

## MANAGEMENT DISCUSSION SECTION

### **Operator**

Good day, ladies and gentlemen. Thank you for joining today's Pinterest Third Quarter 2025 Earnings Conference Call. My name is Tia, and I will be your moderator for today's call.

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

### **Andrew Somberg**

*VP of Investor Relations & Treasury*

Good afternoon, and thank you for joining us. Welcome to Pinterest's earnings call for the third quarter ended September 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 Q4 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 I'll now turn the call over to Bill.

### **William J. Ready**

*CEO & Director*

Thanks, Andrew. Good afternoon, and thank you for joining our third quarter 2025 earnings call. Q3 marks another quarter of strong execution against our multi-year strategy and long-

term financial targets. Over the past few years, we've transformed Pinterest from a platform of window shopping, where users often found that all the stores were closed into an AI-powered visual-first shopping assistant. We are digitally replicating the joyful experiences of walking the bazaar or working with a great salesperson at your favorite boutique, while seamlessly enabling our users to take action.

In an evolving competitive environment, Pinterest continues to distinguish itself as a destination for our users and a vital partner for our advertisers. To illustrate this point, nearly 85% of our users come directly to our mobile app, meaning we're not reliant on search engines or other third parties for traffic. We reached 600 million monthly active users in Q3, marking our ninth straight quarter of record high users with particular strength in Gen Z. Gen Z is our largest, fastest-growing cohort comprising over 50% of our user base and represents the next generation of users and shoppers who are influential tastemakers, content creators and a lucrative audience for advertisers to reach. This momentum is also evident in key markets with our U.S. and Canada MAUs reaching 103 million, the highest level on our platform in the last 4.5 years.

Importantly, 100% of our reported users are logged in, giving us valuable first-party intent signals that provide an unparalleled view into consumer taste and preferences, which powers our recommendation engine and creates an even better user shopping experience. This combination of scale and intent continues to fuel our financial performance, with Q3 revenue growing 17% year-over-year to \$1.049 billion, proving our role as a trusted partner to brands and agencies across the world.

Not only has our platform become a destination for shopping, we've also increasingly become a destination for search, in particular, visual search. Today, there are approximately 80 billion monthly queries across Pinterest, split across related items and other forms of visual search and traditional text-based searches. In Q3, all of these individual query types grew year-over-year on the platform. Overall, queries per user also grew year-over-year as we deepen engagement per user and users search more often on Pinterest. Related items and other forms of visual search are by far the largest source of queries and on our latest visual search features in particular, queries grew the fastest at 44% year-over-year in Q3. These trends help to highlight how our AI investments are elevating our visual search capabilities and the relevance of our shopping recommendations. As a result, we are driving more of our engagement towards visual search, an area where we have a distinct right to win and is aligned with the visual inspiration and discovery that our users have come to expect from Pinterest.

At the same time that we found our best ever product market fit with users, we've also built a performance ads platform that is harnessing our users' commercial intent and AI-driven automation to improve performance and simplify campaign creation for our advertisers.

As a result, we've grown outbound clicks to advertisers by 40% year-over-year in Q3 and by more than 5x over the last 3 years. We have also broken into performance budgets, including achieving 5% to 10% share of total ad spend for some of the world's largest, most sophisticated advertisers.

Through continued product innovation, we see meaningful runway to expand our share of wallet with these large advertisers, while also growing with smaller, mid-market advertisers through continued improvements to our AI-powered automation suite, Pinterest Performance+.

International markets also remain significantly under-monetized, creating clear opportunities to increase monetization over the next several years across multiple growth levers.

With these foundations in place, we see a clear path to sustainably grow our business and expand our market share.

AI is the heart of the Pinterest experience, working continuously in the background to understand our users' evolving tastes and preferences. Unlike chat or search platforms that wait for users to type a prompt, our AI is proactive. It anticipates what users will love next, curating a fresh feed of personalized recommendations that are ready the moment they return, advancing their commercial journeys without the user having to ask, which is effectively the promise of agentic experiences. This is the magic of Pinterest: delivering a world of inspiration and individualized, AI-assisted shopping for each user.

In effect, this has made us an AI-powered shopping assistant for our 600 million monthly active users. Importantly, through this experience, we are acting as a true partner to our advertisers. We don't disintermediate their traffic; we provide our users a seamless journey from visual discovery, directly to the advertiser's product checkout page, helping our advertisers gain a customer, not just a transaction.

This entire ecosystem is built on our core competitive advantage. A deep understanding of user taste, intent and product associations. Our AI is trained on billions of first-party signals from hundreds of millions of people actively curating and buying, which builds our taste graph.

This unique first-party data then trains our AI to recommend deeply personalized and relevant content, often before users even can even articulate what they're looking for. This creates a powerful feedback loop: as we provide more value to our users by surfacing what they are looking for, they engage more deeply, further enriching our data and strengthening our ability to recommend relevant content.

This May, we launched a significant enhancement to visual discovery on Pinterest: our first-ever multimodal search experience, starting with women's fashion. This upgraded feature allows users to refine searches with more precision than ever by using both image and text inputs. Powering this experience is a proprietary, in-house multimodal model trained on Pinterest's vast and unique dataset, which is 30% more effective at identifying and recommending relevant content from our corpus compared to leading off-the-shelf models.

Now, we're testing ways to expand multimodal search and bring AI to the foreground of the user experience with the launch of our new Pinterest Assistant.

With Pinterest Assistant, we are fundamentally enhancing the discovery journey on Pinterest by transforming pure text-based search into a voice-activated conversational assistant. Now, users can move beyond simple keyword text inputs to describing open-ended, complex questions and commands like, "What outfits might match this theme," and "Make these home decor ideas brighter and with a modern layout," Our AI technology surfaces real-time inspiration that takes these conversational descriptors, runs them through our AI fine-tuned with our first-party signal and surfaces shoppable products from our catalog. Additionally, by translating natural language queries into curated visual results, we are also able to capture more nuanced commercial intent, providing us valuable signal to drive further personalized

recommendations.

