want to take the platform and how you want to evolve products, where do you think you are in that journey? And what is the receptivity across the advertising landscape to what you built so far, and how do you think about what might build as we get deeper into the year? Thanks so much.

Answer – William J. Ready: Yeah. Thanks, Eric. As we've talked about going all the way back to our Investor Day, we see multiple ways to win, and multiple strategic initiatives that have been playing out to support the direction we're taking the platform. At the core of that, we've made Pinterest a destination for our user, particularly a shopping destination. Pinterest is where Gen Z goes to shop. And you see that reflected not only in the all-time highs in users, but also, as we shared in our 10-K, record levels of engagement per user, and that's really a combination of AI becoming a core competency for us, the unique signal on our platform, and the fact that users are here with great commercial intent. So as we've been solving that for our users, we've also been, for our advertisers, opening up a performance ad platform also driven by AI-enabled tools.

And we see it making it so that not only is there better commercial intent and actionability than ever before on Pinterest for our users, as advertisers have better and better tools, to easily take action on that, they're finding that not only can they come take action, Performance+ cutting campaign creation time in half, but also giving them great return on their ad spend and letting them meet users in a unique moment in their commercial journey where they clearly have intent, but haven't yet decided what to buy, which is something really special about Pinterest, that in the Western world, we're the only platform that has on the single surface, in the same app, the user at every stage of the funnel.

And we pair that with our unique curation that's giving us really, really unique signals, letting us do really great things with AI, and the relevance our recommendations, as I noted, with our new multi-modal on the call, that's getting to great relevancy for users, making it so that we can give more and more commercial content from our advertisers to them. And so there's really a great flywheel effect between those things. And then as we look at that, as we noted, we focused first on our home market as we were building that out. But as we're moving into international markets, we see that same shopping and lower funnel playbook really, really working well.

So I think not only we continue to grow our user base, deepen engagement, proving that relevant ads could be great content, we're driving improved performance throughout the full funnel, now starting to move that into international markets that are approximately 80% of our users, but only roughly 20% of our revenue. So we're seeing the beginning of that. And we're bringing in new sources of demand as well. So we're making it so that we can meet advertisers where they are, both on measurement and the ability to bring in new demand.

And across all of that together, it's really creating a great shopping destination for users, a great performance ads platform for advertisers, and we're starting to take that global, all that underpinned by unique curation signal and core competency in AI that I think, again, is that durable flywheel that we've been talking about for some time, but we've continued to build upon. And I would say, while we still have a lot more in front of us than behind us, we're early innings, still on so much of this, I think we are well down the path in demonstrating just how unique the value proposition is both for users and advertisers. Hopefully, that helps.

Operator

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

Analyst: Brian Nowak

Question – Brian Nowak: Thanks for taking my questions. I have two, please. The first one on Performance+, you've made a lot of progress driving adoption of that product with some of your larger advertisers. Is there any way you can talk with us about how to think about a rough percentage lift in same advertiser spend as you sort of rolled that tool out so far? And the second one, Bill, maybe a big picture one, you continue to deliver really rapid clicks growth to your advertisers. I remember last quarter it was 90% plus growth and 100%, et cetera. What do you think is the biggest opportunity to sort of further close that gap between that rapid click growth you're selling to your advertisers versus your advertising dollar growth? Thanks.

Answer – William J. Ready: Yeah. Thanks, Brian. So in terms of how we think about the uplift from Performance+, I shared some stats on the call around the uplift and rollouts from different component. It's important to know, it's a suite of products, but we've also given the ability for advertisers to adopt a la carte. And so what we're seeing is that, those that have adopted, they're seeing really strong performance, that when paired with our measurement tools that we've rolled out, is leading to share shift and budget gains for us with those advertisers. And while we've not broken it out to say what's a percentage of lift from that, again, given that sort of advertisers can either take the whole suite or sort of choose a la carte, we are seeing quite consistently, as I noted in the 80% of the campaigns on Performance+ outperform traditional campaigns, we are feeling really good about that progress even as we still have a lot more functionality that we are building there.

So again, we feel like the progress is quite strong, but a lot more ahead as we've talked about with all these things, just think about these as sort of compounding effects that build on themselves, creating longer-term durable growth, no hockey sticks or sort of one-time external results. But these are like steady builds that just make us a better and more performant ad platform for advertising, and getting to extend more of those always-on performance budgets that tend to be much more durable. So we feel really great about those things, more to go there, but when you see things like 80% of campaigns on Performance+ outperforming, that's quite strong.

