Management Discussion Section

Operator

Hello, everyone. Thank you for attending today's Pinterest Second Quarter 2024 Earnings Call. My name is Sierra and I will be your moderator for today. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. [Operator Instructions]

I would now like to pass the conference over to our host, Andrew Somberg, Vice President of Investor Relations and Treasury. Please proceed.

Andrew Somberg

Vice President, Investor Relations and Treasury, Pinterest, Inc.

Good afternoon, and thank you for joining us. Welcome to Pinterest earnings call for the second quarter ended June 30, 2024. My name is Andrew Somberg and I'm Vice President of Investor Relations and Treasury for Pinterest. Joining me on today's call are Bill Ready, Pinterest's CEO; and Julia Donnelly, our CFO. This conference call is being webcast and we are also providing a slide presentation to accompany our commentary. Please refer to our Investor Relations website at investor.pinterestinc.com to find today's presentation, webcast and earnings press release.

Some of the statements that we make today regarding our performance, operations and outlook may be considered forward-looking, and such statements involve a number of risks and uncertainties that could cause actual results to differ materially. In addition, our results, trends and outlook for Q3 2024 and beyond are preliminary, and are not an assurance of future performance. We are making these forward looking statements based on information available to us as of today, and we expressly disclaim any duty or obligation to update them later unless required by law. For more information about risks, uncertainties and other factors that could affect our results, please refer to our most recent Form 10-Q or Form 10-K filed with the SEC and available on our Investor Relations website.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP measures to the most directly comparable GAAP measures is included in today's earnings press release and presentation, which are distributed and available to the public through our Investor Relations website. Lastly, all growth rates discussed in today's prepared remarks should be considered year-over-year unless otherwise specified.

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

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Thanks, Andrew. Good afternoon and thank you for joining our second quarter 2024 earnings call. Q2 marked another strong quarter of growth in users and revenue, driven by continued progress against our strategic initiatives.

On the user side, we're leaning into what our users love most about Pinterest, the ability to find inspiration and take action seamlessly in one platform. And as we've said before, we found our best product market fit in years. Q2 global MAUs reached another record high of $522 million, growing 12% year-over-year.

On the monetization side, our investments to become a true full funnel platform, particularly our efforts to build out our lower funnel offerings, are paying off with Q2 revenue of $854 million, up 21% year-over-year. We also continue to drive significant improvements in profitability, resulting in Q2 adjusted EBITDA of $180 million or a 21% margin, up 600 basis points versus Q2 last year.

Before I dive into my usual business update, I wanted to start with a few anecdotes from my time last month at Cannes Lions, one of the largest advertising industry events of the year, as it reflects the momentum building around Pinterest. Advertisers are taking note of Gen Z love for Pinterest and are increasingly understanding how they can meet this audience on our platform, across their inspiration to action journey.

They're also seeing firsthand how our investments in the lower funnel are driving tangible success through our increased clicks and conversions. And this momentum was evident at Cannes, as we saw a 50% increase in the number of visits to our activation this year and a 40% increase in the number of advertisers we met with at this important event.

While at Cannes, we created an immersive activation experience where attendees could discover user behavior on Pinterest firsthand, and what one CEO said, felt like stepping into a real life inspiration board. We created a space where attendees, many of whom were Gen Z, could take a break from talking and hearing about creativity and actually be creative with Pinterest.

We also previewed our latest AI and automation tools to drive even more performance for our advertisers through the launch of Performance+, which was very well received. I'll discuss more about Performance+ later in my remarks.

Shifting now to our quarterly update, beginning with users and engagement. Last quarter, we reviewed the initiatives over the last two years that have taken us from declining users to sustained user growth. These initiatives are, one, utilizing AI to drive increased relevance and personalization; two, doubling down on curation through boards and collages to help users navigate their inspiration to action journey; three, increasing actionability, particularly for shopping, allowing our users to bring their inspiration to life; and four, creating a more positive alternative to traditional social media. When combined, these initiatives have had compounding effects and have led to the healthy MAU growth we're seeing today across all geographic regions and the age cohorts we track.

Now, I'll share more about the key recent product launches that demonstrate continued progress against our strategy and the initiatives I've outlined. First, we're helping our users more effectively find inspiration and discover new relevant content that resonates with their interests through our investments in AI. We've made ongoing progress to modernize the core AI that powers the content users are shown, leading to meaningful improvements to the relevance and personalization of our content recommendations.

As an example, in Q2, we upgraded our search ranking algorithm to incorporate new signals, enabling us to recommend more relevant and ultimately engaging content for the user. This resulted in a significant increase in our global search fulfillment rate, which means our users are finding more of what they're looking for when they search on Pinterest.

A part of our efforts to improve content discovery is to help users refine their searches, which often start as short, broad queries, as users come to us with a general sense of what they're looking for, but don't have the precise words to describe it or will know it when they see it. We're continuing to invest in bolstering content discovery through generative AI-based guided search, which we first rolled out several months ago for the home decor vertical.

Guided search provides a structured way to break down these broad queries into narrower avenues of exploration. For example, a search for a broad query like kitchen ideas might lead a user to more refined options like DIY kitchen projects or backsplash inspiration to further explore their taste and move down the inspiration to action journey. We're finding a notably strong product user fit for guided search with our more episodic users, who are generally less familiar with the platform and thus find value in the structured experience to discover fulfilling results.