We just began a beta rollout of Pinterest Assistant to a small set of test users in the U.S. We're excited about the opportunities that multimodal search can unlock and will continue to test this product over the coming quarters, seek user feedback and expand access to a broader set of users over time.

AI is also being integrated to help move users through their commercial journeys in ways that are unique to Pinterest. A recent example is with Boards. As I've discussed in past quarters, Boards are at the heart of a user's inspiration to action journey and a superpower of our platform. Hundreds of millions of our users actively save to 15 billion boards, organizing every aspect of their lives and creating an intent signal found nowhere else in the Western world. Importantly, users who use boards are more likely to revisit, less likely to churn and more likely to have deep recessions. Now we're using AI to make Boards even more inspirational and shoppable, helping users move seamlessly from discovery to decision.

In the coming weeks, we will be introducing new trends and brands to our UCAN users with a new feature called Boards Made for You. This feature brings timely curated collections of fresh and personalized content right into the Homefeed, with the goal of driving more frequent visitation and curation and introducing relevant shopping recommendations. With a blend of AI-driven recommendations and expert human curation, we're delivering personalized boards that help users discover new trends for them, see what others with similar styles and interests are loving each day, and shop personalized weekly outfit ideas.

As part of our Q4 holiday go-to-market efforts, we're also launching the Holiday Edit, consisting of hundreds of new, expert curated gift guides spanning 17 categories, including fashion, home, food, beauty, travel, parenting and technology. These shoppable boards feature gift ideas selected by celebrities in the know and Pinterest experts who understand exactly what to buy for every taste and budget. Through these initiatives, we're driving value for our users that they can only find on Pinterest, which in turn drives better engagement on the platform.

Our commitment to enhancing the user's journey from inspiration to action creates a powerful full funnel opportunity for advertisers. It allows them to connect with consumers at every stage, especially during the critical discovery phase where users have high commercial intent, but don't yet know exactly what they want to purchase. To that end, we recently launched a number of ad formats geared towards connecting users to shoppable products. For example, we recently launched Top of Search Ads, now in beta in all monetized markets. These ads appear directly within the top 10 search results and in Related Pins ensuring that the brand's products are visible where shopping journeys most often begin and ahead of the competition. Since 45% of clicks occur in the top 10 search results, this placement is highly valuable. Our testing shows an average click-through rate of 29% higher for Top of Search ads compared to standard campaigns and a 32% higher likelihood of attracting new users who haven't seen or engaged with a brand's ads in the past. For example, Tractor Supply Company leveraged Top of Search Ads and in A/B testing saw a 129% increase in Click-Through Rate versus their catalog benchmarks. Last quarter, I highlighted our significant opportunity to enable new seamless shopping experiences across various categories on our platform. As part of that effort, we announced our new partnership with Instacart, which enables Pinterest ads to become directly shoppable via Instacart, allowing users to complete a purchase in just a few clicks. In September, we further expanded this functionality, which brings the actionability to CPG advertisers with the launch of Where-to-Buy-Links. Where-

to-Buy Links make standard ads instantly shoppable by surfacing multiple in-stock retailer options for a single product directly from an ad, all while allowing advertisers to receive valuable purchase intent data. With one tap, shoppers can view retailer options and choose their preferred one to complete a purchase.

In September we also launched Local Inventory Ads, where retailers can display real-time prices for in-stock items within a shopper's local store radius, adding a layer of convenience and actionability for users who want to know what's available nearby.

These new ad formats are complemented by our ongoing focus on Pinterest Performance+, where we continue to drive adoption, increase functionality, enhance bidding capabilities through features like ROAS bidding, and subsequently, drive increased advertiser spend. We're excited about the performance that Pinterest Performance+ is delivering for advertisers, particularly Pinterest Performance+ Campaigns, our AI-powered suite of automated ad products designed to boost campaign performance by simplifying setup and optimizing delivery across objectives. Pinterest Performance+ campaigns bundle a-la-carte features like P+ bidding, P+ targeting, and P+ budgets into one suite to help advertisers reach the right audience and drive better results with 50% fewer inputs required to set up a campaign. Just one year since launching into general availability, we're extremely pleased with our progress and the performance we're driving for advertisers.

For example, retail advertisers that spent on Pinterest Performance+ Campaigns have on average seen a 24% higher conversion lift than those spending only on traditional campaigns. Additionally, Performance+ Campaigns are also helping us deepen performance across a wide range of advertiser segments. Last quarter we talked about how our Pinterest Performance+ Campaigns was seeing a particularly strong product market fit amongst our mid-market enterprise and smaller advertisers, as these advertisers value automated and simplified ways to optimize their campaign performance on our platform.

We continue to see highest adoption of this tool amongst our smaller and midmarket managed advertisers, who range from tens of millions to upwards of \$100 million in annual gross merchandise value. As these advertisers adopt Performance+ Campaigns, we are seeing them spend more on the platform. Among our midmarket and smaller managed advertisers, Performance+ Campaign adopters, exhibited, on average, a 12% higher monthly growth rate in spend on Pinterest post adoption, when compared to non-adopters. While this cohort of smaller and midmarket advertisers represents approximately 15% of our revenue today, we see significant opportunity to continue to increase our share of wallet with this segment of advertisers.

We also continue to add new features and functionality to the Pinterest Performance+ suite. In Q1 2025, we launched Performance+ ROAS bidding, which provides more granular bidding functionality for advertisers, and optimizes for conversion value, not just the volume of conversions. This is particularly impactful for advertisers that have a large catalog at varying price points.

