

Pinterest Announces Third Quarter 2020 Results

SAN FRANCISCO, Calif. - October 28, 2020 - Pinterest, Inc. (NYSE: PINS) today announced financial results for the quarter ended September 30, 2020.

- Q3 revenue grew 58% year over year to \$443 million.
- Global Monthly Active Users (MAUs) grew 37% year over year to 442 million.
- GAAP net loss was \$(94) million for Q3. Adjusted EBITDA was \$93 million.

“More than ever before, people are coming to Pinterest to get inspiration for their lives—everything from planning early for a socially distant Halloween to creating great home schools for their kids,” said Ben Silbermann, CEO and co-founder, Pinterest. “Our top priority is to continue making Pinterest home to the most inspiring and actionable content. This quarter we launched a set of tools to empower creators to show and share their ideas with people who are ready to act.”

“The strong momentum our business experienced in July continued throughout the rest of the third quarter. We’re extremely pleased with the broad based strength of our business, driven by recovering advertiser demand as well as positive returns from our investments in advertiser products and international expansion,” said Todd Morgenfeld, CFO and Head of Business Operations, Pinterest.

Q3 2020 Financial Highlights

The following table summarizes our consolidated financial results (in thousands, except percentages, unaudited):

	Three Months Ended September 30,		% Change
	2020	2019	
Revenue	\$ 442,616	\$ 279,703	58 %
Net loss	\$ (94,220)	\$ (124,732)	24 %
Non-GAAP net income*	\$ 87,164	\$ 5,960	1,362 %
Adjusted EBITDA*	\$ 93,042	\$ 3,871	2,304 %
<i>Adjusted EBITDA margin*</i>	21 %	1 %	

* For more information on these non-GAAP financial measures, please see “—About non-GAAP financial measures” and the tables under “—Reconciliation of GAAP to non-GAAP financial results” included at the end of this release.

Q3 2020 Other Highlights

The following table sets forth our revenue, MAUs and average revenue per user ("ARPU") based on the geographic location of our users (in millions, except ARPU and percentages, unaudited):

	Three Months Ended September 30,		% Change
	2020	2019	
Revenue - Global	\$ 443	\$ 280	58 %
Revenue - United States	\$ 374	\$ 251	49 %
Revenue - International	\$ 69	\$ 28	145 %
MAUs - Global	442	322	37 %
MAUs - United States	98	87	13 %
MAUs - International	343	235	46 %
ARPU - Global	\$ 1.03	\$ 0.90	15 %
ARPU - United States	\$ 3.85	\$ 2.93	31 %
ARPU - International	\$ 0.21	\$ 0.13	66 %

Outlook

Our current expectation is that Q4 revenue will grow around 60% year over year, a modest acceleration compared to our growth rate in Q320. We continue to navigate uncertainty given the ongoing COVID-19 pandemic and other factors.

We're also operating in a more remote working environment while maintaining investments in the long-term strategic priorities of the company. We continue to evaluate our spending as the situation evolves.

We intend to provide further detail on our outlook during the conference call.

Webcast and conference call information

A live audio webcast of our third quarter 2020 earnings release call will be available at investor.pinterestinc.com. The call begins today at 1:30 PM (PT) / 4:30 PM (ET). We have also posted to our investor relations website a letter to shareholders. This press release, including the reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, letter to shareholders and slide presentation are also available. A recording of the webcast will be available at investor.pinterestinc.com for 90 days.

We have used, and intend to continue to use, our investor relations website at investor.pinterestinc.com as a means of disclosing material nonpublic information and for complying with our disclosure obligations under Regulation FD.

Forward-looking statements

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, about us and our industry that involve substantial risks and uncertainties, including, among other things, statements about our future operational and financial performance. Words such as "believe," "project," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: uncertainty regarding the duration and scope of the coronavirus referred to as COVID-19 pandemic; actions governments and businesses take in response to the pandemic, including actions that could affect levels of advertising activity; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies and economic activity; the pace of recovery when the COVID-19 pandemic subsides; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the scope and impact of the recent outbreak of COVID-19 on our planned investments, operations, expenses, revenue, cash flow, liquidity and users; our ability to attract and retain Pinners and engagement levels; our ability to provide useful and relevant content; risks associated with new products and changes to existing products as well as other new business initiatives; our ability to maintain and enhance our brand and reputation; compromises in security; our financial performance and fluctuations in operating results; our dependency on internet search engines' methodologies and policies; discontinuation, disruptions or outages in authentication by third-party login providers; changes by third-party login providers that restrict our access or ability to identify users; competition; our ability to scale our business and revenue model; our reliance on advertising revenue and our ability to attract and retain advertisers and effectively measure advertising campaigns; our ability to effectively manage growth and expand and monetize our platform internationally; our lack of operating history and ability to attain and sustain profitability; decisions that reduce short-term revenue or profitability or do not produce expected long-term benefits; risks associated with government actions, laws and regulations that could restrict access to our products or impair our business; litigation and government inquiries; privacy, data and other regulatory concerns; our ability to protect our intellectual property; real or perceived inaccuracies in metrics related to our business; disruption, degradation or interference with the hosting services we use and infrastructure; our ability to attract and retain personnel; and the dual class structure of our common stock and its effect of concentrating voting control with stockholders who held our capital stock prior to the completion of our initial public offering. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, which is available on our investor relations website at investor.pinterestinc.com and on the SEC website at www.sec.gov. Additional information will be made available in our Quarterly Report on Form 10-Q and other future reports that we may file with the SEC from time to time, which could cause actual results to vary from expectations. All information provided in this release and in the earnings materials is as of October 28, 2020. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