Second, we're leaning into curation, a key differentiating feature of Pinterest, and one that users leverage as a pivotal step to navigate their journey from inspiration to action. Said simply, it's how they refine their choices and decide what to buy. Human curation on the platform bolsters our content flywheel, providing rich first-party signals early in customer shopping journeys. These signals are predictive of user interests and allow us to drive even more relevance to users via enhanced content recommendations.

We've been reinvesting in making the curation journey on Pinterest easier to use and more engaging for our users through updates to boards and through our new content format collages. On the board side, it's more intuitive to create, save to and share boards than ever with a refined user interface and new features like auto organization that utilizes AI to identify and automatically group together pins in the new boards, saving users the need to organize it themselves.

We're also making it easier for users to share their taste and style with others. In Q2, we launched board sharing, a new feature allowing users to share engaging videos of their Pinterest boards, like dream home decor or ultimate travel bucket list to other social platforms for the first time. This feature also enables us to include a link for others to explore their boards on a platform as well.

We're also collaborating with power users like musician Avril Lavigne, who use board sharing to give her fans a sneak peek into the inspiration behind her tour outfits, to bring this feature to life for a broader audience and showcase the magic of curation on Pinterest.

We're continuing to make progress with collages, a highly interactive new content format developed using advanced computer vision technology, which allows users to cut out components like a shirt or a pair of shoes from other images and piece them together into one highly engaging and interactive pin. And as we've mentioned before, we're seeing that this content format resonates with our audience who save collages roughly 3 times more often than our traditional pins, especially with our Gen Z audience, who uses collages to express their personal aesthetic.

In Q2, we extended collages to advertisers, meaning they can now create engaging collages using cutouts of product pins from their own catalog and promote them as ads. In fact, brands like Nike, John Lewis and Bumble and bumble are utilizing collages to showcase their product catalog in a unique and visually appealing way.

And finally, we're driving further actionability across Pinterest by launching features that allow users to move further along in their shopping journeys and take action on what they see. In doing so, we more than doubled the number of outbound clicks we sent to advertisers year-over-year for the third quarter in a row. And as we improve overall actionability and make it easier for users to find what they're looking for, we're seeing that users are able to successfully complete their journeys on Pinterest more quickly.

In Q2, we shipped more new filters like price, retailer and brand on high shopping intent search queries across fashion and home decor verticals. We're also experimenting with other filters, including on sale, to give users more control over their shopping journeys and find products tailored to their style and budget. And with this valuable signal, we can then recommend even more relevant and personalized shoppable content to our users.

We're also making video more shoppable on the platform, as it is an integral content format on the inspiration to action journey. As an example, in Q1, we launched Shop the Look on video to help users shop items that bring them inspiration and the videos they were already watching.

In Q2, we introduced video shopping ads to complement all the work we've been doing to drive actionability across formats and surfaces. With video shopping ads, merchants can seamlessly add videos to their product catalogs on Pinterest and promote them. Hundreds of advertisers have already started incorporating video in their product catalogs, given the strong visual nature of our platform. For mass retailers who have adopted this format, shoppable video ads drove a higher click through rate and lower cost per action compared to static catalog ads.

Next, I'd like to discuss how we are improving monetization by making Pinterest more valuable and performant for advertisers. We delivered strong revenue growth in Q2 and the momentum we're driving in the business is evidence of all the work we've been doing over the last several quarters to significantly improve our ad offering, as the initiatives we outlined at our Investor Day continue to deliver as we expected or better.

This includes: one, our investments to become a true full funnel ad platform, particularly through our new lower funnel offerings, which are creating significant value for advertisers; two, continuing to increase ad load driven by the synergies between our users' strong commercial intent and relevant ads; and lastly, third-party partners, resellers and international as additional levers to revenue growth.

We're seeing advertisers take notice of the growing momentum in our business. And we're gaining share with some of the largest and most sophisticated advertisers in the world. As I look ahead, there's a lot more to do, but it is clear that the strategy we've employed is working.

Shifting to our full funnel ad solutions, we've been hard at work improving our offering to help advertisers meet consumers across the full funnel. Pinterest is a place where advertisers can build their brand in a positive environment, drive consideration when the consumer is not yet decided, and ultimately deliver conversions all on one platform. We see that over 90% of search queries don't specify a brand or specific product, but rather a categorical interest, such as fun summer dresses or cool white sneakers, or mid-century bedroom decor. This is a magic moment for advertisers to connect with users who have clear commercial intent, but have not yet decided what they want to buy. Many of our advertisers are taking advantage of the full funnel, with over half of our large advertisers using multiple campaign objectives.

Moreover, advertisers who use upper and lower funnel objectives see 2 times higher conversion rates than those who use one objective alone. Within the full funnel, we focus the majority of our monetization efforts on the lower funnel to drive performance in the form of clicks and conversions to advertisers. We've made substantial progress across our entire platform to improve actionability and allow users to shop at the point of inspiration. Nowhere does this manifest more than within the lower funnel where relevant shoppable ads can be great content on Pinterest. And whole page optimization, powered by AI, allows us to show more of these relevant shoppable ads when users are in moments of high commercial intent.

Over the last year, we've also made significant progress in making the purchase journey more seamless for our users with products like mobile deep linking and direct links. Now, nearly 100% of our lower funnel revenue is covered by direct links or mobile deep linking, which means it takes just one click to lead the user directly to an advertiser's product or purchase page. The changes we've made are having real impacts as we've now more than doubled the amount of clicks to advertisers year-over-year for the third quarter in a row.