The beta test results I mentioned, 20% CPA improvements on shopping campaigns, these are things that are leading to – when you look at our growth rates overall being strong relative to the industry, these are reasons why we become a secular share taker, but we think we have a lot more runway ahead of us than behind us, both in adoption as well as in the dollar share shift.

And then to your question on the click growth, and sort of closing the gap between the click growth and the ad dollar growth, what I would say is that, we are seeing that drive spend change. The two things we've talked about pretty consistently have been getting better implementation of measurement tools. So we've called out many new partnerships, meeting advertisers where they are. I called out two new ones in my prepared remarks that, again, are just part of our ongoing effort to meet advertisers where they are, integrate into their ad systems, because even for driving them clicks, if it's not showing up in their performance measurement systems, it won't lead to the share shift as we've been driving more and more implementation of privacy-centric measurement meeting the advertisers where they are, we see that helping. There's more of that to go. And then the other is around making campaign creation easier and easier.

So we've talked about Performance+, that cutting down campaign creation time as much as 50% or more, that's making it easier and easier for the advertisers to bring new campaigns on. If you just step all the way back from it, where we only just went into GA with Performance+ late in the year last year, and direct links was a year before that. So if you look at sort of throughout 2024, we had launched direct links that was driving clicks and conversions. Then we are pushing conversion API, measurement tool integration is making so the advertisers can measure it, so then they could see the clicks and conversions. Then late in the year last year, we started to address the ease of campaign creation and optimization through Performance+.

And so those are really sort of the legs of the stool, and they've only just all come together. But even with that, you see us taking share given the unique value proposition of what we're doing for our users. So again, I think that will continue to help us demonstrate that durable growth in our business that you've been seeing from us. Hopefully, that helps.

Operator

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

Analyst: Shweta Khajuria

Question – Shweta Khajuria: Okay. Thanks a lot for taking my question. We've seen some press reports about you testing with multiple partners. Can you please give us an update on your strategy for third-party demand? Thanks a lot.

Answer – William J. Ready: Yeah. Thank you. I appreciate the question. So first thing I'd say is that, nothing about our programmatic or third-party advertising strategy has changed. We've always said that our first-party demand that comes from our internal sales force would be the primary driver of our business, and that we would seek out demand from third parties as a complement to our first-party business really to round out gaps in our auction. As such, we're instantly and constantly testing and iterating within our business to find the right sources of demand for our auction and drive greater actionability for our users.

And we've been consistent about having envisioned multiple partners. And you saw us start with some of the largest players, Amazon and Google. But there are also a number of smaller players that can bring incremental demand to the platform. In service of that, we've been testing with multiple providers to open up access, and we've decided to work with Magnite, a leading SSP, as our next partner to help us aggregate smaller sources of demand. While there have been some speculation out there, there are no additional SSPs that we plan to scale within the immediate future, but we do think this helps us to aggregate more of those sources of demand from other players through our Magnite partnership.

And I view this as a steady progression and build of the business, which is consistent with what we've outlined. So just like prior efforts, these things will take time to integrate and plan a thoughtful go-to-market launch and scale. So again, don't expect any big hockey stick moment, but it's part of the ongoing build of the business. I wouldn't think of this as immediate change in revenue trajectory of the business, but again, as part of that compounding effect of just making it easier and easier for advertisers to reach the really great commercial intent on our platform and us meeting advertisers more and more where they are.

Operator

Thank you. The next question is from Ken Gawrelski with Wells Fargo. Your line is now open.

Analyst: Kenneth J. Gawrelski

Question – Kenneth J. Gawrelski: Thank you very much for the opportunity. Could we talk a little bit about the accelerating impression growth and the associated kind of price declines on a per impression basis? I know that's a global number, and you referred to earlier some of the mix shift to international, and adding, I think, you said eight additional territories. Could you talk a little bit about what you're seeing in UCAN, kind of your most mature area and you're well developed, could you talk about the trends there, what you're seeing from an impression basis? And also maybe potentially on the price per impression basis, are you seeing, are you starting to see some pricing leverage in UCAN? Thank you very much.