And while we are only two quarters into general availability of ROAS bidding, we're seeing promising early adoption. Globally, 22% of our lower funnel retail revenue now flows through ROAS bidding. And notably, as we drive adoption, we're increasingly seeing advertisers place bids against a greater portion of their catalog. In Q3, the number of unique shopping SKUs with a paid ad impression grew more than 100 percent year over year, and advertisers using ROAS bidding contributed the entirety of that growth.

Lastly, we continue to enhance our Pinterest Performance+ suite and be responsive to advertiser feedback. As an example, advertisers have requested additional transparency regarding the audiences their Performance+ campaigns are reaching, to supplement the performance metrics they already receive. As a result, we recently launched enhanced new Reporting functionality in Ads Manager offering detailed audience breakdowns including age, gender, and approximate location.

In short, just over a year since launching Pinterest Performance+, I'm proud of the value we've delivered for advertisers, with meaningful opportunities still ahead of us.

Now I'll turn to our international opportunity. International monetization represents one of our largest, most durable growth vectors, and we're still in the very early innings. Today, we have roughly 500 million MAUs outside of UCAN or 83% of our global users, evidence of our strong global awareness and product market fit with our users. However, these users represented just 25% of global revenue in Q3 2025, reflecting our historical monetization focus on UCAN. While we continue to see opportunities to drive growth in UCAN, this imbalance creates the upside we're now beginning to unlock as we scale proven playbooks across our Europe and Rest of World regions and integrate more deeply with the advertising ecosystem in each of these regions.

Our go-to-market approach is region-specific. In Europe, we lead primarily with our first-party sales team to serve advertisers directly. We're also focused on strengthening our relationships with agencies, who manage and deploy much of the digital advertising spend in this region, and who we view as vital partners in the ecosystem, as well as integrating with marketing-tech partners who help advertisers manage their creative and campaigns.

In the Rest of World, we've deployed a hybrid model that blends our direct sales force in select markets, reseller partners in over 40 countries, and incremental third-party ad demand, allowing us to effectively scale growth in longer tail markets that were previously unmonetized or significantly undermonetized.

Critically, we're exporting what already works in UCAN, while localizing the implementation. Our lower-funnel playbook focuses on increasing uploads of product catalogs and driving adoption of shopping ad formats and privacy-centric measurement. We couple that with Pinterest Performance+ to simplify campaign creation and improve outcomes for our advertisers. The result is a consistent, measurable path for advertisers to see performance and scale their spend on Pinterest.

As an example, Pandora, a leading European-based global jewelry retailer, leveraged many of Pinterest's best-practices including the adoption of Pinterest Performance+ across 100% of their lower funnel spend in existing markets, which drove ROAS lifts across their campaigns. Additionally, Pandora adopted our conversion API, driving nearly a 36% increase in ROAS, and after implementing offline conversions, drove a 148% increase in ROAS across priority markets.

International advertisers leaning into our shopping ad formats has been one of the clearest indications that our lower funnel playbook is resonating across the globe. Two years ago at our Investor Day in September 2023, shopping ads represented just 9% of International revenue; in Q3 2025, it reached 30%. In fact, Q3 shopping ad revenue in both Europe and the Rest of World grew over two times faster than the overall revenue growth of their respective

regions.

Despite this progress, we see significantly more opportunity to both activate and grow our share of wallet with international advertisers, particularly with the most sophisticated European and Rest of World advertisers where we are currently underpenetrated. It's still early, but we're making tangible progress narrowing our international monetization gap as measured by international ARPU relative to UCAN.

Overall, I'm extremely proud of our team and the progress we are making across a number of initiatives. Pinterest is growing users across all the generations and geographies we track and has become a destination. Importantly, we're also growing queries, board creation and clicks to advertisers faster than users, meaning we're deepening engagement per user across the dimensions we want even as users have more alternatives than ever for search.

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

**Julia Brau Donnelly**  
*Chief Financial Officer*

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

Now, let's start with our third quarter results. We ended the quarter with 600 million global monthly active users, or MAUs, growing 12%, our ninth consecutive quarter of record high users. We continue to demonstrate user growth across all of our geographic regions. In Q3, our U.S. and Canada region had 103 million MAUs growing 4%, our Europe region had 150 million MAUs growing 8%, and then the Rest of World markets, we had 347 million MAUs growing 16%.

Shifting to revenue. In Q3, our global revenue was \$1.049 billion, up 17% on a reported basis and 16% on a constant currency basis. We saw strength across our conversion and awareness objectives.

Across verticals, we continue to see strength led by retail as well as by smaller, faster-growing categories on our platform, including telecom and entertainment. We also continue to see a normalization within CPG, driven largely by our food and beverage subvertical.

Turning to our geographical breakouts for Q3. In the U.S. and Canada, we generated \$786 million in revenue, growing 9%. Strength came from retail, CPG, Telecom and entertainment. In Europe, revenue was \$193 million, growing 41% on a reported basis or 34% on a constant currency basis. Strength in Europe was driven by retail. Revenue from Rest of World was \$70 million, growing 66% on a reported basis or 65% on a constant currency basis.

We're pleased to deliver this strong 17% third quarter revenue growth which exemplifies our multiple ways to win that I've spoken about for many quarters. We continue to diversify our business across geographies, grow long-standing as well as newer advertiser verticals and

begin to deepen our share with mid-market and smaller advertisers. We did face pockets of moderating ad spend in UCAN in Q3 as larger U.S. retailers navigate tariff-related margin pressure in the current environment.

However, as Bill noted, we also saw accelerating strength across our international geographies in Q3 as we have begun to successfully export our lower funnel playbook around shopping.

In Q3, overall ad impressions grew 54% while ad pricing declined 24% year-over-year. The primary driver of the continued strong growth in ad impressions and corresponding decline in ad pricing continues to be the growing mix shift from ad impressions in previously unmonetized or undermonetized international markets, which carry lower ad pricing than our more mature markets.