As advertisers have begun to notice improvements in their measurement sources of truth, many of the largest, most sophisticated advertisers are voting with their dollars and driving more budget to Pinterest. We're beginning to see value capture from the next tranche of advertisers as well and believe much of the value captured from direct links is still ahead of us, as advertisers continue to take note of the consistent increase in click volume we are delivering.

However, the pace at which advertisers adjust their budgets depends on a variety of factors, including seeing this performance appear in their individual measurement sources of truth and the level of resourcing required to implement incremental campaigns.

We anticipate that with the rollout of our new automation suite, Performance+, which I'll discuss shortly in more detail, we'll be able to alleviate some of this heavy lifting on the advertiser side. This should drive even greater value creation through improved campaign setup and efficiency, leading to compounding performance effects through our full lower funnel solution set and ultimately further value capture.

Finally, we're also continuing to drive more actionability in the lower funnel through incorporating third-party ads into our auction to grow relevant shoppable ad demand. As we expected, third-party ad demand became an even larger source of revenue this quarter and is continuing to fill in gaps in the auction, especially on our high intent surfaces like search and related items where relevant ads are additive shoppable content for our users.

We know that performance is only as good as the advertiser's ability to measure it. Because of this, we're focused on driving adoption of our privacy-centric measurement tools like Conversions API and Clean Rooms. We've continued to grow adoption of these tools in Q2 with a sharp focus on advertisers with lower funnel shopping and conversion objectives.

This adoption has been driven by a few key initiatives. First, we are easing the onboarding process for advertisers with the goal of meeting advertisers where they are with whichever third-party solutions they are using. As such, we revamped our developer site and continue to increase the number of third-party integration partnerships.

Second, we have bolstered our own seller training efforts and education to help advertisers understand how these solutions can strengthen their conversion visibility. With that, we continue to make measurement adoption, a key priority for our sales force, and tie a portion of seller incentive compensation to privacy-centric measurement adoption.

While we want advertisers to adopt our own solutions and best practices, we recognize that many of them have their own measurement source of truth. To that end, we focused our efforts on making sure we are showing up correctly and consistently wherever an advertiser measures their performance.

Moving to AI and automation, our work to build out our lower funnel suite continued in Q2 with the announcement of Performance+. This brand new offering, which recently entered beta for a limited number of advertisers, brings together all of our AI and automation tools across bidding, budgeting and targeting to improve campaign performance on Pinterest.

With Performance+, lower funnel advertisers can use these tools in concert to unlock our most powerful automation and AI features, all within a new simplified campaign setup. Advertisers can also apply any of these features to non-Performance+ campaigns, giving them the ultimate control based on their unique needs.

We are excited about Performance+ as the next iteration of our lower funnel suite. As we roll out these tools, we expect a similar multi-quarter product uptake and adoption curve as our previous lower funnel launches, like shopping ads, mobile deep linking and direct links and conversion APIs. This suite of tools, when used together, compound upon each other to drive powerful lower funnel performance for our advertisers.

While still early, the test results have been positive. Many of the advertisers who participated in our Performance+ alpha test this spring saw a greater than 10% improvement in cost per acquisition for their lower funnel conversion and shopping ad campaigns, or a greater than 10% improvement in cost per click, CPC, for consideration campaigns.

For example, outdoor apparel brand, Timberland, was an early tester of Performance+ in the UK and saw a 34% lower cost per action, a 16% increase in click-through rate, and ultimately a 50% higher return on ad spend from their Performance+ enabled campaign versus their traditional campaigns. In addition, Performance+ significantly reduces the time required for advertisers to create a campaign, with 50% fewer inputs than a traditional creation flow.

We are also testing additional automation solutions, which we plan to incorporate into the Performance+ suite in the coming months. These include Performance+ bidding for ROAS, which automatically optimizes advertisers' bids to drive the highest ROI, and Performance+ Creative, which helps advertisers make new ad creative using generative AI and optimize their existing creative across multiple ad formats.

Performance+ Creative is already driving tangible results for advertisers. Fashion marketplace, Poshmark, an early tester of the product, saw a 25% lift in click-through rates on products with a Performance+ generated background versus a white background. As we continue to iterate, we will roll these features out to a broader swath of lower funnel advertisers and we'll have more to share as we progress through the second half of the year.

Overall, I'm proud of our latest automation rollout, a continuation of our efforts to deliver the best possible performance for advertisers and reduce friction in doing so. Our goal is for advertisers to be able to provide us with a budget, a goal and their seed creative, and we'll do the rest.

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

Julia B. Donnelly

Chief Financial Officer, Pinterest, Inc.

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

Let's dive into our second quarter results. We ended the quarter with 522 million global monthly active users, or MAUs, growing 12% and reaching another record high. Users continue to grow year-over-year across all of our geographic regions due to the compounding effects of the initiatives Bill mentioned earlier in his remarks, where improved personalization, curation and actionability are driving enhanced inspiration to action journeys for users.

Specifically, in Q2, in the US and Canada, we had 98 million MAUs growing 3%. In Europe, we had 136 million MAUs growing 9%. And in our Rest of World markets, we had 288 million MAUs growing 17%.

Now, on to revenue. In Q2, our global revenue was $854 million, up 21% on a reported and constant currency basis. The revenue strength this quarter, which exceeded the high end of our guidance range, highlights how we are driving value for advertisers across the full funnel, with particular strength coming from our lowest funnel conversion objective.

From a vertical perspective, we once again saw broad strength in retail. Our larger, more sophisticated advertisers continue to lean into the platform as they have adopted our lower funnel tools and are seeing continued success. We're also starting to see signs of value capture from the next tranche of advertisers, as we have doubled clicks for the third quarter in a row. And those advertisers are beginning to see that impact in their measurement sources of truth and adjusting spending accordingly.

