

# MANAGEMENT DISCUSSION SECTION

## Operator

My name is Matt, and I'll be the moderator for today's call. All lines will be muted during this presentation portion of the call, with an opportunity for questions and answers at the end.

I'll now like to pass the conference over to our host, Andrew Somberg, VP of Investor Relations and Treasury. Andrew, please go ahead.

## Andrew Somberg

Good afternoon, and thank you for joining us. Welcome to Pinterest's Earnings Call for the Second Quarter Ended June 30, 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](https://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 Q3 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 second quarter 2025 earnings call. Over the past three years, we have made meaningful progress in transforming our product and business to take advantage of the full potential of Pinterest. This means seamlessly enabling our users to have dynamic, multi-session journeys that take them from inspiration to action, while allowing advertisers to connect with the user across the funnel and ultimately drive performance outcomes.

In order to do this, we're leveraging AI tuned on our unique curation signals to deliver increasingly relevant and personalized content. This drives further curation behavior, which provides us with even greater first-party signal for ever-improving actionability across our app, all while distinguishing ourselves as a place for positivity and belonging.

As a result, Pinterest is resonating with our users more than ever before, and we have found our strongest-ever product market fit. It's abundantly clear that Pinterest is an AI winner. We've never been more popular or valued by our users and more performant for our advertisers. Our Q2 results clearly showcased that our increased product velocity, combined with our consistent execution against our multiple ways to win, is leading to durable growth.

We ended the quarter of 578 million MAUs, an 11% increase year-over-year, marking yet another quarter of record high users. At the same time, we generated Q2 revenue of \$998 million, up 17% year-over-year as we continue to be a vital partner for advertisers across a range of verticals seeking to reach our leaned-in users. Our consistent performance and ability to take market share demonstrate the effectiveness of our long-term strategy and laser focus on delivering value for our users and advertisers.

Pinterest has been at the forefront of visual search and has helped create an entirely new way in which users discover, explore their tastes, and ultimately shop. As we have significantly improved the relevance and personalization of our content using AI, we've become a destination for our users to explore their expansive set of commercial journeys.

As I've shared before, 100% of our reported monthly active users are logged in and approximately 85% come to our mobile app directly. They are coming for new types of purely visual search experiences, particularly in moments where a user may not have the words to precisely describe what they're looking for, or will know it when they see it.

The visual nature of our platform is particularly attractive to Gen Z, who's been raised on an internet of visual content and thus seeks out information differently than other generations. Pinterest offers the ability to visually explore in a more focused way that is distinct from other discovery platforms that are more entertainment-driven rather than intent-driven.

Today, our platform is resonating with Gen Z more than ever. I'm excited to share that over 50% of our monthly active users are Gen Z, which speaks to the fact that we've built a platform that is deeply resonating with the next generation of users and shoppers who are influential tastemakers, content creators, and a lucrative audience for advertisers to reach.

We see that our users, including Gen Z, value our platform for a number of use cases. Specifically, the visual nature of our platform lends itself well to use cases, including fashion, apparel, beauty, food, beverage, and home decor, which are some of the core use cases on Pinterest. While those categories

continue to be strong, we find that users across demographic groups leverage Pinterest for a broad range of moments in their lives.

At the same time, we're continuing to broaden our audience across generations and gender. For example, we're seeing our male users come to Pinterest for searches like rock climbing aesthetic, which are up 95% year-over-year. Whether it be a college student searching for their next winter break travel destination, a new mom looking for parenting tips, or even actor Patrick Schwarzenegger creating boards to immerse himself in the characters he's playing on screen, there's something on Pinterest for everyone.

As users come to Pinterest for a wide set of use cases to enrich their lives, we gain rich first-party human curation signal at large scale as they find inspiration, curate their tastes, make product associations, and ultimately take action. This proprietary signal is powerful for multiple reasons. First, as I just noted, all of our MAUs are logged in, with most coming directly to our mobile app. This means our users express their intent to us directly through what they search, click, or save to a board.

Next, our signal comes from the hundreds of millions of users actively curating through boards and collages over their multi-session journeys. Together, this network of many billions of associations between Pins, searches, boards, products, and users on our platform comprise our valuable Taste Graph, a signal that we believe to be unique in the Western world that allows us to make highly relevant recommendations. And the more we've doubled down on curation through improved board functionality and new content formats like collages, the more dense our Taste Graph has become.

In fact, as I've mentioned in previous quarters, our Taste Graph has grown over 75% over the last two years. And finally, because so much planning and saving activity happens on Pinterest, which is often a leading indicator of purchase intent, our signal provides valuable forward-looking insight. As a result, while some platforms may provide a year-in-review recap of what consumers have already done, our data allows us to uniquely publish an annual report called Pinterest Predicts, where we share what is not yet trending, but very likely will be in the year ahead, based on what users are planning and curating today for purchases in the future. And given the strength of our data, over the last five years, 80% of our predictions have come true.

The signal we garner from user activity is the basis of our leading-edge AI recommendation systems, which we use to identify and surface personalized and helpful content to our users. AI is a core competency at Pinterest and is deeply integrated across virtually all facets of our business. With our world-class engineering talent and large data corpus, we've developed our own proprietary AI foundational models for use cases that are uniquely applicable to the visual nature of Pinterest.