Moving to expenses. In Q3, cost of revenue was \$206 million, up 13% year-over-year and up 5% versus Q2 due to increased infrastructure spend related to our user and engagement growth.

Our non-GAAP operating expense was \$543 million, up 15%. The increase was due to investments in Sales & Marketing and R&D, as we continue to invest in headcount to support our AI and other product initiatives, as well as our salesforce.

Our revenue growth combined with our disciplined approach to cost led to another strong quarter of Adjusted EBITDA, coming in at \$306 million dollars, a margin of 29%. Adjusted EBITDA margin expanded 170 basis points versus Q3 last year and helped to deliver Q3 Free Cash Flow of \$318 million dollars. This speaks to the inherent profitability of our business and highly cash generative nature of our model, with over 90% of our Adjusted EBITDA converting to Free Cash Flow over the trailing twelve months.

We ended the quarter with cash, cash equivalents and marketable securities of \$2.7 billion.

As a reminder, we've previously discussed the four pillars of our capital allocation framework, which remain unchanged. First, investing in product and technology innovation; second, balance sheet optimization; third, preserving flexibility for opportunistic and disciplined M&A; and fourth, dilution management.

To that end, as part of our ongoing efforts to mitigate dilution from employee stock based compensation, in Q3, we allocated \$199 million towards share repurchases and \$115 million toward Net Share Settlement of equity awards, thus bringing fully diluted share count roughly flat year over year.

Now I'll discuss our preliminary guidance for the fourth quarter. We expect Q4 revenue to be in the range of \$1.313 billion to \$1.338 billion, representing 14% to 16% 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 Q4 2025 adjusted EBITDA to be in the range of \$533 million to \$558 million. We anticipate Q4 2025 non-GAAP cost of revenue to grow sequentially from Q3 2025 by high single-digits percent. Within Q4 non-GAAP operating expense, our primary area of investment will continue to be headcount growth within R&D to support our efforts in AI and other product initiatives as well as our global sales team.

Our Q4 adjusted EBITDA guidance confirms that we will continue to expect adjusted EBITDA margin expansion in the second half of 2025. Consistent with our commentary on our last earnings call, the level of expansion in the second half 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. Overall, we are pleased with our progress in 2025 towards our long-term adjusted EBITDA margin targets and our ability to continue generating significant free cash flow.

In closing, I'm proud of our team for another strong quarter as we continue to deliver for our users and advertisers. With that, I'll hand it over to Bill for some final words.

**William J. Ready**

*CEO & Director*

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**

### **Operator**

The first question comes from the line of Ron Josey with Citigroup.

**Ronald Victor Josey**

*Citigroup Inc., Research Division*

Great. Bill, a bigger picture question for you, and then Julia, I had one for you. Bill, on the future of e-commerce, I would love to get your thoughts on agentic commerce, agentic search and how everything is evolving here. And specifically, Pinterest's opportunity and strategy given its evolving landscape and then clearly with the launch of Pinterest Assistant? And then, Julia, I think you mentioned some pockets to growth in UCAN given tariffs. Wondering if this continued or if things have normalized since then.

**William J. Ready**

*CEO & Director*

Thanks for the question, Ron. So one of the things I'm most proud of when I look at our results, particularly over the last 3 years is the strength that we have had with users, 9 straight quarters of record high users, in the fact that shopping has been at the very center of the resurgence of our platform. And the core of that is that we've effectively become an AI-driven shopping assistant, as I discussed in my prepared remarks.

And to go a little further on that related to your question on agentic. Pinterest is proactive. It anticipates what users love without the user having to ask. Effectively, that is the promise of agentic that AI is working for you without you having to tell it what to go do. And that's exactly what users experience on Pinterest every day and what is leading to that deepening engagement that we understand their style and taste and preferences so well that every time they open the app, they're getting great new recommendations from our AI-driven systems, and we're making those more and more helpful as evidenced by the Pinterest Assistant that

we just announced. We're clearly not standing still. We're going to continue advancing that, and we're going to continue to be centered on our strength in a visual first experience. By adding voice, bringing more of the AI to the foreground, we think will take us further into that AI-driven journey for the user. And our focus, to be clear, is in guiding the user through the decision-making journey. We believe that is the most impactful part of the promise of agentic.

From a buying perspective, we deliver great buying experiences for our users. For example, we have push button buying with Amazon linked accounts. That's a great experience. We have millions of users using that today where they can buy right within our platform. And if we see users saying they want the AI to push the button for them, that's not a technically complex thing for us to do, but we think actually the more differentiated thing is how we're guiding the user through that journey helping them go further down the commercial journeys every time they come back to our app.

And it's also worth noting, as you've seen other AI platforms really burst onto the scene, open AI at 800 million users, that's branded over the last few years. But even if that has happened, we've delivered 9 consecutive quarters of record users while deepening engagement across the metrics that we want, including on search. And within that, a 44% increase in queries in our latest visual search features. So we think that is really clearly demonstrating that we've carved out a unique space for ourselves there. And when you think about that broader promise of agentic, the AI working on your behalf to guide you through those journeys, I think we are at 600 million-plus monthly active users, I think we are one of the most popular places for us to go in that and doing something unique and distinct from others.

And then on the cost side of that, I think it's really important to understand that just as we've been talking about, our ability to go align the AI with great monetization continues. The cost implications there, it's not only about us aligning the assistant with our ability to monetize and how that is running great search results that are highly commercial in nature. We have our own proprietary and compact fit-for-purpose models that perform really well.