Answer – Julia B. Donnelly: Hi, Ken. Yes, thanks for the question. So we've said for many quarters in a row now the dynamics that we're seeing in terms of global ad impression growth and global pricing decline is primarily driven by international mix shift. As you'll recall, last year, we began to serve ads and monetize previously unmonetized or previously under-monetized international markets. And so naturally, these international markets have lower total addressable market, and also have lower cost per impression or ECPMs on average.

So this international mix shift puts downward pressure on global pricing, but it's clearly been a positive to net revenue overall, and importantly, you're seeing that show up in the accelerating revenue trends in our Rest of World market for the last several quarters. To your question on sort of UCAN specifically, it is worth noting, if you were to look at kind of UCAN impression growth and pricing alone, it would tell a very different story, and the trends are far less pronounced, because the primary driver on a global level really is this mix shift impact due to international growth.

Operator

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

Analyst: John Blackledge

Question – John Blackledge: Great. Thanks. Just any further color on the broader macro volatility impacting ad spend, particularly with the more brand-oriented advertisers? And is the introduction of Performance+ helping drive and kind of tie together that full funnel campaign dynamic that you referenced earlier in the call? Thank you.

Answer – William J. Ready: Yeah. Thanks for the question, John. You're spot on with your question in the ability to tie together that full funnel. That's been – Pinterest has talked about that for years. But I think now that our lower funnel business has become very compelling, it's really helping us bring the promise of the full funnel to life. And I shared that stat in my prepared remarks about how advertisers that do both upper and lower funnel objectives with us see 2 times the click-through rate. This is really what CMOs have always known is that great CMOs know that the whole decision doesn't get made just in those last three seconds before the last click. It was just a thing that was most measurable.

And they knew they needed to be able to tell more of their story to differentiate their brand, to connect with customers, but that wasn't very measurable for them. With us having both the upper funnel and middle and lower funnel all in the same surface, same consumer experience, we are able to tie that together for our users and our advertisers. So the user is getting a seamless shopping experience from upper funnel inspiration all the way through to the click and the conversion, but it is exactly, as you alluded to in your question, really helping us deliver on that full funnel.

I actually think in this moment where, as we go through periods of uncertainty, if you talk to CMOs about past times of uncertainty, when they get that call from the CFO to ask them to focus their spend, of course, that would all rush to the low funnel, but then they'd feel like they had left something on the table by not being able to tell their brand story, which is how they really ultimately connect with the customers to eventually get to that last click, with what we're doing in the full funnel. We're really giving them a twofer, that they can do upper funnel and lower funnel, but then that CMO can turn to their CFO and say, see, when I did the upper funnel with the lower funnel on Pinterest, it was double the click-through rate. So my upper funnel does perform and therefore, that CMO can still tell a brand story even while driving lower funnel last click on our platform.

So, we think that is quite compelling, and I think is, again, another example of how we've been building in a way that is long-term durable, but I think even in a moment of uncertainty where we have unique offerings that we can come forward with for both our users and our advertisers.

Operator

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

Analyst: Ronald Josey

Question – Ronald Josey: Great. Thanks for taking the question. Maybe another one – two, please, and so the first one is just on advertising. Bill and Julia, we've been talking about strength in the emerging verticals for a few quarters now, actually since Analyst Day and before, and we mentioned financial services. So, I wanted to hear more about these additional verticals that Pinterest is seeing success in, maybe talk about some of the use cases and why Pinterest is a good fit for these advertisers just given the focus on retail and commerce.

And then, Julia, you highlighted in your comments, 25% of code is generated by AI. That's up 10 points in a quarter, I think you said. But would love to hear your comments on the benefits here. Is it product velocity – I mean, everything, right, but benefits around product velocity, time to market, but also cost savings as well. Thank you.

Answer – Julia B. Donnelly: Thanks, Ron. Maybe I'll take the first one just to start out here on emerging verticals. And you're right, we've called out financial services for many quarters now as one of several categories where we're seeing strong growth. Some of the others that we've mentioned over time have been technology, telecom, entertainment, which includes streaming services. So we're certainly underpenetrated in these categories with lots of room to grow.

In terms of sort of use cases, Pinterest attracts users during key life moments like wedding, starting a family, buying a car, remodeling a home. These are times when consumers are often seeking new financial services such as insurance or credit cards. This makes Pinterest an ideal platform for these advertisers who want to connect with their audience undergoing these significant life events. Advertisers also value Pinterest's insights into consumer trends and spending habits, which inform their content and messaging strategies, particularly with Gen Z users who may be selecting insurance providers or credit card issuers for the very first time.