For example, last quarter I talked about the launch of our multimodal AI model, powering our new visual search experience, currently live for women's fashion. This new user flow allows users, for the first time, to search and refine their tastes with both image and text inputs on our platform. Our proprietary in-house built multimodal AI model that powers this visual search experience and is trained on our unique data set is 30% more likely to identify and recommend relevant content from our corpus than leading off-the-shelf models.

Building off this momentum, this quarter we launched a proprietary generative retrieval model on our search and related surfaces to drive further improvements to personalization across the platform for our users. This model, built completely in-house, is utilized within the early stages of our content recommendation system and is trained on past user activity across all our surfaces and our Taste Graph of how users associate our corpus of tens of billions of Pins together to generate an initial set of potential Pins to show a user.

Due to the sophistication of this model and the breadth of content and activity it's trained on, it can recommend more relevant and deeply personalized content for our users, while also balancing the distribution of fresh content, given it is more effective at predicting what a user might like to see.

Another example of how we integrate AI to enhance the relevance of the content we serve our users is through the use of large language models in our search recommendation algorithm. Leveraging LLMs in this capacity, we can ingest complex and conversational search queries, converting them into a format that our models can easily understand and process more effectively, thus leading to better content recommendations for our users.

Our investments in driving deeper relevance and personalization for our users has led to cumulative gains across the business. Notably, we observed a 230 basis point lift in our search fulfillment rate year-to-date, meaning we're connecting users with more of what they're looking for when they're searching on Pinterest.

Over the past three years, improvements to relevance and actionability have been at the core of our business transformation. The compounding impacts of leveraging our rich first-party signal within our AI to drive relevance, combined with our efforts to make it easier for our users to search, save, and shop, is reflected in our all-time record users, including the outsized strength in Gen Z I described earlier.

As we've improved actionability, we've driven increased value for our users, and we're seeing a greater proportion of our users take action. This is important because the deeper a user engages with the platform, the more likely they are to be retained, and the more effectively we're able to monetize. We see this particularly clearly in our UCAN region, where we've driven the most significant improvement to actionability across the platform.

In UCAN, the retention rate of users who take action, like a search or save, is notably higher than those who engage only in view-based behavior. That retention rate increases even further as a user moves down the funnel and engages in outbound click behavior, and we see a similar pattern in monetization, where users who take action drive significantly more revenue than those who do not.

We're helping advertisers capture this lower funnel intent on our platform by significantly improving our ads relevancy, as well as building the foundational components of a performance ads platform with tools like Mobile Deep Links, Direct Links, and Pinterest Performance+. This has created highly relevant shopping recommendations paired with seamless buying experiences, particularly benefiting our retail and e-commerce advertisers.

We are also leveraging AI to continually improve the overall personalization and efficiency of the ads we show users. These always-on efforts are resulting in higher click-through and conversion rates as we

optimize our AI models to better understand our users' tastes and style. For example, in Q2, we significantly improved the performance of our large-scale conversion models by incorporating more sequences of signals about a user's commercial journey on the platform. By strengthening our training data in this way, we can more accurately predict ads that resonate with our users. In our early A/B tests, this launch drove a 5% increase in conversion rates for ads on our lowest funnel oCPM bid type.

And while we've made tremendous strides in improving relevance and actionability for our users, we see continued runway ahead as we enable new seamless shopping experiences across various categories across our platform. Take food and beverage, for instance, which is an endemic and often daily or weekly use case on Pinterest for users looking for inspiration for recipes, meals, or events.

Historically, we lacked the functionality to help users take action on the products they'd want to buy in this category. To address this, in Q2 we announced a strategic partnership with Instacart. Through this collaboration, Pinterest ads will soon become directly shoppable via Instacart, allowing users to complete a purchase in just a few clicks.

Practically, this means we can make a recommendation to a user for a great cocktail recipe based on our knowledge of their taste, and the user can immediately order the necessary ingredients for delivery to their door. This provides CPG advertisers with a powerful, performance-driven, and actual way to connect with Pinterest users. The partnership also empowers brands advertising on Pinterest to leverage Instacart's rich, first-party retail purchase data to effectively reach high-intent shoppers.

We also anticipate rolling out additional add to cart and buying functionality for CPG advertisers in the coming months, which will further enable products to be purchased directly on partner retailer websites. At the same time, we are continually innovating on our AI-powered Pinterest Performance+ suite to drive greater efficiency for advertisers after our initial launch in Q4 2024.

In Q2, we entered beta testing for Pinterest Performance+ Creative Preview, which allows advertisers to preview modifications made by our creative tools, including generative backgrounds and image resizing, directly within the campaign setup flow. They can also easily regenerate any Pins that they wish to change. This helps advertisers maintain control over the creative generation process to ensure the content aligns with their brand, while improving transparency and building confidence with the product.

In the second quarter, we also launched our campaign customer groups data within Pinterest Performance+ Campaigns. This new functionality allows advertisers to combine their audience data with Pinterest data, while utilizing AI trained on our unique signal of user tastes and preferences. This offers advertisers further granularity over their campaign setup to align with their business goals and drive incrementality, for example, by bidding more to reach new customers.

Finally, we continue to complement our robust first-party sales efforts with a diversified partner strategy. This approach aims to capture additional sources of demand, ultimately improving auction density, and further enhancing the relevance of our ad demand. This includes integrations with partners like Smartly, an AI-powered platform assisting e-commerce advertisers in campaign management and optimization.

We are also investing in our relationships with agencies, whom we view as vital partners within the ads ecosystem, and actively leveraging other complementary demand sources, including international resellers and third-party demand partnerships.