And every pen we serve today is driven by that, and that's really already in our cost structure. And when there are things that we need to do with broader LLM capabilities, we are constantly doing side-by-side testing between both the leading off-the-shelf proprietary models and open source models. And one of the really, really interesting things that we're seeing is that we are just getting tremendous performance from open source models, specifically for Pinterest use cases on visual AI given current market rates and per token costs in early testing, we're seeing orders of magnitude reduction in costs with comparable performance using fine-tuned open-source models versus leading off-the-shelf proprietary models. So going forward, we think open source can be applied to many more of our use cases and at a fraction of the cost of the larger model providers using open source. So again, we feel really good about the value that we're bringing to the user there. Our ability to align that with monetization and our ability to control those costs and deliver that effectively.

**Julia Brau Donnelly**  
*Chief Financial Officer*

And then, Ron, the second part of your question, I'd say overall, with respect to Q3, the quarter played out largely as we expected. In addition, we saw some of the pullback from some U.S. retailers spend from Asia-based e-commerce players in the U.S. was down year-

over-year again in Q3, though relative to Q2, we did see a partial recovery there. As we think about guidance for Q4, our Q4 guidance range is 1 point lower than our guidance range was for Q3 as we see these broader trends and market uncertainty continuing with the addition of a new tariff in Q4 impacting the home furnishings category. So I think overall, we still feel really good about our mid- to high teens kind of revenue growth targets over the medium and long term and the durability of our revenue growth.

There are several areas of momentum in our UCAN business that continue that you've seen over the last several quarters. So one of those has been momentum in emerging verticals, also momentum in smaller and mid-market advertisers and then some of the international opportunity that Bill touched on in his prepared remarks. To put this into perspective, some of these emerging verticals in the U.S. like financial services is nearly a \$40 billion digital ad category in the U.S. We estimate that we have less than 0.5 point of market share there, and that category has been growing really nicely for us for some time. We expect this to translate into further share gains in this and other emerging verticals like travel, entertainment and telecom. Likewise, smaller and mid-market advertisers today represent only 15% of our revenue as our priority has been to solve the needs of larger enterprise advertisers first. But we're seeing nice tailwinds as these smaller and mid-market advertisers adopt Performance+ campaigns, and we plan to continue to invest more into growing this segment. So while all these initiatives continue to play out over time, and we expect them to take time to play out, we're confident we have the right playbook to drive further growth, including an UCAN moving forward.

### **Operator**

The next question comes from the line of Eric Sheridan with Goldman Sachs.

### **Eric James Sheridan**

*Goldman Sachs Group, Inc., Research Division*

Maybe building on that answer, just Bill, can you characterize more broadly the digital ad environment that you find yourself operating in representing Q3 what you just reported and sort of the building back of Q4? And Julia gave some really good color there with respect to UCAN. Can you characterize what you're seeing in UCAN relative to the rest of your operations globally against that broader ad environment?

### **William J. Ready**

*CEO & Director*

Thanks, Eric. We're pleased with another strong quarter in Q3 at 17% revenue growth. And as I'm sure you've noted, we've been quite consistent in our growth and in line with the long-term targets for revenue and margin that we laid out at our Investor Day 2 years ago. So we continue to feel good about that mid- to high teens revenue growth target over the long term that we laid out at Investor Day and our ability to consistently deliver. It's also really important to note, and this gets to your sort of question on sort of the broader environment. It's also important to note that we grew 17% despite operating in an environment where some of our largest retailers in UCAN pull back spend across the industry, not specific to us, a pullback across the industry as a navigated tariff-related margin pressure. And we think that's disproportionately impacting large retailers, but that is a segment that we have more exposure to than other platforms given our focus on shopping though we continue to grow in other verticals and segments of the market in addition to those.

Additionally, as advertisers are adopting AI-driven platforms, there's a next level of

optimization in the AI ad platforms that's taking place right now, where bidding is getting further aligned to advertisers' measurement sources of truth and more events that lead up to a conversion or being incorporated. We think that presents an upside opportunity moving forward. We began that journey earlier this year with ROAS-based bidding, and we've seen good results there. For example, after launching ROAS bidding in Q1, we saw a 100% increase in shopping SKUs with paid ad impressions across the platform in Q3. And has driven entirely by ROAS bidding adopters, as I noted in my remarks, and more of those advertisers are uploading greater portions of their product catalog. We've talked about that opportunity to get deeper into the catalog even of our largest advertisers. We think this will continue to help us do more of that.

Going forward, we see meaningful potential to expand further into AI-based optimization of other events that are valued in advertisers' measurement sources of truth. And while many advertisers have adopted these solutions first with the larger platforms as typical of the adoption cycle, we are testing this with some of our largest partners, and we're seeing really good early results. Certainly, more of that is in front of us than behind us. But the good news is that the alignment of AI bidding with the advertiser's measurement source of truth is market expanding.

I think we've already seen that reflected in some of the larger platforms and what they have been out in the market with. And that tended to give more credit to events leading up to a conversion, such as view through attribution, which should be good for a full funnel platform like Pinterest. So this should accrue to our advantage in future quarters as we continue to roll out those features are very early on our platform now, but we are seeing good early results. And through our broader deployment of these additional Performance+ solutions in 2026, we think there's continued opportunity there. So we know we're driving performance for advertisers. Clicks to advertisers increased 40% in Q3 and clicks to advertisers outpaced revenue in all of our reported geographies. In fact, clicks to advertisers were up over 5x over the last 3 years. But clearly, we have more to do to get proper credit for that performance.

### **Operator**

The next question comes from the line of Rich Greenfield with LightShed Partners.

### **Richard Scott Greenfield**

*LightShed Partners, LLC*

We have seen you're giving users choice that's allowing users to actually remove AI content. I guess the big question is, how do you know what's AI generated? What's not? And why did you make that decision? It seems like a lot of your peers are actually encouraging and want AI content because they want more content to keep people even more engaged, to sell more ads or to build the business. And so it seems like you're sort of doing the opposite, and I'm curious or maybe allowing the opposite versus doing the opposite. Why and help us understand how this all works and why you're doing it?