Additionally, emerging verticals like technology, autos and financial services were sources of strength. However, this growth was partially offset by softness within CPG, specifically food and beverage advertisers, who are navigating broader headwinds within that category.

Next, as expected, revenue from our third-party demand partnerships continued to ramp in Q2, growing sequentially off the revenue base we delivered in Q1 as it continues to complement our growing first-party business.

Turning to our geographical breakouts for Q2. In the US and Canada, we generated $673 million in revenue, growing 19%. Strength came from retail and from emerging categories, including technology, autos and financial services. In Europe, revenue was $143 million, growing 25% on both a reported and constant currency basis. Strength in Europe was driven by retail.

Revenue from Rest of World was $38 million, growing 32% on a reported basis or 36% on a constant currency basis.

In Q2, ad impressions grew 35%, while ad pricing declined 11% year-over-year. These dynamics were similar to Q1, with ad impressions being driven both by increases in total impressions, as well as increases in ad load.

Similarly, pricing continues to be lower year-over-year as we continue to drive increased value to advertisers in the form of more clicks and greater efficiency. We continue to drive increases in ad load through whole page optimization, which increases the supply of relevant ads to users in moments of high commercial intent. And we see opportunity to increase ad load moving forward as we further improve the actionability of our users' journeys and the relevance of our ads.

In Q2, we also saw a greater mix shift to ad impressions with lower average pricing or eCPM. This was influenced by two factors. First, we started serving ads in previously unmonetized markets, mostly in our Rest of World region, many of which have lower eCPMs than our existing monetized markets.

And second, on a global basis, we are seeing growth in third-party ad impressions to fill in gaps in our auction in places that were previously under-monetized or not monetized at all. Right now, we are mainly filling these in with relevant demand from third parties. But over time, as we increase demand further, we expect to see greater auction pressure and therefore, higher eCPMs for these ad products.

Moving to expenses. For the past several quarters, we've been able to drive continued margin expansion through effective expense discipline while allocating resources towards our highest ROI initiatives. In Q2, cost of revenue was $180 million, up 9% year-over-year and up 2% versus Q1 due to increased infrastructure spend related to user and engagement growth and partially offset by our continued work to drive cost optimizations on our infrastructure spend.

Our non-GAAP operating expense was $497 million, up 13%. The increase was primarily driven by headcount growth in R&D, increased marketing expense and increased G&A, driven by non-income-based taxes and other employee-related costs. Our revenue strength and expense discipline led to another solid quarter of adjusted EBITDA and margin expansion, coming in at $180 million with an adjusted EBITDA margin of 21%. This was up approximately 600 basis points versus Q2 last year.

Finally, we ended the quarter with cash, cash equivalents and marketable securities of $2.7 billion. In Q2, we utilized approximately $120 million of cash on net share settlement of equity awards, plus an additional $34 million on share repurchases.

Now, I'll discuss our preliminary guidance for the third quarter. We expect Q3 2024 revenue to be in the range of $885 million to $900 million, representing 16% to 18% growth year-over-year. Let me share some additional context as we look forward to Q3.

Our revenue guidance reflects further progress against our strategic initiatives, including continued lower funnel strength and the ongoing emerging contribution from third-party demand partnerships. The underlying health of our business remains strong and we continue to be excited about the opportunities ahead.

However, as we move into Q3, we are facing tougher comps since our revenue growth nearly doubled from Q2 to Q3 last year. It is also worth noting that at current spot rates, we are expecting a foreign exchange to move against us for the first time in five quarters, resulting in a 1-point headwind for Q3.

Finally, our guidance does not assume a material improvement in trend for the food and beverage category or significant revenue contribution from the launch of Performance+ as we are still currently in the testing phase with a small number of advertisers.

Turning now to our expense guidance. We expect Q3 non-GAAP operating expenses of $485 million to $500 million, growing 17% to 20% year-over-year. Our operating expense guidance does not include cost of revenue. However, we plan to realize modest additional benefits from our ongoing infrastructure optimization efforts. And therefore, we anticipate Q3 non-GAAP cost of revenue expense to be relatively consistent with Q2. The increase in non-GAAP operating expense year-over-year is driven by investment increases in R&D, where we continue to invest in head count for AI talent across our business.

As we have said previously, for full year 2024, we are anticipating year-over-year adjusted EBITDA margin expansion, but at a more modest level than the 660-basis-point expansion we delivered in 2023, as we balance investing in growth and flowing profitability through to the bottom line.

We also continue to expect margin expansion in both halves of 2024. Though consistent with our prior remarks, we expect a more modest level of margin expansion in the second half versus significantly higher expansion in the first half, as we begin to lap the strengthening adjusted EBITDA margins we drove in the second half of 2023.

In closing, I'm proud of our team for delivering yet another strong quarter of results as we execute against our strategic plans. Our continued gains are evidence of the momentum in our business and underpin our confidence and our ability to deliver on our plans.

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

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

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

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

Question And Answer Section

Operator

Thank you. [Operator Instructions] Our first question today comes from Ross Sandler with Barclays. Your line is now open.

Ross Sandler

Analyst, Barclays Capital, Inc.

Great. Just maybe starting with the macro, so the 17% growth for the third quarter at the midpoint obviously reflects some deceleration from 2Q, but it's within your long-term high teens range. So, Julia, you just mentioned a few factors. Could you just flesh out for us how much of the deceleration you would chalk up to tougher comps versus the factors that you mentioned? And then, how much might partner revenue increases or ad load increases help offset the factors that are driving deceleration? Thanks a lot.