Through countless discussions that I have had directly with the CEOs and CMOs of our top advertisers, I am more convinced than ever that Pinterest is offering unique value as a platform within the ads ecosystem. Advertisers are increasingly recognizing our speed of execution and our consistent ability to deliver on promises with differentiated, data-driven insights, and expanding global scale. More than ever before, advertisers now view Pinterest as a powerful search platform, capable of driving significant lower funnel performance.

Lastly, our fundamental ethos of positivity and belonging continues to be a critical differentiator for our platform. This ethos of positivity has also cemented us as a platform for self-expression in the broader cultural zeitgeist, and has attracted creators who wish to align themselves with our messaging and uplifting content.

For example, we teamed up with Emma Chamberlain, a popular Gen Z influencer and Pinterest Power user, to launch our first ever co-branded global product with her brand, Chamberlain Coffee, whose packaging and branding was inspired by the Fisherman Aesthetic 2025 Pinterest Predicts trend. We prioritized maintaining our inspirational platform and unwavering commitment to positivity and brand safety, which is upheld through policies such as private-by-default settings for users under 18 and supporting focus during class time.

We also continue to invest heavily in our inclusive AI tools that help users see themselves represented in the content they interact with on Pinterest. I'm incredibly proud that our advertising partner, Dove, recently won the Cannes Lions Media Grand Prix for their Real Beauty Redefined for the AI Era campaign, which ran exclusively on Pinterest and leveraged our inclusive AI tools and data insights. Overall, I'm proud of our team's sustained execution and commitment to delivering for our users and advertisers.

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 second quarter 2025 financial results and provide an update on our preliminary third 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.

As evident by our results this quarter, we're continuing to execute on our multiple ways to win, which are growing users, deepening engagement while simultaneously increasing ad load with relevant ads as content, driving performance for advertisers with lower funnel product innovations, and complementing our first-party business with new sources of demand. In doing so, we're taking share in a competitive, but growing end market by building a strong business with sustainable revenue growth, profitability, and free cash flow generation.

We're seeing record high users, driven by our efforts to improve the relevance and personalization of the content we show our users through incorporating AI deeply throughout our product. At the same time, we're also seeing continued revenue growth from our efforts to drive greater performance through AI-driven ad stack improvements and automation, along with deeper actionability through our lower funnel ad formats.

The compounding effects of these initiatives, combined with our consistent execution, has resulted in a more resilient business than ever before, and there's certainly more to go as we continue to execute on our strategy.

Now, let's move to our second quarter results. We ended the quarter with 578 million global monthly active users, or MAUs, growing 11%, with another quarter of record high users. We continue to demonstrate user growth across all of our geographic regions. In Q2, our US and Canada region had 102 million MAUs, growing 5%. Our Europe region had 146 million MAUs, growing 7%. And in the Rest of World markets, we had 329 million MAUs, growing 14%.

Shifting to revenue. In Q2, our global revenue was \$998 million, up 17% on a reported and constant currency basis. We saw strength across our conversion and awareness objectives. From a vertical perspective, we continue to see strength across our retail vertical as well as in financial services.

Turning to our geographical breakouts for Q2. In the US and Canada, we generated \$745 million in revenue, growing 11%. Strength came from retail and financial services. In Europe, revenue was \$191 million, growing 34% on a reported basis or 29% on a constant currency basis. Strength in Europe was driven by retail. Revenue from Rest of World was \$63 million, growing 65% on a reported basis or 72% on a constant currency basis.

In Q2, ad impressions grew 55%. As a reminder, the number of ad impressions on our platform is a factor of both the number of total impressions on our platform, whether paid or organic, as well as the percentage of those impressions that represent ads or ad load. This quarter marks the 12th consecutive quarter since the middle of 2022, with our ad impressions growth being driven synergistically by both total impressions and ad load.

At the same time, ad pricing in Q2 declined 25% year-over-year. The primary driver of the sequential acceleration in ad impressions and corresponding decline in ad pricing continues to be the growing mix shift from ad impressions in previously unmonetized or under-monetized international markets, which carry lower ad pricing than our more mature markets.

Moving to expenses. In Q2, cost of revenue was \$197 million, up 10% year-over-year and up 2% versus Q1 due to increased infrastructure spend related to users and engagement growth. Our non-GAAP operating expense was \$555 million, up 14%. The increase was due to increases in sales and marketing and R&D, as we continue to invest in teams across AI and other product initiatives, as well as enterprise sales and support.

Our revenue outperformance, combined with ongoing cost discipline, led to another strong quarter of adjusted EBITDA, coming in at \$251 million. This resulted in an adjusted EBITDA margin of 25%, an increase of approximately 310 basis points versus Q2 last year, which exceeded our expectations and was

driven by the incremental flow-through from the revenue outperformance. We also delivered Q2 free cash flow of \$197 million. We ended the quarter with cash, cash equivalents, and marketable securities of \$2.7 billion.

In Q2, we allocated \$106 million toward net share settlement of equity awards and \$53 million toward share repurchases as part of our ongoing efforts to mitigate dilution. These dilution mitigation efforts have driven a 1% decline in year-over-year fully diluted share count versus Q2 2024, which compares favorably to our stated positive 2% to 3% average annual target.

Now, we'll discuss our preliminary guidance for the third quarter. We expect Q3 revenue to be in the range of \$1.033 billion to \$1.053 billion, representing 15% to 17% growth year-over-year. Our guidance assumes the impact of foreign exchange to be approximately 1 point of tailwind based on current spot rates.