### **William J. Ready**

*CEO & Director*

Yes. Thanks for the question, Rich. So it's a really great clarification. And overall, we see Gen AI created content as a big tailwind for our platform, and we are very much embracing it. Part of embracing it is addressing content quality. And we address content quality primarily through our recommender systems, but then also by giving users choice and saying

what they want to see. And so I think you've heard this across pretty much every platform out there, that there are some users and some use cases that would like to see less AI-driven content. And so we're simply giving the user choice, but we're also leveraging all the really great AI-generated content that is available out there. And I think this is not dissimilar to what's happened in prior expansionary moments with content, whether you think about what happened with online video or short form video or the ability for everyone to take a photo with their phone, initially, people react to changes in the volume of quality leading to some examples of lower content quality. But if you have recommender systems that can really parse what's great quality versus not great quality, then you can give users the best of that expanding content corpus. And when you look at the engagement on our platform, I think that demonstrates that we're doing a pretty good job of parsing all that great influx of AI-generated content that's out there and figuring out what's going to be relevant for which user at which moment in time. And then what we're doing is augmenting what our recommender systems can do with the user's ability to give us direct feedback if they want to see less AI-driven content. You do have some use cases where someone might say, well, hey, I'm looking for a specific thing to provide architecture on my home. And so I need to know it's a real picture of something that could actually be built versus something that is AI generated. I think over time, users will accept more and more of that as the quality filters get better and better. But again, overall, we see Gen AI content as a significant tail on the platform already. And it's really about getting the content quality right, which primarily we do behind the scenes on our users' behalf, but we're giving them tools to say when they want to see more or less.

And then specifically to your question of how do you tell. I would say there's not a precise ability for any platform to catch a 100% of what is AI generated. There are some industry-level tags that we would act on. There are also things where we're looking at metadata and other indicators that give us indication of that. But that's why we say see less, not see none of because the ability to precisely spot that is not perfect for any platform.

And I would just say, over time, I think it will get to a place where almost every piece of content you see will have been at a minimum edited by AI in some form or other. And there are analogs this. If you think back to, it used to be that people would get really sort of upset if photos had been photoshopped. Well it has long since been the case that nearly everything you would see out there would have been not just Photoshop, but you have filters and all these things that even the average person can do. We think that over time, almost every piece of content you see will have been AI modified in some way, and it really will come down to content recommendation and content quality. But in the near term, we're giving users choice and allowing them to express what they want to see in honoring that choice.

### **Operator**

The next question comes from the line of Shweta Khajuria with Wolfe Research.

### **Shweta R. Khajuria**

*Wolfe Research, LLC*

I was wondering if you could please talk about your relationship with Magnite and more broadly about your efforts to add new sources of demand and perhaps time line around that?

### **William J. Ready**

*CEO & Director*

Thanks for the question, Shweta. We've been very consistent from the beginning as we think

about our programmatic and third-party strategy. Our first-party ad demand continues to be the primary driver of our growth with third-party demand really complementing and rounding out our auction when there may be gaps in the auction. With respect to Magnite, when we announced that, we said it would take time to integrate test and doing more fulsome go-to-market. We're still working through that testing now, and we're in the early days.

Today, most of our efforts have been with respect to 3P have been focused on bringing on new sources of demand on the platform as many of these programmatic budget pools are large and new to Pinterest today. So we continue to see that consistently with how we have before. But I would also call out that there's a next potentially meaningful opportunity that we're also starting to look at that we think we bring a unique audience to these budget pools given the high intent nature of our audience and the visual discovery that uniquely occurs on Pinterest. So as a result, we're also starting to explore very early testing how valuable our audience could be even beyond our own platform. When you think about the very strong commercial intent that we see with our users, obviously, we satisfy a lot of that commercial intent on our platform, but we think that could be helpful beyond our platform. So we're in very early days of testing that.

### **Operator**

The next question comes from the line of Mark Kelley with Stifel.

### **Mark Patrick Kelley**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Bill, I appreciate the extra color on Performance+ tonight. I was hoping maybe we could drill into the SMB and kind of mid-market opportunity, just a little bit more. I know you threw out that -- that's that, the 24% higher conversion rate. Is that pretty like standard, whether you're a smaller advertiser versus a more sophisticated and larger brand? And then second, maybe just to clarify, the 10% to 15% of revenue running through P+, was that just an SMB and mid-market stat? And where might that go over time?

### **William J. Ready**

*CEO & Director*

Thanks for the question, Mark. So first of all, we feel really great about Performance+ and how well that's working. We're not even a year end to the deployment of that. And as a reminder, the larger platforms are many years into their rollout of this. So we're at year-end, and we feel great about the progress that we've made. People's campaigns or bundled suite of AI-enabled automated features. It's really driving much better performance and reducing the inputs, 50% fewer inputs. So I called a little bit of this out, but for example, retail advertisers using Performance+ campaigns are seeing a 24% higher conversion lift versus traditional campaigns. It is also helping significantly as we expand into the smaller and mid-sized advertisers, those tens of millions or hundreds of million -- \$10 million to \$100 million of GMV, who really value that automation. And for that segment, we see a 12% higher monthly revenue growth rate of adopters of P+ campaigns versus non-adopters and approximately 15% of our current revenue the segment is growing nicely. So there's a lot more to do to deepen share of wallet there. And again, as a reminder, this is a segment of the market that larger platforms have had much more exposure to. We are earlier on this segment of the market. But P+, we see as a significant unlock there and it's having exactly the effect of intended, but we still have a lot more of that opportunity in front of us than behind us. So

we're quite excited about what we're seeing from Performance+ there.