So in summary, I think we're seeing strength in these categories and believe there's an ongoing longer-term fit for these advertisers on our platform as we demonstrate performance for some of these categories, and we're starting to see some of these advertisers really leaning in.

On your second question about 25% of code now being generated by AI, but accepted by human review, that being up 10 points versus the prior quarter, we're really pleased with this progress that we're seeing there. I think we've talked to you all many times about how AI is a core competency for our business and how we're leveraging it to power both user and engagement growth, including some of the newer visual search experiences that we talked about on the call earlier that Bill referenced and how we're doing on the ad serving stack.

But I think we're also using it internally throughout our business to help accelerate engineering velocity, and I think you're starting to see just that pace of velocity really start to improve from us over the last year. I think that's a great example of that. It's both employee productivity, including engineering velocity, but also it allows us to be thoughtful about the places we're investing in our business, and continue to be prudent as we think about those high ROI opportunities over time.

Operator

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

Analyst: Richard Greenfield

Question – Richard Greenfield: Hi. Thanks for taking the question. I was listening to a D2C marketing exec at Kitsch on the Chew on This podcast recently, and the woman was talking about ROAS across various digital platforms. And she gave some specific commentary around Pinterest from her experience and her relationships in the business. And one of the things she sort of said was that it's a long game, because when you talk about ROAS on Pinterest, it's a long game because consumers pin things and then they come back, and they do buy them, but they buy them later.

I was wondering how you react to that comment from a marketer, and how some of the changes you've been making to the product to make it easier to shop and more visible from a shopping standpoint, how that narrative may be changing or whether you disagree with it entirely. But I just would be curious how you'll react to it.

Answer – William J. Ready: Yeah. Thanks for the question, Rich. What I would say is, I think that commentary is half right. And half right in the sense that like, yes, we do see consumers coming to Pinterest when they have sort of a kernel of an idea, a beginning of an intent, but haven't yet decided what to buy, which, again, is a magic moment for the advertiser to meet that consumer. Historically, Pinterest had that, but didn't have that last click, didn't have the conversion. We absolutely are delivering the clicks and conversions now, and I've shared that. Some folks that may not have looked at them more recently or may not have adopted all of our tools or maybe were not yet integrated into their measurement solution, which is why they had so much focus on those things, that sort of illustrates a little bit of – there's an earlier question around how we bridge the delta between the extremely strong growth in clicks and conversions relative to the revenue growth.

That gets to a little bit of that, that from a user perspective, the users absolutely are clicking and buying on the platform in addition to what they used to do, which was curate sort of planning ahead. Now it is all of those things, it truly is the full funnel. But as we've noted before, we're working through an adoption cycle with our advertisers. And the largest, most sophisticated advertisers have, that's why we've talked about them coming on the most quickly because they integrate through APIs, they're the most sophisticated, they see the arbitrage very quickly. And that's where you saw our strength first. Then we talked about that in next group down in the sort of $1 billion to $30 billion in sales range is the group that we're starting to penetrate more and more with Performance+, and with our work to go meet the advertiser where they are through their measurement solutions, but we see that continuing on to more and more advertisers, doesn't make it easier and easier to engage there.

The last thing I'd say is, again, in this moment, one of the things that we are uniquely equipped to do is that, there are places, or if you're using third-party cookies, things like that, where people can see what users clicked and bought. We're able to see what users are planning to do before they do it. And in moments where you may have uncertainty, where there may be rapidly shifting consumer trends, we get insight into that well before it shows up in third-party purchasing data or those kinds of areas, and that makes us a great partner to advertisers, particularly those that are savvy enough and fleet-of-foot enough to go respond to rapidly shifting consumer demand.

So again, that's an emerging area of strength for us that's just core to how our platform is unique in the industry with truly now having that full funnel. But again, I think that commentary speaks to where we still have perception to shift, but those that have been astute and on more sophisticated got it quickly, but we've got to make it easy for everybody else to access to it. And so we're doing that work to make sure we meet them where they are. And we're well down that path, but again, a lot more of that runway ahead of us. Hopefully, that helps.

Operator

Thank you. The next question is from Doug Anmuth with JPMorgan. Your line is now open.