Moving down the P&L, we expect Q3 2025 adjusted EBITDA to be in the range of \$282 million to \$302 million. We anticipate Q3 2025 year-over-year leverage on non-GAAP cost of revenue to be approximately half of what we delivered in Q2 2025. Within Q3 non-GAAP operating expense, our primary area of investment will continue to be head count growth within R&D to support our efforts in AI and other product initiatives as well as our global enterprise sales team.

Looking ahead, we expect to deliver adjusted EBITDA margin expansion in the second half of 2025, though the level of expansion will be lower than the more elevated expansion we delivered in the first half of 2025 as we continue to invest in revenue driving initiatives.

In closing, I'm proud of our team for yet another strong quarter of results as we execute against our strategic plans. We are delivering for our users and advertisers, while our multiple ways to win are driving durable revenue 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**

First question is from the line of Ron Josey with Citigroup. Your line is now open.

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**Analyst:**Ronald Josey



**Question – Ronald Josey:** All right. Thanks for taking the question. Bill, I wanted to ask a little bit more on just overall usage trends. With Gen Z being 50% of users today, I would love to hear just how usage overall on Pins has changed just given the changing demographic. I know we talked about newer verticals last quarter, and you mentioned that today.

And then maybe a bigger picture, and this gets into the Gen Z maybe comment, just given changing search habits, we're hearing more and more users are starting their search directly on Pinterest. And so, just wanted to hear more about the opportunity here as Pins gets more direct traffic and particularly younger direct traffic. Thank you.

**Answer – William J. Ready:** Thanks, Ron. Yes. As you know, user growth overall has been a real bright spot for us, and we're growing across all geographies and generations that we track. And we're increasingly relevant with the next generation, particularly with Gen Z now accounting for over 50% of our MAUs, followed by Millennials who are our second fastest.

And to your point on Gen Z coming to Pinterest to search, Adobe put out a study recently that Gen Z views Pinterest as a search destination. They found that 39% of study participants have used Pinterest as a search engine, and that was 47% for Gen Z. And so, over 70% of those users say the top reason they use Pinterest as a search engine is because it's visually appealing. So, what we've done around visual search using curation paired with AI to make really, really relevant recommendations where users say, Pinterest just gets me, it's helping them in entirely new forms of search that are both a mix of discovery based on deep knowledge or taste, but then their ability to really easily refine that taste in a purely visual manner.

So, while we see that resonating the most with Gen Z, that is working across our platform globally. It is working on our platform across demographics, across generations. And so, that's part of why you see our growth both in U.S., in Europe, and in Rest of World, strong growth numbers across all of those because that is working globally. But that AI paired with our unique curation signal on the platform is leading users to a place that's saying, well, Pinterest just gets me. And we think we've got a lot more that we can do there as we continue to do more and more with AI, and as we are increasingly a destination with 100% of our users being logged in, and 85% coming to our mobile app directly. So, we're a destination for these things. Users are seeking us out. And we think there's a lot of continued opportunity to build upon that.

## **Operator**

Thank you for your question. Next question is from the line of Eric Sheridan with Goldman Sachs. Your line is now open.

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**Analyst:** Eric J. Sheridan

**Question – Eric J. Sheridan:** Thanks so much for taking the questions. Bill, there's been a lot of volatility year-to-date in the broader macro environment. How would you characterize the current demand state for digital ads broadly? And how are you thinking about the potential for volatility in either direction or nuance around budgets as we progress deeper into the year? Thanks.

**Answer – William J. Ready:** Thanks, Eric. Just broadly speaking, I'd say, as you look at our over-delivery on revenue in Q2, we saw a bit more constructive environment than what we had expected and many others expected at the time of our last call. But I'll turn it over to Julia to give some more insights and thoughts as to how we're seeing that going forward.

**Answer – Julia B. Donnelly:** Yeah. Thanks, Eric. So, I guess, for Q2, we saw areas that have been strong for several quarters now for us, such as retail and financial services, continue to be sources of strength. And as Bill alluded to in his prepared remarks, we're also seeing continued gains through our investments in AI, which are driving user and engagement growth, as well as compounding benefits from improvements to our ad tech stack, as evidenced by outbound click growth and efficiency improvements for advertisers.

So, while the tariff impact was certainly smaller than we anticipated in Q2, we did still see some impact affecting our UCAN region. For example, Asia-based e-commerce retailers pulled back spend in the US tied to the change in the de minimis exemption. But partially offsetting this headwind, we also continued to see really exciting ongoing geographic diversification from some of these and other retailers to our European and Rest of World regions.

So, outside of UCAN in our international markets, we saw a nice acceleration in Q2, both on a reported and constant currency basis in Europe and Rest of World. Europe, this was really driven by strength in retail, as we continue to expand our lower funnel and shopping playbooks to those markets. While in our Rest of World region, we saw strength coming from our own first-party sales force, plus contribution from resellers as they continue to ramp, which is consistent with our kind of multipronged strategy to accelerate monetization in this region.

So, overall, a very strong Q2, and we see that continuing into Q3. You asked a little bit about sort of ad environment. Again, I'd say, as we talk to advertisers about Q3, we do hear that some of that tariff-related and broader market uncertainty has continued into how they're thinking about spend for Q3, though this varies by advertiser. And again, it's definitely a relatively more constructive environment than feared. So, we're trying to provide an outlook for Q3 that is responsive to that overall environment, and we'll have to see how the broader market backdrop plays out.