And then on the larger segment of this, ROAS bidding, as we've talked about, is really helping us get much deeper into the catalog of our -- of the largest retailers out there. So I've shared 22% of retail lower funnel revenue, both enterprise and SMB. So -- and that's just launched in 2 quarters on ROAS bidding. So road bidding is really having quite an effect. And I shared how much is getting us into many more SKUs. So when we think about ads as relevant content, we want to make sure that we have ads that line what you are actually looking for, getting a much larger portion of large retailers catalog on our platform is super helpful to that and ROAS bidding as a subset of Performance+, as we rolled out over the last couple of quarters, effectively has doubled the number of SKUs that are delivering a paid impression on our platform. And it's because that ROAS bidding allows advertisers to more precisely tune and really the AI tunes for them across catalogs with high variation in price points and margin points and those kinds of things. And so we see really great progress there, but we think there's a lot more of that to go. So when we think about, I would just say our opportunity globally, but specifically UCAN, even as we think about growth in UCAN it's really three things: the expansion into the full catalog with the largest retailers, driven by more granular bidding like ROAS bidding from Performance+. And so -- we've got good results of that. We're just a couple of quarters in, a lot more to do there. They can get us deeper into the catalog to the largest retailers. And then secondly, it's mid-market and SMB driven by Performance+ where we're just getting started in that segment of the market, but seeing really good promising early results. And then the third point that I alluded to in one of my prior answers, the AI-driven alignment of bidding in --bidding systems to the advertiser measurement sources of truth. That's giving a clear view of full-funnel attribution and events across the funnel. And other larger platforms have fully roll that out. We are just getting started testing on some of our legit advertisers. We're seeing really promising early results there. So we think that will -- that's having an expansionary effect that you're seeing with some of the largest platforms out there. We think that's a real opportunity for us as we look into next year. So hopefully that helps give a little more color on the broader sort of things we're thinking about with Performance+ there.

### **Operator**

The next question comes from the line of Ross Sandler with Barclays.

### **Ross Adam Sandler**

*Barclays Bank PLC, Research Division*

Great. Just want to bring Julia in on key investment priorities for next year. And how do we think about the pace of EBITDA margin expansion in '26 compared to the pace we're seeing in second half '25? And then, Bill, just a follow-up on the agentic question. So Walmart's integrating its catalog into ChatGPT for this checkout service. I know it's early days, but for something like that, do you view that as neutral, positive, negative in terms of where that kind of a marketer might move their Pinterest ad budget in the future? Is this going to help you guys or potentially create a new headwind? Any thoughts there?

### **Julia Brau Donnelly**

*Chief Financial Officer*

Thanks, Ross. I'll take the first question. So it's still a bit too early to talk specifically about 2026 as we're still reviewing those plans internally. But stepping back, we still feel confident in the long-term margin targets that we provided in 2023. And at that time, just as a

reminder, we said we would target a 30% to 34% adjusted EBITDA margin over a 3- to 5-year time horizon. So now here in 2025, we're already approaching 30% for the full year. So we've made a lot of progress already by growing the top line while investing thoughtfully primarily in R&D and to a lesser extent, the sales area as well. So looking forward, we continue to see many investment opportunities with high ROI, particularly across AI, that power user experiences, including our new Pinterest Assistant, which we believe will help keep us on the leading edge in visual search and discovery as well as ongoing investment in our performance ads platform.

On the gross margin line, in aggregate, we expect cost of revenue next year to grow more in line with the business going forward, so there can be some variations quarter-to-quarter, and there are a few factors at play there that I'll call out. Cost of revenue, which is mostly our infrastructure costs will naturally rise, of course, due to kind of ongoing user and engagement growth. Additionally, we've previewed for multiple quarters now on several calls that we expect to see diminishing returns from the infrastructure cost optimization work that we've undertaken for the last 2-plus years. Now partially offsetting this kind of natural upward pressure on cost of revenue is the fact that we're able to apply AI use cases sort of directly in service to monetization, where we see immediate revenue lift, right? So we're not rolling out new features and then planning to monetize them years later. They monetize right away as sort of our general philosophy. We're also being cost efficient with our model usage, including, as Bill alluded to, utilizing open source models where applicable that come at a meaningful reduction in costs. So -- in summary, we continue to stand by our long-term adjusted EBITDA margin targets that we've always said, though, that the rate of adjusted EBITDA margin expansion would vary year-to-year. We've made a lot of progress towards these goals, and we'll continue to be thoughtful about how we invest moving forward as well.

**William J. Ready**  
*CEO & Director*

And then following up on your agentic commerce part of the question, Ross. A couple of things I'd say. One is that for the largest retailers, we have catalog integrations. I shared how we're getting deeper into their catalog with our Performance+ capabilities and ROAS level bidding and things like us getting a much broader part of the catalog available for ads, but we have those catalogs for organic shopping for push button type buying and linked accounts. We have that with Amazon. We've had that for some time in millions of users on Pinterest take advantage of that and have a great experience. So we feel really great about the shopping experience that we're providing. And I think overall, I would just say it's worth noting that there's an expansionary moment happening with search generally. And I think users just as I did in an app-driven world, are thinking about different places to go for different types of experiences. Traditional search was always great for things like product research. And I think broad-based chatbots are sort of the next evolution of that sort of research type of shopping behavior if you're trying to figure out like every attribute of the latest 4K Ultra TV or things like that. Search was -- traditional search was always great for that, and then chatbots are even better for that. But we're solving a different type of shopping journey on Pinterest, really the more the -- I'll know when I see it a type problem. And the best evidence I can share of users think about these things as distinct and separate is that over the last couple of years as you've had an explosion of usage in AI chatbots, we've put up 9 straight quarters of record high user growth, shopping being at the very center of that. And it's because we're taking a visual first approach driven off the human curation that happens on our platform where we just understand user style and taste and preference. We just have a

unique signal is completely distinct from any place else in the western world, and that's why we're able to do things like what we've showed on our -- the relevancy of our latest multimodal visual search models, where we're able to outperform the off-the-shelf models by over 30 percentage points on the relevance of shopping recommendations on our platform. That just gets you to a bit of the kind of unique things we're able to do with users. And so I think, again, it's a market-expanding moment. Multiple players are growing simultaneously. And very clearly, we are one of those players that is growing, delivering a lot of value for users, a tremendous amount of shopping occurring on the platform. And a tremendous amount of searching happening on the platform, I shared that in my prepared remarks, the 80 billion-plus monthly queries, the vast majority of which are visual in nature, which just, again, gets to how we're doing something that's very different than traditional search or even what chatbots are doing. So hopefully, that helps contextualize that.