Analyst: Doug Anmuth

Question – Doug Anmuth: Thanks for taking the question. I just want to ask about capital allocation. You repurchased about $175 million of stock in 1Q, and I think have $1.7 billion authorized. Can you just talk about how you're thinking about capital allocation strategy currently in light of valuation, but then also the current macro backdrop as well? Thanks.

Answer – Julia B. Donnelly: Thanks, Doug. Yeah. So we noted in Q1 we did buy back $175 million of shares, as you called out. In addition, we also utilized $94 million in net share settlement of equity awards. So these two actions together combined led to a 2.2% decline in year-over-year fully diluted share count. So we're clearly more than offsetting dilution in a meaningful way here. We do have $1.7 billion remaining under our share repurchase authorization. And we have the discretion to determine the timing and amounts of any buybacks under that program, and we will use that discretion thoughtfully over a multi-year period, particularly when the stock is trading at an attractive valuation level.

Our overall capital allocation framework hasn't changed from what we laid out at our Investor Day in late 2023. We have lots of potential uses for our cash, stock buybacks, certainly being one of them that you've seen us use here multiple times to mitigate dilution. We're always looking at ways to optimize our balance sheet, preserving flexibility for opportunistic and disciplined M&A, and obviously, first foremost, investing in our product and technology innovation, as you've seen us do for many quarters now. So that overall capital allocation philosophy remains consistent with what we laid out at Investor Day.

Operator

Thank you. Our final question on today's call will be from Justin Patterson with KeyCorp. Your line is now open.

Analyst: Justin Patterson

Question – Justin Patterson: Great. Thank you very much. Bill, you've had great engagement gains over the past two years, but we're also now in a world where there's more uncertainty on how AI is impacting search. As a business that's had the intersection of search and social, could you expand a little bit more on how visual search and other product initiatives can keep that engagement going? Thank you.

Answer – William J. Ready: Yeah. Thanks for the question. We think we have a really unique space in this because, yes, we're at this intersection between not only social and search, but also commerce as well. And I shared on the call, I've talked about this extensively since I joined the company that the curation signal at Pinterest just gives us really, really unique signal to do something very different with the AI. I've long had the view that AI, just like cloud compute, would become basically building blocks available to everyone. But then, AI thrives on feedback loops, and so who has unique feedback loops in their business to do something special with it. The really, really unique feedback loop that Pinterest has that, again, I don't believe exist any place else in the Western world, is users curating their purchases before they make the purchase, and doing that in a purely visual format gives us really, really rich signal.

So when I shared on the call that our multimodal model that powers our visual search is 30% more likely to identify and recommend relevant content from our corpus than leading off-the-shelf models, that is both a great credit to the fact that AI is a core competency, and we've got some amazing AI engineers at Pinterest, but it's also about that curation signal that we get. So there's also, I think, a broader discussion of a group of sort of very large general purpose models. But then also, you're seeing now more fit-for-purpose models that can be smaller, focused, and solve individual use cases better than the general purpose model. And I think this, again, is an example of that. But at the core of your question of how do we compete, if you look at search generally, search has been fragmenting for quite some time and federating for quite some time.

And while you still have some amazing players that are thriving and doing well in the sort of general purpose search arena, there's also been great growth in those that are going after specific areas of that. And so I think, with Pinterest, our focus on purely visual, our commercial intent, the unique curation, again, I think as a user experience, that doesn't exist elsewhere. And we talked about 85% of our users come to our mobile app directly. They're all signed – all of our MAUs are signed in users. So we have history and intent in curation and rich signal that, again, I think, is a durable advantage for us in terms of what experiences we're able to deliver versus other experiences that don't have that or more focused on general purpose. And again, I think there's so much growth here that many can thrive. We're not in the game of general-purpose search.

But I think, in our use case, which I think applies across many categories, shopping has been our first category, we've talked about other emerging verticals that are very visual as well where this can be highly applicable also. So I think that is allowing us to bring more and more adjacencies in. And again, even as you've seen great innovation across the industry, I think the best comfort I could offer you around this is, even as you've had amazing general-purpose chat-bots, great advances in search at large, we are putting up all-time highs in users, all-time highs in depths of engagement as reported in our 10-K. And again, I think, that is reflective of that really unique curation behavior of our users and what that allows us to uniquely do with AI based on that signal that we just couldn't do with the very best off-the-shelf models.

Operator

Thank you. That concludes our Q&A session. I'll hand the call back over to Bill Ready, CEO, for closing remarks.

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

Operator

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