Stepping back, though, we're guiding to a revenue range that is similar to the 17% growth we just delivered in Q2. So, we think the consistency of our revenue growth year-to-date really highlights the resilience of our business and, more importantly, the durability of our many revenue growth drivers as we're continuing to execute on our strategy.

## **Operator**

Thank you for your question. Next question is from the line of Doug Anmuth with JPMorgan. Your line is now open.

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**Analyst:** Doug Anmuth

**Question – Doug Anmuth:** Thanks for taking the question. Bill, I wanted to ask about Performance+ adoption. You rolled out ROAS bidding in GA in March and then also gave advertisers the ability to bring in audience data in 2Q. Can you just talk about how those initiatives are trending so far and then what else may be in the pipeline for Performance+? Thanks.

**Answer – William J. Ready:** Thanks, Doug. We're really pleased with what we're seeing on the rollout of Performance+. So, we've seen notable early adoption from mid-market advertisers. Since the end of last year, the percentage of lower funnel revenue flowing through Pinterest Performance+ campaigns has more than doubled. And so, we've consistently talked about how we see that as a multi-quarter, multi-year cycle, but we feel really good about the adoption and the performance there. And we're continuing to bring the best offerings for bidding, targeting, budgeting, and creative to advertisers.

As you noted, we launched ROAS bidding in Q1. In Q2, we launched the P+ Creative Previews and Campaign customer groups. And so, our goal with Performance+ was to expand our reach beyond the largest retailers. And we're seeing it do exactly that, that Performance+ gives advertisers their preferred level of control. And it's also getting us more into that mid-market, more into some of that \$1 billion to \$30 billion segment.

And even as we go a little bit further in small business, we're seeing some early signs there because Pinterest Performance+ is making it much easier for advertisers to come on the platform. I spoke before about how it's cutting campaign creation time in half. And there we're seeing a lower cost per action. So, we continue to see all those things playing out nicely; and again, driving what we think will be a multi-quarter, multi-year adoption cycle on not just the existing features, but as we continue to round out the feature set there.

## **Operator**

Thank you for your question. Next question is from the line of Justin Patterson with KeyCorp. Your line is now open.

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**Analyst:** Justin Patterson

**Question – Justin Patterson:** Great. Thank you. Bill, there's been a lot of talk about just how agentic AI is changing the search funnel. I'd love to hear you expand around just some of the investments you're making to really succeed in this new era and how long you think it'll be before you see some benefits there. Thank you.

**Answer – William J. Ready:** Yeah. Thanks, Justin. First, I'd say that, as we've entered sort of this Cambrian moment of a lot of new AI-driven experiences and people thinking about searching in new ways, Pinterest is an AI winner in that. Through that moment, Pinterest is more popular than ever as we're driving record highs in users, winning with the next generation, deepening engagement per user. And at the core of that is that we've really made AI central to everything that we're doing.

While we don't talk about it this way, Pinterest has effectively become an AI-enabled shopping assistant. And we don't talk about it that way, because it's not how our users think of it. But when users say things like, Pinterest just gets me, it's because they can open the app and the app's going to make recommendations to them proactively on things that they're really interested in, that align with their taste and their style, the way that a really great personal shopping assistant would.

And we think there's a lot more to go in that and that we think we have something really unique around our curation signal that doesn't just let us understand the taste for that user individually, but when they curate and associate products, it just gives us a completely unique signal for us to show the next user that may start with just a very small signal of even just one of those products that we can then recommend what else might go with that.

And not just the obvious things like you bought your first-ever bag of dog food, and so here's a dog collar. Those are pretty obvious. But things that will say, well, if you're into this kind of beauty product, you might be into these kinds of sort of yoga apparel or those kinds of things, and really unique associations that are going to resonate with that user.

And to your question on agentic, I think this notion of an agent just going and buying all the things for you without you doing anything, I think that's going to be a very, very long cycle for that to play out, both in terms of how the users think about it, where the users aren't going to be ready to just let something go run off and do everything for them, save for maybe some very utilitarian journeys. But if we look at what's happening on our platform already, we're able to take the user much further down that shopping journey assisting them.

As I mentioned with the relevance of our recommendations, that's effectively taking the user much further down the shopping journey without them having to do the work. And so, we see really great early signs of that. And we think there's a lot more that we're going to be able to do there that we will focus on in a very user-centric way that meets the user where they are, but with AI and LLMs and agentic capabilities deeply embedded in the way that we're doing that.

So again, through all of that, as we're going through this Cambrian moment, Pinterest is more popular than ever, and it's because, again, we've made Pinterest into an AI winner and really made it a core competency, both based on what we're able to do through our engineering, but importantly, the completely unique curation signal that we have on our platform. Hope that's helpful.

## **Operator**

Thank you for your question. Next question is from the line of Mark Shmulik with Bernstein Societe Generale Group. Your line is now open.

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**Analyst:** Mark Shmulik

**Question – Mark Shmulik:** Yes. Thanks. Julia, we've seen strong acceleration in kind of the international business the last few quarters. Can you perhaps help us dimensionalize kind of what's driving that

strength between just overall stronger market dynamics and what Pinterest is doing to, perhaps, close the monetization gap there?

And then, Bill, just to follow up on kind of the search question from earlier, I appreciate the color on the traction with visual search. I think the last data point we have on search query volume was from the Analyst Day, but is it reasonable to assume that search volume is kind of growing alongside this changing user mix with more Gen Z users? Thank you.