Julia B. Donnelly

Chief Financial Officer, Pinterest, Inc.

Great. Thanks, Ross. So we feel good about the levers to drive our business. Our initiatives are trending consistent with what we outlined at Investor Day. The products we put in market are doing exactly what we've intended for them to do.

Looking to Q3, our guidance is a continuation of many of the factors that have helped drive growth in Q1, Q2 and now into Q3, including value capture from lower funnel products and third-party demand growing off the Q2 revenue base again.

And we noted in the prepared remarks that we expect FX to switch to a 1 point headwind for us at current spot rates. And so, the 16% to 18% guidance for Q3 would have effectively been 1 point higher without this FX headwind. That higher range, excluding the FX impact, is roughly consistent with the growth we drove in Q2 and Q1 this year, particularly when accounting for some of the unique seasonal factors that benefited Q1 that we highlighted on our prior earnings call, including the Easter timing shift and leap day.

So, the underlying growth rate of the business is holding effectively stable despite the fact that our comps last year did start to become more difficult in Q3 and the fact that we're experiencing further softness in food and beverage. And if you look at it on a two-year stack basis, you'll see that strength persist as well.

And then lastly, as some of you may remember, it's worth noting that we do not accept political ads. So that's a difference to account for as you compare us to other platforms as well.

Operator

Thank you. Our next question today comes from Carla Sebastian with Baird. Your line is now open.

Colin Alan Sebastian

Analyst, Robert W. Baird & Co., Inc.

Great. Thanks for taking my question. I appreciate all the details on the call. I was hoping to dig in a little bit more on user engagement trends, just given all the efforts you've made to improve the amount of relevancy of personalized content. And related to that, are you seeing any impact from seasonality over the summer months in engagement? And I would also just be curious as well, how much additional growth you see here from ad load as you try to balance both the organic content as well as the increase in mix of ads. Thank you.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Great. Thanks for the question. I'd say engagement continues to be a real highlight for us overall. The general trend of not only accelerating user growth, and you saw us put up 12% user growth overall, not only is that holding, this general trend of engagement per user deepening is also continuing to hold. So a place you can see that clearly is really in the steady improvement in our WAU to MAU ratio in 2024, even as we bring in record amounts of new users.

So, if you pull back the covers on that and if I get a little bit more to your question around some of the different dynamics at play, you pull back the covers on that, there's some really exciting things happening with the way that users are engaging. As we've been driving improvements in curation and actionability, we're seeing more and more clicks and conversions from users. This is really great for users because it means they're finding more of what they're looking for on Pinterest, and it's great for advertisers because they see clicks and conversions as much more valuable than impressions.

And to your comment around ad load, we've been talking about ads as great content for users, particularly when they're in a commercial context, and those ads are relevant to what they're looking for. So we continue to see that synergistic dynamic there because we have more than half of our users on the platform to shop. So that's been a real lever for us. We think it continues to be.

And so back to engagement, we track a number of engagement metrics, and we continue to see nice growth in engagement across the platform, measured by the various signals there, but with clicks and lower funnel behavior becoming a more meaningful part of that mix, which, again, is really encouraging.

We're also seeing deeper penetration with our mobile app users who tend to be more sticky and highly engaged users. And finally, I'd just call out that we've added – as we added more of that highly desirable lower funnel behavior, as we've seen that for our users, we're adding that more into how we're measuring success for the business, for our teams and in how we're continuing to enhance that flywheel and synergistic effect between ads as a great content for users that are in commercial contexts.

Maybe I'll pause there, and Julia, anything you could add to that?

Julia B. Donnelly

Chief Financial Officer, Pinterest, Inc.

Yeah. So maybe just to share a little bit more color, previously, we measured engagement as sessions longer than 60 seconds, impressions and saves. And as Bill talked about, we've evolved our platform to be more actionable and we've updated our view of engagement to include some of these additional dimensions that are also important signals of depth of engagement, including things like measuring outbound clicks and looking at curation signals like collage creation, for example, which is a newer feature on our platform.

So, as Bill mentioned, overall engagement signals remain strong and we're also seeing this exciting shift that outbound clicks are becoming a more meaningful part of user behavior as users are able to find what they're looking for more quickly. And we believe this is a healthy evolution of the platform and it's also kind of better aligned with the value we're providing advertisers since we sell ads across the full funnel on a views, clicks and conversions basis.

Operator

Our next question today comes from Eric Sheridan with Goldman Sachs. Your line is now open.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thank you so much for taking the question. Maybe a two-parter if I could. Following up on Ross' question before about end demand, is there any differences you're seeing by geography in terms of the end demand environment with respect to digital ads? That'd be part one.

And part two, Bill, you gave a lot of detail, especially with going to Cannes intra-quarter, about the shift that Pinterest is seeing in terms of advertiser demand away from the macro environment. Can you talk a little bit about what you're seeing in terms of your competitive positioning, changing or shifting with respect to the broader digital advertising ecosystem? Go a little bit deeper there. Thanks so much.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Great. Maybe I'll start with the second one first and then give to Julia for the question on geography there. So I'd say, generally, just a broader macro, we're seeing an ad market, and we think is relatively stable versus last quarter. There are some puts and takes there. We're seeing real strength come from the retail vertical due to all the lower funnel improvements we've been building to drive performance there.