About non-GAAP financial measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we use the following non-GAAP financial measures: Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP costs and expenses (including non-GAAP cost of revenue, research and development, sales and marketing, and general and administrative), non-GAAP income (loss) from operations, non-GAAP net income (loss) and non-GAAP net income (loss) per share. The presentation of these financial measures is not intended to be considered in isolation, as a substitute for or superior to the financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparative purposes. We compensate for these limitations by providing specific information regarding GAAP amounts excluded from these non-GAAP financial measures.

We define Adjusted EBITDA as net loss adjusted to exclude depreciation and amortization expense, share-based compensation expense, interest income, interest expense and other income (expense), net, provision for (benefit from) income taxes and, for the third quarter of 2020, a one-time payment for the termination of a future lease contract. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue. Non-GAAP costs and expenses (including non-GAAP cost of revenue, research and development, sales and marketing, and general and administrative) and non-GAAP net income (loss) exclude amortization of acquired intangible assets, share-based compensation expense and, for the third quarter of 2020, a one-time payment for the termination of a future lease contract. Non-GAAP income (loss) from operations is calculated by subtracting non-GAAP costs and expenses from revenue. Non-GAAP net income per share is calculated by dividing non-GAAP net income by diluted weighted-average shares outstanding. We use Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP costs and expenses, non-GAAP income (loss) from operations, non-GAAP net income and non-GAAP net income per share to evaluate our operating results and for financial and operational decision-making purposes. We believe these non-GAAP financial measures help identify underlying trends in our business that could otherwise be masked by the effect of the income and expenses they exclude. We also believe these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to key metrics we use for financial and operational decision-making. We present these non-GAAP financial measures to assist potential investors in seeing our operating results through the eyes of management and because we believe these measures provide an additional tool for investors to use in comparing our operating results over multiple periods with other companies in our industry. There are a number of limitations related to the use of Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP costs and expenses, non-GAAP income (loss) from operations, non-GAAP net income and non-GAAP net income per share rather than net loss, net margin, total costs and expenses, loss from operations, net loss and net loss per share, respectively, the nearest GAAP equivalents. For example, Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets, although these assets may have to be replaced in the future, and share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense and an important part of our compensation strategy.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the tables under "—Reconciliation of GAAP to non-GAAP financial results" included at the end of this release.

Limitation of key metrics and other data

The numbers for our key metrics, which include our MAUs and ARPU, are calculated using internal company data based on the activity of user accounts. We define a monthly active user as an authenticated Pinterest user who visits our website, opens our mobile application or interacts with Pinterest through one of our browser or site extensions, such as the Save button, at least once during the 30-day period ending on the date of measurement. We present MAUs based on the number of MAUs measured on the last day of the current period. We define ARPU as our total revenue in a given geography during a period divided by the average of the number of MAUs in that geography during the period. We calculate average MAUs based on the average between the number of MAUs measured on the last day of the current period and the last day prior to the beginning of the current period. We calculate ARPU by geography based on our estimate of the geography in which revenue-generating activities occur. We use these metrics to assess the growth and health of the overall business and believe that MAUs and ARPU best reflect our ability to attract, retain, engage and monetize our users, and thereby drive revenue. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in technology or our methodology.

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PINTEREST, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652,723	\$ 649,666
Marketable securities	996,392	1,063,679
Accounts receivable, net of allowances of \$5,670 and \$2,851 as of September 30, 2020 and December 31, 2019, respectively	339,274	316,367
Prepaid expenses and other current assets	44,537	37,522
Total current assets	2,032,926	2,067,234
Property and equipment, net	76,294	91,992
Operating lease right-of-use assets	164,803	188,251
Goodwill and intangible assets, net	13,814	14,576
Restricted cash	9,221	25,339
Other assets	3,980	5,925
Total assets	\$ 2,301,038	\$ 2,393,317
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 41,703	\$ 34,334
Accrued expenses and other current liabilities	147,946	141,823
Total current liabilities	189,649	176,157
Operating lease liabilities	150,162	173,392
Other liabilities	26,623	20,063
Total liabilities	366,434	369,612
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.00001 par value, 6,666,667 shares authorized, 507,248 and 360,850 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively; Class B common stock, \$0.00001 par value, 1,333,333 shares authorized, 107,995 and 209,054 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	6	6
Additional paid-in capital	4,475,425	4,229,778
Accumulated other comprehensive income	2,063	647
Accumulated deficit	(2,542,890)	(2,206,726)
Total stockholders' equity	1,934,604	2,023,705
Total liabilities and stockholders' equity	\$ 2,301,038	\$ 2,393,317