**Answer – Julia B. Donnelly:** Great. Thanks, Mark. I'll take your first one on international. So, we still think that international is a huge opportunity for us in the medium to long term. In Q2, as you noted, we're pleased with the acceleration we're seeing in our international regions. And we're starting to see that over the last couple of quarters, we are beginning to narrow the gap between UCAN and international ARPU.

There's obviously a lot more room to go to further narrow that gap over a multiyear period, but we think that early proof points in Europe, with retail in particular, demonstrate that the success we've seen with lower funnel and performance ad budgets in UCAN can translate well to large markets abroad with the right focus and execution.

As a reminder, the monetization and go-to-market approach does vary country-by-country, internationally. So in Western Europe, it's primarily our first-party sales team, whereas when you get to longer tail international markets, which tend to be in the Rest of World region as we report them, it's really a mix of our first-party sales force, reseller partners, which we've been continuing to ramp, and then third-party ad demand through our Google partnership as well. So, these markets are overall sort of lower TAM and have ad impressions with lower eCPM in general.

And so, you're starting to see that affect our overall pricing trends. However, they're really clearly net revenue accretive. And you can see that in the accelerating growth rates really for the past several quarters, in particular this quarter. So, it represents a large opportunity for us going forward as we start to break into and grow more meaningful share in these markets.

**Answer – William J. Ready:** Yeah. And on second part of your question, Mark, around visual search and search volume, a couple things that we've commented on. First, as you look at us hitting record levels of users, we continue to see the general trend of deepening engagement per user. And as I've commented on past calls, also it continues to be the case that at the core of that deepening engagement per user is actionability, which is intent-driven experiences. And those intent-driven experiences tend to be search-type experiences.

A general way to think about it that we've talked about before is that our platform in terms of user interaction is approximately one-third home feed and then two-thirds search and related. That two-thirds of search and related is sort of a more purely visual form of search. And even the home feed increasingly we see as continuation of search journey. So, it really is a case that the entire platform has become a new way that people think about searching, in a way where it is more proactive, it is more contiguous across sessions, it is more personalized, it is more visual.

And again, that deepening engagement per user, the resonance with Gen Z, it really is, at the core of that, helping them go satisfy intent, which is the kind of thing that is effectively a search-type experience, but

we're delivering that for them in entirely new ways. So, we continue to feel really great about the progress there. And again, expect there's a lot more we can do.

## **Operator**

Thank you for your question. Next question is from the line of Ross Sandler with Barclays. Your line is now open.

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**Analyst:** Ross Sandler

**Question – Ross Sandler:** Great. Julia, could you talk about your investment priorities for the second half of this year? The pace of margin improvement still up, but it's coming down a bit, as you noted. So, how should we think about that? And then, Bill, could you just elaborate a little bit on this new Instacart partnership? Sounds like you're integrating some of their shopping data to make CPG ads more targeted on Pinterest. Could you just kind of double-click into that? And was there an off Pinterest component involved as well? Thank you.

**Answer – Julia B. Donnelly:** Great. So, Ross, thank you for the question. I'll take the first one on margins. So, I would say, in Q2, we had exceptionally strong revenue performance, so the flow-through of that led to outsized adjusted EBITDA margin expansion. And then, for the second half, we talked about in the prepared remarks that we're expecting adjusted EBITDA margin expansion again, but just at a lower level than the elevated expansion than in the first half. But maybe just to give a little bit more color on sort of the areas that we're investing in and how we're seeing that play out.

So, we're already starting to see the pacing of investments showing up in our expense line. So, our planned investments in R&D are targeted at high-value areas that enhance our products, both for users and advertisers. As we look back over the last 18 months, it's just incredibly clear that we've seen really nice near-term returns from where we focused these investments, particularly within AI to improve relevance and personalization, like Bill was talking about a little bit earlier, leveraging our unique first-party signal and technology through LLMs to strengthen our search recommendation algorithms, and creating new visual experiences, like visual search through our proprietary multimodal model.

So as we've rounded out the ad tech stack, we're also seeing early revenue momentum in Europe and Rest of World, also in kind of these emerging verticals like financial services that we've continued to call out for the last few quarters here and across the lower funnel. So, as a result, we want to invest in our sales capacity to further lean into that growth that we're starting to see and the larger opportunity that we have ahead of us there.

So to that end, after a period of more aggressive margin expansion in 2024, since the start of this year, we've added new sales leaders who are continuing to elevate their teams and add new talent, particularly in our UCAN and Europe enterprise sales teams. Alongside this, we're also investing in the growth of our sales enablement support teams, bringing in more technical sales talent to support our increased focus on lower funnel and performance-based campaigns.

So tying that all together, as a result, we still expect margin expansion in full year 2025, though at a more modest level than the outsized amount we delivered in 2024, and this is all kind of generally consistent with our prior margin outlook commentary provided on previous earnings calls as well.

**Answer – William J. Ready:** And on the second part of your question, Ross, around the Instacart partnership we're quite excited about that. As I've consistently talked about actionability and bringing actionability into the platform has been really core to the revitalization of Pinterest over the last three years. And we started with core retail and shopping categories, but food and beverage has been one of those categories that is endemic to our platform, but where actionability was still relatively low.