And within that, sort of directly to your question around competitive positioning, we talked about more than doubling the number of clicks to advertisers year-on-year, third straight quarter that we've done that. The value capture on that we've seen take hold first with the largest, most sophisticated advertisers as more and more advertisers are seeing that flow through into their measurement tools and seeing that remain consistent. We're seeing that now take hold with the next grouping of advertisers.

So consistent with what we shared on prior calls, we're seeing that we're actually winning more and more of those performance budgets and always on budgets, particularly with those larger advertisers in retail. And we're seeing that continue to be a real strength for us as we're driving more and more lower funnel performance. So we think we're positioned quite well there. And again, that's why we're seeing broad-based strength across retail. And we think there's more of that to go.

I talked about how Performance+, as that comes out for that next tier of advertisers that some of the hurdles they face to adopting more and more of our lower funnel performance solutions. Performance+ that actually automates so much of that for them around campaign creation and setup in those various factors, we think can help to further accelerate that adoption. And that's a place that we've known that some of the larger ad platforms have had those things for a while, and we've been competing on the high commercial intent of our platform, the uniqueness of being able to see what users are shopping for before they purchase. We've been competing on those things. Large sophisticated advertisers have been seeing it, as we bring more of that automation, we think a broader swath of retailers are going to be able to lean in even more on that. And again, we've been seeing really good signals of that. We think there's more of that to come.

So we feel really well positioned there. And I'd call out that we have other verticals where we're seeing strength as well, like technology, autos, financial services. And so that's giving you some of the competitive dynamic. And back to the macro and sort of the puts and takes, again, relatively stable overall, but we do have more exposure in certain categories, given the use cases on Pinterest, such as food and beverage that Julia called out in her comments, where we've seen some weakness there, is really industry based.

And I think as many of those advertisers have been calling out in their own results, where they've been facing some pressure around some of what they're seeing from consumers, that's more specific to food and beverage. Broader than that, I think we see relative stability. Maybe with that, I'll pause. Julia, anything else you'd add on the macro or we can go to the other part of the question on geography?

Julia B. Donnelly

Chief Financial Officer, Pinterest, Inc.

Yeah. So I don't think anything else to add on the broader commentary there on the ad market overall. I think the only other kind of point I might add is in our Rest of World segment, we did see a nice acceleration to 36% on a constant currency basis, up from 26% the prior quarter, albeit off of a relatively small dollar base of revenue. The primary factor that drove this acceleration was the ramping of the Google third-party partnerships that we announced in Q1 began to ramp in Q2. And as a reminder, that is allowing us to monetize what was previously unmonetized markets and we're now also starting to expand into countries in our Rest of World segment that we were under-monetized in. So, we're pleased with how that's beginning to launch.

Resellers are another lever to monetizing those regions. We launched these reseller partnerships in Q2, so that's still in early days, but we expect this to start to modestly contribute to the Rest of World segment over the course of the next year as well.

Operator

Our next question comes from Ron Josey with Citi. Your line is now open.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Great. Thanks for the question. Bill, Julia, I wanted to maybe double-click a little bit more on the ad products that are coming out here. And specifically, on the ad products that's out, direct link, this is now what the third quarter in a row, with clicks doubling again this quarter. So, I would love to hear just about the progress in terms of adoption amongst your advertiser base and then also how the sales process is going, should this discontinue to ramp over coming quarters.

And then with Performance+ coming online here, Bill, you talked about it being very well received. I would love to hear more about the rollouts, specifically, should we expect a similar timeline to direct links, or perhaps would different modules roll out faster, like Performance+ Creative, coming out before automation and things along those lines? Thanks for the help.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Yeah. Thanks for the question. So on direct links, yeah, it's a third quarter in a row of doubling clicks. We saw very quickly that the largest, most sophisticated advertisers, they're the ones that are able to respond to that very quickly. They've been driving really tremendous strength for us and continue to do so. We're seeing that start to broaden into the next tranche of retailers. That's also why we feel really good about sort of the ongoing dynamics in the business is that we know we've generated really great raw material in terms of the clicks and conversion that we're sending to advertisers and a very significant increases of those year-on-year. But we also know that we've only yet captured the value from a portion of those, and the rest of those will continue to capture value from those as other retailers adopt measurement solutions. And now with Performance+, we're going to make it easier for them on campaign creation.

And I mentioned this in my remarks a little bit, to get to sort of the second part of your question around Performance+, for a lot of those less sophisticated advertisers, for them it's not just about their sophistication, which we've talked about that in measurement and how it takes longer for them to see that and they need to see it over multiple quarters. It's also about the work they have to do to go create a campaign and how do you optimize creative across our platform and those kinds of things.

And when you look at what we're doing with Performance+, it's really getting to how do you go create the setup of a campaign, how do you optimize the performance of that campaign, how do you match the creative to the audience, and then how might you further optimize that creative. And the more sophisticated advertisers, I think, do that really well on their own and where we think Performance+ can be additive, but they've been the first to pick up on the increased clicks and conversions on the platform.

For that next tranche, we think the fact that it becomes dramatically easier to set up a campaign, significantly easier to optimize creative to the different audiences, or even dynamically create creative that will further optimize their click-through rates. We think that's going to really help that value capture to spread further.

Now, again, it's a multi-quarter rollout. Don't think of this as like a hockey stick, just as with our other things, multi-quarter rollout, but that's, again, what gives us a lot of confidence in the ongoing momentum in the business and a steady build in that over a multi-quarter period. And the tangible examples of that, a few of which I mentioned in my comments, they're pretty real, right? Seeing 10% plus improvement in costs for advertisers in our alpha testing and our beta testing is quite encouraging. And like the examples I shared in the case studies like from Timberland, a 34% lower CPA, 16% higher CTR, 50% higher ROAS that Timberland saw, these are really, really encouraging.