PINTEREST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,	
	2020	2019
Revenue	\$ 442,616	\$ 279,703
Costs and expenses:		
Cost of revenue	112,844	83,520
Research and development	160,187	167,703
Sales and marketing	118,531	110,740
General and administrative	148,087	51,450
Total costs and expenses	<u>539,649</u>	<u>413,413</u>
Loss from operations	(97,033)	(133,710)
Interest income	2,896	9,837
Interest expense and other income (expense), net	(51)	(1,056)
Loss before provision for (benefit from) income taxes	(94,188)	(124,929)
Provision for (benefit from) income taxes	32	(197)
Net loss	<u>\$ (94,220)</u>	<u>\$ (124,732)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.23)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>603,490</u>	<u>546,126</u>

PINTEREST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
Operating activities		
Net loss	\$ (336,164)	\$ (1,325,653)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,174	19,496
Share-based compensation	234,801	1,265,581
Other	7,268	(3,296)
Changes in assets and liabilities:		
Accounts receivable	(25,667)	12,331
Prepaid expenses and other assets	(6,184)	(1,502)
Operating lease right-of-use assets	31,835	21,746
Accounts payable	7,689	8,897
Accrued expenses and other liabilities	20,391	13,133
Operating lease liabilities	(35,013)	(19,634)
Net cash used in operating activities	<u>(71,870)</u>	<u>(8,901)</u>
Investing activities		
Purchases of property and equipment and intangible assets	(14,032)	(20,433)
Purchases of marketable securities	(808,180)	(527,899)
Sales of marketable securities	174,042	93,389
Maturities of marketable securities	699,133	252,164
Other investing activities	316	—
Net cash provided by (used in) investing activities	<u>51,279</u>	<u>(202,779)</u>
Financing activities		
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	1,573,200
Proceeds from exercise of stock options, net	64,992	744
Shares repurchased for tax withholdings on release of restricted stock units	(56,894)	(424,965)
Payment of deferred offering costs and other financing activities	(1,750)	(11,305)
Net cash provided by financing activities	<u>6,348</u>	<u>1,137,674</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(86)	(182)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(14,329)	925,812
Cash, cash equivalents, and restricted cash, beginning of period	677,743	135,290
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 663,414</u>	<u>\$ 1,061,102</u>
Supplemental cash flow information		
Accrued property and equipment	\$ 3,952	\$ 7,174
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 14,030	\$ 41,399
Reconciliation of cash, cash equivalents and restricted cash to condensed consolidated balance sheets		
Cash and cash equivalents	\$ 652,723	\$ 1,033,871
Restricted cash included in prepaid expenses and other current assets	1,470	2,409
Restricted cash	9,221	24,822
Total cash, cash equivalents, and restricted cash	<u>\$ 663,414</u>	<u>\$ 1,061,102</u>

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL RESULTS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30,	
	2020	2019
Share-based compensation by function:		
Cost of revenue	\$ 2,298	\$ 1,568
Research and development	61,357	83,539
Sales and marketing	11,958	21,243
General and administrative	16,019	23,938
Total share-based compensation	\$ 91,632	\$ 130,288
Amortization of acquired intangible assets by function:		
Cost of revenue	\$ 94	\$ 94
General and administrative	158	310
Total amortization of acquired intangible assets	\$ 252	\$ 404
Reconciliation of total costs and expenses to non-GAAP costs and expenses:		
Total costs and expenses	\$ 539,649	\$ 413,413
Share-based compensation	(91,632)	(130,288)
Amortization of acquired intangible assets	(252)	(404)
Termination of future lease contract	(89,500)	—
Total Non-GAAP costs and expenses	\$ 358,265	\$ 282,721
Reconciliation of net loss to non-GAAP net income:		
Net loss	\$ (94,220)	\$ (124,732)
Share-based compensation	91,632	130,288
Amortization of acquired intangible assets	252	404
Termination of future lease contract	89,500	—
Non-GAAP net income	\$ 87,164	\$ 5,960
Weighted-average shares outstanding for net loss per share, basic and diluted	603,491	546,126
Weighted-average dilutive securities ⁽¹⁾	72,803	104,594
Diluted weighted-average shares outstanding for Non-GAAP net income per share	676,294	650,720
Net loss per share	\$ (0.16)	\$ (0.23)
Non-GAAP net income per share	\$ 0.13	\$ 0.01

(1) Gives effect to potential common stock instruments such as stock options, unvested restricted stock units and unvested restricted stock awards.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL RESULTS*(in thousands)**(unaudited)***Three Months Ended September 30,**

	2020	2019
Reconciliation of net loss to Adjusted EBITDA:		
Net Loss	\$ (94,220)	\$ (124,732)
Depreciation and amortization	8,943	7,293
Share-based compensation	91,632	130,288
Interest income	(2,896)	(9,837)
Interest expense and other (income) expense, net	51	1,056
Provision for (benefit from) income taxes	32	(197)
Termination of future lease contract	89,500	—
Adjusted EBITDA	<u>\$ 93,042</u>	<u>\$ 3,871</u>