**Operator**

The next question comes from the line of John Blackledge with TD Securities.

**John Ryan Blackledge**

*TD Cowen, Research Division*

Great. PINS historically has had all of its infrastructure running through AWS. Given the move in recent years of companies shifting to multiple cloud vendors, how should we think about PINS potentially diversifying to other cloud platforms?

**William J. Ready**

*CEO & Director*

Thanks, John. So first, I'd say we view our infrastructure and platform as strategic assets that support our performance, reliability and our AI road map. And Amazon is a fantastic partner for us, to be very clear. But in the same way that we are constantly testing all the various LLMs and benchmarking different LLMs across one another. We're also constantly assessing the best infrastructure options for us as we move forward, especially in an AI-driven world. And that infrastructure includes LLM, chip providers and hyperscalers. So again, if you look at what we've done over the last few years, you've seen us put AI at the center of our business, really effectively align that with the ability to monetize for users, deliver great results for users and do so cost effectively. And again, we've had great partnerships there. But the space is evolving rapidly, and we continue to pay really close attention to that and benchmark across multiple providers on each of those sort of layers of the stack. Hopefully, that's helpful.

**Operator**

This will be the last question from Michael Morris with Guggenheim.

**Michael C. Morris**

*Guggenheim Securities, LLC, Research Division*

Bill, you referenced a couple of times deepening engagement per user. And I'm hoping you can add some context to that. Are you talking about time spent per visit or frequency or some other metric? And do you see that as a leading indicator of reaccelerated growth in the UCAN market? And then secondly, on international, the growth there is significant. That has accelerated. How much runway do you see to continue to grow internationally at that

elevated level? And maybe -- you gave us a few drivers, but what do you see as the 1 or 2 key drivers as we look forward?

**William J. Ready**

*CEO & Director*

Yes. Thanks for the question, Mike. On the deepening engagement per user, we talked about this very consistently over many quarters now is that we are deepening engagement per user across the areas that we want, which are around search, curation, clicks and actions. And I share a little more color on this call around the search behavior where we are getting more searches per user. So it's not just our searches are growing, we are getting more searches per user. We are getting it in the ways that we won't particularly on where we are very highly differentiated around our visual searches related items and other forms of visual searches drive the vast majority of that search behavior, but it is more searches per user happening on our platform even as we put up record high levels of users and also significantly growing actionability.

I shared just how much the clicks to advertisers have grown  $S_x$  over the last 3 years, we're driving a tremendous amount of clicks to advertisers. So it is that great relevancy driving great recommendations that leads to actionability that leads to more users coming back for more searches and more actions like that is that flywheel is spending on the deepening user engagement.

And to your question around is that a leading into monetization, I think absolutely yes. What I would say is that 3 years ago, Pinterest was pretty much upper funnel only. We've had a major transformation of the business, both in terms of user engagement, which, again, I think, continues to be the brightest spot in the business. And advertisers will always follow where users and commercial intent are. We stood up a performance ad platform pretty much from scratch over the last couple of years. And we are still a long way from having the capabilities of the very largest platforms. But even as we've made the basic capabilities of that available, we've really broken into those always on performance budgets. We have a lot more to do there. And with UCAN specifically, I shared those sort of 3 areas where I think there is significant opportunity around getting deeper into the full catalog of the largest retailers, mid-market and SMB that are really driving a lot of the growth across the broader market, but it's a newer area for us. And the alignment of AI bidding systems and advertiser and [indiscernible] giving a clear view of full funnel attribution. I think those are things that will help us capture more of that value that we are driving. But I do think absolutely yes. Is generally true that user behavior is a leading indicator of where the advertiser dollars are going to follow. And we have the largest platforms are many years into their AI-driven ad systems, we are only a couple of years into ours. But because the user behavior is so strong, that's what's really letting us make progress.

And on the international side, as I shared in my prepared remarks, the playbook that we have used in UCAN, we are now exporting and we're seeing that really take hold internationally. We are still early on in our work there. We have a lot more of that opportunity in front of us, but we're really pleased with the progress we've made and how it's starting to show results. As I noted in Q3, Europe ARPU grew 31%, while Rest of World ARPU grew 44%. We have a lot more of that to do. And I shared in my remarks, how shopping ads are really at the center of what's driving that. So it is that commercial intent commercial behavior. So a lot more of that to go, but it's working in UCAN and is exporting well. And again, to put it in perspective, 2 years ago at our Investor Day in September of '23, shopping ads represented

just 9% of international revenue. In Q3 of 2025, it reached 30%. So Q3 shopping on revenue in both Europe and Rest of World grew over 2x faster than revenue growth of their respective regions. So we believe there's many years of runway of continuing to grow ARPU as we increase product catalogs, add additional ad demand, drive up relevance and thus, our ability to take a bad load, certainly for international, but again this year, we think there's a lot more to do in UCAN as well.

**Operator**

Thank you. I will now hand the call over to Bill Ready, CEO, for any closing remarks.

**William J. Ready**

*CEO & Director*

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

**Operator**

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