And again, multi-quarter adoption curve, as we've talked about before, but I think that's what gives us a lot of confidence. So that can really help that next tier of advertisers in the campaign setup. We're seeing things like 50% reduction in the number of steps required to go create a campaign on Pinterest.

So, I think it just holds with the broader theme that you've seen from us over the last two years where just consistently we're making it easier and easier for more and more advertisers and more and more of the industry to do business with Pinterest. And so you've seen that every couple of quarters has created a step function for us. And we think that, as we look forward, continues to bolster the ongoing strength in the business and very much consistent with what we talked about as we lined those initiatives out at our Investor Day last year for our multi-year view. Hopefully that helps.

Operator

Our next question comes from Mark Mahaney with Evercore. Your line is now open.

Mark Mahaney

Analyst, Evercore Group LLC

Thanks. I'll just ask about the 3P partnerships. You mentioned the contribution that Google made to Rest of World. I know in the past you've said you expect the contribution to be greater in the June quarter than in the March quarter. And again, again, greater in the September quarter than in the June quarter.

How far do you think this – just talk about like how long you think this takes to ramp or how long is the runway for ramping? Is this something that could build in absolute dollars for a year or two? Is there anything you can do to accelerate the – I guess, the performance of the 3P partnerships? And do you need to expand any more 3P partnerships? You've got two very large partners now in Amazon and Google. That may be good enough, but just talk about the opportunity to fill in beyond those two? Thank you very much.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Yeah. Thanks for the question, Mark. If you step back from it all, we're still relatively early days in what we're doing with 3P, right? We're a little bit more than a year in from when we first announced that early 2023. And we've seen Amazon ramping nicely. Google, we're much earlier on with that as we announced them roughly a year after Amazon. And that's starting to ramp as well.

And so we continue to see each of those build, as we shared in our commentary, that Q2 built off the baseline that we saw in Q1. We have similar expectations of that going forward. So we continue to see those things as a steady build. And we think there's a lot more opportunity, not just with 3P but in monetizing more of our platform. We really brought those in to round out gaps in our auction in the markets where we were already monetized, and then to help us start monetizing in markets where we were completely unmonetized.

And so we see that as something that we'll be optimizing for quarters and years to go, and with a lot more of that opportunity still in front of us, even as we still feel really good about the progress that we've made and the steady build of that on each of those partnerships.

Operator

Our next question comes from Rich Greenfield...

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

And then the other part of your question – sorry, Mark, I didn't hit the other part of your question about expanding those partnerships. While we don't have any more of those partnerships that we're talking about right now, we're going to continue to look for how we round out gaps in the auction.

And maybe one final nugget I'll give is on our resellers. So, as we talked about monetizing international, we talked about how that would be not just with 3P but also with resellers. We're seeing those resellers start to ramp. We're early days in that. We're seeing them start to ramp and contribute. And we're actually seeing some synergies between the resellers and the 3P partnerships where for some of those resellers, as they're bringing advertisers in, the fact that they can buy from us through Google Ads Manager where they already have integration is creating some synergy between the 3P and the resellers in the 1P business as we think about advertisers that are still thinking of us directly, but now seeing an easier path to make that purchase through an existing integration.

So, again, feel really good about the progress. It continues to sort of build sequentially quarter-on-quarter and we think there's a lot more of that ahead of us.

Operator

Our next question comes from Rich Greenfield with LightShed Partners. Your line is now open.

Richard Greenfield

Analyst, LightShed Partners

Hi. Thanks for taking the question, Bill, Julia. You spent a tremendous amount of time improving the product at Pinterest, making it more useful and shopful, as you talked about. I guess, we get a question sort of why is that not translating into a meaningful acceleration in US users? You are up a hair from where you ended last year. But given the product improvement, I guess, what's the – how do we sort of reconcile those two things? Are you seeing a meaningful increase in time spent per US user per week or per month, meaning you're seeing it more in engagement rather than overall growth in users?

And sort of – I know this is sort of a related question, but you keep talking about how younger users, I think for – since you joined, how younger users are your fastest growing segment. If overall users are relatively flattish, does that mean you're losing older users, meaning younger is replacing older? I just would love to understand sort of what's happening in terms of the overall mix of users would be great. Thanks.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Yeah, yeah. Thanks, Rich. So I've been pretty consistent on this from – since I got here that in mature markets like the US, that really the story was much more about growing depth of engagement with users. And to my comments earlier in the Q&A, we're seeing really, really encouraging signs there around depth of engagement. We've been talking about that consistently. We see that continue to happen with, as I mentioned, the WAU to MAU ratio continuing to improve.

And I think it's really noteworthy if you think about that, we're bringing on new users to the platform at record levels. And so, normally, when you bring on record levels of new users, that would be dilutive to your engagement per user because new users may be somewhat more marginally engaged or more peripheral as you got your early adopters that were sort of your power users. The fact that we are not only bringing on record numbers of new users, but also deepening engagement per users while doing that, I think, is exactly to that point of, like, it's really about depth of engagement with users.

And particularly, as I shared earlier in my commentary, we see that that depth of engagement is really occurring in exactly the ways that we wanted it to, where the curation signal that lets us help users through their shopping – help users navigate through their shopping journey, where they're deciding what to buy, we see the curation behaviors deepening and then clicks is a major place that we see deepening, which, as you know, had previously been a bit of an Achilles' heel to platform. That's now becoming a real strength for us where we're doubling the number of clicks we send to advertisers year-on-year, which just means more users are finding more of what they're looking for on the platform.