And the partnership with Instacart will allow us to do things like, as people are looking at, say, a recipe on the platform, immediately go order the ingredients for that recipe to have it delivered to their door. And the way that will work, consistent with what we've done in retail, is seamless handoffs to the place that you're buying. You've seen us with Mobile Deep Linking and those kinds of things make it so that, as you find the product that you want, we create a really seamless handoff to the place to go buy it. And we're taking that over to the place for you to go buy those things.

So, as I mentioned, we'll have multiple of these ways that we'll continue to bring actionability in the platform. And consistent with what we've done with Direct Links, Mobile Deep Linking, we'll consistently look for ways that we create really seamless handoffs into the places to go buy those things. Sometimes that will be in our app or a really seamless handoff into the retailer to buy from. But again, quite excited to bring that actionability into food and beverage, which is a large endemic category for us.

## **Operator**

Thank you for your question. Next question is from the line of Brian Nowak with Morgan Stanley. Your line is now open.

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**Analyst:** Brian Nowak

**Question – Brian Nowak:** Thanks for taking my question. I wanted to ask one about sort of forward advertising growth. I mean, you guys have made a lot of improvements to the platform, and you talked a lot about compounding gains over the last nine months or so, using GPU and machine learning. When other platforms have done that, we've sort of seen a big step in growth and acceleration. Is that an incorrect analog to be sort of applying to Pinterest? As you sort of look at the ad revenue that you're delivering, is there a constraint to how much the business can accelerate that, perhaps, we externally don't understand? Just trying to think about the path of forward revenue growth in the back half and into next year.

**Answer – William J. Ready:** Yeah, thanks for the question, Brian. I think I've been very, very consistent on this, as saying that think of these things as long-term compounding initiatives. And I don't know how many more ways I can say no hockey stick, no step function, because these things – as we're building the performance ad platform, these all have compounding benefit. And so, we're pretty consistently delivering above the rate of the market growth overall, and we feel really good about that.

We've really turned the platform into a performance advertising platform over the last few years and have increasingly broken into those always-on performance budgets, really taking share, growing above the rate of the market overall. And we have continued to consistently deliver on that very much in line with the expectations we set at our Investor Day, delivering above the high end of our guidance range.

And so, we feel really good about the way that we're delivering there. And we don't see any structural limitations to that. We're a small player in the market, but we're a small player in the market that's growing faster than the market and increasingly relevant in more use cases with more advertisers as we work our way from the largest advertisers down to sort of the mid-market on down. And I think there's a lot of room for growth ahead.

And those things I talked about for Pinterest Performance+, that's really starting to pick up resonance with that mid-market group as we go into a new range of advertisers that we hadn't been as available to previously. We're seeing that pick up nicely. You're seeing the international pick up nicely. So, those are all the levers of growth that we laid out in our multiple ways to win back at our Investor Day. And we're executing on those and delivering in the ranges that we've talked about consistently on how we would do that. We've also been very consistent that we don't see those as step functions, but instead as like long-term compounding benefits of a true performance ad platform. Hopefully, that's helpful.

## **Operator**

Thank you for your question. Next question is from the line of Anthony Post with Bank of America. Your line is now open.

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**Analyst:** Justin Post

**Question – Justin Post:** Great. Thanks. A couple of things. Definitely, the functionality of the site's improving. And you mentioned men in your prepared remarks, but are you seeing more men get on the site? And could there be further breakthroughs there to really expand the audience over time? How you're thinking about that? And then, I guess, some other sites had a real big acceleration intra-quarter. But you mentioned less variability, but more durability. Could you maybe explain why your auctions could be a little different than other sites out there and why you could be more durable over time? Thank you.

**Answer – William J. Ready:** Thanks, Justin. So, to your point on broadening use cases, that is absolutely what we see happening on the platform. So, we've talked about winning the next generation with Gen Z. That's going very, very well. I commented in my prepared remarks about broadening relevance across all generations that we track. So, we're growing across all generations that we track, but we're also growing across gender lines, with more and more men coming to the platform.

And the reason we see that our relevancy is increasing across all the geographies that we track, across the generations that we track, and across gender lines is that what we're doing around our AI-powered recommendations, our AI-powered visual search, so much of what people are looking for is visually driven. And that is true for women, that is true for men, that is true for Gen Z, it's true for millennials, it's true for Gen X and Boomers. And so, we're really seeing that have broad, broad applicability.



And on the point of getting more men on the platform, we put out our men's report that went a little bit deeper on the different things that men are looking for on the platform. But it's not just getting men into more things around like apparel and those kinds of things that have been typical on our platform. So much of the categories that we have talked about as, perhaps, more emerging have a lot of visual nature to them as well. So, categories that I spend time in a lot personally, shoes, cars, watches, those kinds of things, those are all very visually driven and those are resonant across gender lines as well.

And so, we're really pleased with how we see the relevancy of the platform improving across geographies, across generations, and across gender lines.

**Answer – Julia B. Donnelly:** Yeah. And then, I think, to get at your second question, Justin, obviously we don't comment on sort of monthly trends. But I think what you're seeing from us in Q2 and what I would expect in Q3 as well is that, we're a really vital partner for many of our advertisers, particularly as we break into their more performance-oriented budgets. You're seeing that they continue to really value the full funnel, very unique full funnel offering that we have and the sort of leaned-in, high commercial intent users that we have who are actively participating in our site.

And so, I think we're a great partner to those advertisers in retail during these moments. And we're seeing really nice penetration gains as well in some of these emerging verticals that we've talked about here for the last several quarters. We're seeing some nice tailwind also in the mid-market segment due to some of the early adoption in Performance+, although still multi-year cycle there ahead of us. So, that's a little bit more color on that, but I think that's all we're going to comment on there.

## **Operator**

Thank you for your question. Next question is from the line of Colin Sebastian with Baird. Your line is now open.

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**Analyst:** Colin Alan Sebastian

**Question – Colin Alan Sebastian:** Great. Thanks. Good afternoon. Bill, the new visual search tool works really well from what we can tell. And I guess, I'd be curious how you envision that functionality ultimately contributing to broader user engagement and monetization? And how this helps position you against some of the other visual surfaces that we see cropping up on other AI-oriented apps?

And Julia, I guess, just curious what you've seen in Q2 in terms of MAUs that reflect seasonality in North America and Europe and how that might track into Q3? Thank you.

**Answer – William J. Ready:** Thanks, Colin. On the visual search part, I think the thing that I'd say there is the uniqueness of our platform and the curation signal that we have that lets us make proactive recommendations. So even before you go search, we're giving you recommendations for things that are highly likely to be interesting to you in a much more targeted way than what you would typically find on entertainment-based platforms and those kinds of things, because there is intent expressed on our platform and that allows us to go make those proactive recommendations.

I talked about on our new multimodal model for visual search that that is outperforming off-the-shelf models by 30 full percentage points on the relevancy of the recommendations to our users. And that is really getting at the uniqueness of that curation signal and the product associations that happen on our platform that let us make those really, really great recommendations.

So again, I think that's a place where you're seeing our users vote directly by coming to us more and more with these very actionable journeys, driving clicks and conversions for advertisers, but deepening engagement with the user on our platform. As I mentioned in my prepared remarks, driving greater retention with those users, because they're really pleased with the experience they're getting.

But at the core of that is that unique curation signal and then what we're able to do with AI trained against that that is outperforming off-the-shelf models, like I said, by 30 full percentage points on the relevancy of those recommendations based on our unique corpus that, I think, is a real, real differentiator. And for context, if you had outperformed one of those off-the-shelf models by 30 basis points, that would be something to be really proud of. 30 percentage points just really gets to how unique our curation signal is.

**Answer – Julia B. Donnelly:** Yeah. And then, Colin, to your second question on MAUs and sort of seasonality, we don't guide to MAUs. But in Q2, you're seeing consistent kind of growth and actually accelerating growth across many of the regions that we're reporting in on an MAU basis. We do see seasonality sort of every year, particularly in Europe. Just as a reminder, MAUs are reported on a 30-day look-back from the last day of the quarter. So, we do tend to see sort of summer vacations show up in Europe. But on a year-over-year basis, we actually accelerated user growth across all regions in Q2.

And really happy with what we're seeing there not just on the user kind of growth side, but also on sort of the various engagement metrics that we're tracking per user. It's really been a bright spot for us as we've been able to drive relevance and personalization through the use of more and more AIs we were talking about earlier on the call, but also better able to kind of reengage marginally engaged users.

So, I think in the prepared remarks we talked about how, in UCAN, as we've been able to drive more and more actionability specifically in UCAN, and we're farthest along there, that we're able to kind of better retain users over time, but also better monetize those users over time. So, hopefully that gives you a little bit more color there.

## **Operator**

Thank you for your question. The final question is from the line of John Blackledge with TD Securities. Your line is now open.

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**Analyst:** John Blackledge

**Question – John Blackledge:** Oh, great. Thanks. With AI driving so many parts of the business, just curious how PINS is competing for talent, particularly AI talent, given the increasingly competitive market for the AI talent? Thank you.

**Answer – William J. Ready:** Yeah. Thanks for the question, John. What I would say is that, I think there's multiple factors involved in how you compete with talent. Money and mission are two of those. I think also having a really great sandbox for great engineers to experiment in is another. And as you are noting, there's definitely competition for talent. The good news is that we're able to align what we're doing with AI to really, really great monetizable use cases that generate returns for us.

And so, we're competing for talent in that regard, not at the most headline-grabbing numbers that you would see out there. But those are truly rare instances. But for more of the folks that are sort of building day to day, we're definitely competing and are able to because of the ROI that we're delivering on our use cases, but that's on the money side of it.

The other really big part of that equation is, money and mission. And on the mission side, I think we really, really punch above our weight, both in terms of what we're doing with tuning AI for positivity, creating a more positive alternative to what's happening to the rest of social media. I think there's a lot of people that really want to build for that. I think there's sort of two competing sort of points of view around this, where you have some folks that are willing to sort of throw caution to the wind and do things at all costs.

And I think there's others that really, really deeply care about making sure that AI is used for good and that AI is used responsibly. And we're not the only ones that are building in that regard. But I think for us and for others that are really competing on this dimension of AI for good and responsible AI, you're seeing that mission part of the equation really matters to many of the best engineers out there.

And then also, engineers are always attracted to a great sandbox. And when you think about what we have with nearly 600 million monthly active users on our platform that are engaging in a totally unique visual search experience, there are just very few sandboxes out there that can bring that to the equation. There are some that are bigger, but there are very few platforms that ever give above a 0.5 billion users, particularly with the unique visual journey, the unique search journeys, and the unique curation signal that we have that's totally unique to us. Well, that makes it a pretty unique sandbox, and we see that really helping us punch above our weight.

## **Operator**

Thank you for your question. I will now have to 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 the conference call. Thank you for your participation. You may now disconnect your lines.