So, all those things, I think, are very positive dynamics. And then to your specific question around, okay, if Gen Z is growing, are we losing others? I've shared this last quarter. It's true again this quarter that we are growing across every demographic that we track and across every geography that we track. So our strength of users is really broad-based and really directly tied to the improvements we've made to the platform around AI-driven relevancy recommendations and then the actionability and curation on the platform. Hope that helps.

Operator

Our next question comes from Doug Anmuth with JPMorgan. Your line is now open.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Thanks for taking the question. When you think about all the ways you've improved the ad stack and your tools for advertisers, where do you see the biggest opportunity to close that gap between value creation and value capture? And I guess how much visibility do you think you have in that shift, particularly in a potentially tougher macro environment? Thanks.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

I'd say on the visibility of it, like, we know it's – we've been talking pretty consistently about, even if you're driving performance, it's only as good as what the advertisers are able to see and measure. And so measurement has been a really big focus for us, continues to be. If you think about Pinterest's history as primarily more of an upper funnel platform, it would make sense that a lot of those advertisers hadn't implemented lower funnel measurement tools with us.

It's really been – we're less than a year in with direct links. So less than a year into that, we've made really good progress in getting more advertisers to adopt that measurement, but we see a lot more of it ahead. And to your point of visibility, we're tracking it all the way down to the account level, and sales teams are not only looking at it account by account, our sales reps have been trained on it, they're goaled on it.

And so, we feel like we've got pretty good visibility to what's driving that adoption as well as responding to advertiser feedback of things that will make it easier for them to adopt, especially as you get to the smaller advertisers, where I talked about in my comments on the last couple calls that we launched our API for conversions a little more than a year ago. And that's all really successful rollout with large advertisers.

As we went to take that more broadly, we saw a need to meet advertisers where they were, integrate to the third-party tools that they were using, clean rooms and the like. So you've heard us talking about more partnerships with third-party measurement platforms, more partnerships with clean rooms. So as we're doing that, we're seeing that's really helping us make broad progress with retailers and advertisers, particularly lower funnel advertisers, that we're making it easier for them to adopt the measurement so they can see the value. When they see that come through in their measurement, then we see them shifting budgets. And again, we think there's a lot more of that ahead.

And then finally on Performance+, there's the other side about it, which is just the campaign creation and the creative optimization, where if you think about Pinterest as a smaller player in the overall ad market, if you go to some of these advertisers and say, oh, well, hey, if you implement measurement with us and if you do some campaign setup, we can drive good performance for you, but we're low single-digit percentage points of your total spend. That's a harder conversation to get people to adopt.

Well, now we're able to point to the fact that we have the largest, most sophisticated advertisers getting really great performance from us. We're getting into their always-on budgets, their performance budgets. I shared in our last call, getting the 5%, 10% of ad spend for some of these really large, sophisticated retailers. As we're now able to point to that and say, not only can you have that kind of performance, but we're making it easier for you to measure, because we're integrating to your measurement tools, and now with Performance+ Performance+, we're going to solve the other side of this and make it easier for your campaign creation and campaign optimization and creative optimization. We think these are all things that are responding to that advertiser feedback that we've been getting account by account and making it so that we have a clear line of sight to that value capture continuing to play out, even though it's still something to think about as over a multi-quarter period. Hope that helps.

Operator

Our next question comes from Dan Salmon with New Street Research. Your line is now open.

Daniel Salmon

Analyst, New Street Research LLC

Great. Good afternoon, everybody. Julia, I just wanted to follow up on your comment about the lower eCPMs from third parties. As you noted, these are smaller under-monetized markets that we're starting to step into. So that's not a big surprise. But are those – is that pricing coming in sort of in line with your expectations so far?

And then just second to you, Bill, I can follow-up just a little bit on Performance+. It sounds like you're starting to get into that next tranche already. Do you think that that next tranche will really have given it a solid test drive ahead of holiday season when your retail vertical will be extra important? Thank you.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

Yeah. Maybe I'll take the last one first. I think that we've seen that continue to be a steady build. And so we think that progress in retail, we saw it as one of our primary sources of strength. We see that continue to build, and Performance+, it's early on, it's multi-quarter, but we've seen us start with the largest, most sophisticated retailers and advertisers, and then we started to hit the next group down. We think Performance+ will start to take it further down even than that. But we think that sets us up well as we look into the future and look to continue that steady build within retail.

Julia B. Donnelly

Chief Financial Officer, Pinterest, Inc.

Yeah. I think on your – the first part of your question, though, on eCPMs. And so, yes, it is generally coming in in line with sort of where we expected for those Rest of World markets that just how to lower eCPM. I do think, over time, as we continue to ramp those partnerships and add even more auction density in those markets, we can expect those eCPMs to rise. But based on where we are right now and based on the fact that they're just sort of lower TAM markets overall, we feel really pleased with sort of how those are initially ramping.

William J. Ready

Chief Executive Officer & Director,
Pinterest, Inc.

All right. That's our...

Andrew Somberg

Vice President, Investor Relations and Treasury,
Pinterest, Inc.

And that's our last question, operator.

William J. Ready

Chief Executive Officer & Director, Pinterest, Inc.

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

Operator

That will conclude today's conference call. Thank you all for your participation. You may now disconnect your line.