

MANAGEMENT DISCUSSION SECTION

Operator

Good evening. Thank you for attending today's Pinterest's Fourth Quarter and Full Year 2025 Earnings Call. My name is Meghan and I'll 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.

I would now like to pass the conference over to Pinterest's VP of Investor Relations and Treasurer, Andrew Somberg. Andrew, you may proceed.

Andrew Somberg, Vice President, Investor Relations & Treasury

Good afternoon, and thank you for joining us. Welcome to Pinterest's earnings call for the fourth quarter and full year ended December 31, 2025. Joining me on today's call are Bill Ready, Pinterest's CEO; and Julia Donnelly, our CFO.

The statements we make on this call reflects management's view as of today and will include forward-looking statements. Such statements involve a number of assumptions, risks and uncertainties, and actual results may differ materially. For information about assumptions, risks, uncertainties and other factors that could affect our results, please refer to our Forms 10-K and 10-Q, each filed with the SEC and available on our Investor Relations website at investor.pinterest.com.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP to 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 today are on a year-over-year basis unless otherwise specified.

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

Bill Ready, Chief Executive Officer

Thanks, Andrew. Good afternoon, and thank you for joining our fourth quarter and full year 2025 earnings call. Before I get into the quarter, I want to address the moment we're in. AI is changing how people discover, how they form intent, narrow choices, and move from inspiration to action. Pinterest is designed for this shift. When users have intent, but don't have the exact words, brand or product in mind, that's where we win.

I'm proud of how we've transformed the company over the past 3.5 years. We've taken Pinterest from a platform with declining users into a growing, AI-powered, visual-first shopping assistant and search destination that has now put up 10 straight quarters of record high users. Today, we see over 80 billion monthly searches on our platform, most of which are visual, and generate 1.7 billion monthly outbound clicks.

Over that same time period, we've launched numerous performance ads products to build a unique full-funnel ads platform, moving from single-digit revenue growth to consistent mid-teens or better revenue growth, all while significantly expanding margins. All of this combines to make Pinterest a stronger, more profitable business than ever before.

We ended 2025 with 619 million global MAUs, up 12% year-over-year in Q4. User growth accelerated in the second half as we continue to introduce AI-led features for both users and advertisers. However, we are not satisfied with our Q4 revenue performance and believe it does not reflect what Pinterest can deliver over time. While we absorbed an exogenous shock this year related to tariffs, which are disproportionately affecting ad spend from our top retail advertisers, this quarter also underscored where we need to move faster.

Most importantly, we need to further broaden our revenue mix and accelerate the next phase of our sales and go-to-market transformation. These efforts will be led by Lee Brown, who joined in late January, as our first Chief Business

officer. We are moving with urgency to return over time to the mid- to high-teens growth, or better than we have been consistently delivering. The path forward is clear and we're laser focused on delivering the next phase of Pinterest.

Our priorities, which I will walk you through today, are to, first, continue building a differentiated visual search, discovery, and shopping experience. We have made Pinterest into a highly personalized, visual-first shopping destination, and we need to continue to build on our strong momentum with users. Second, keep AI at the core of everything we do, from highly personalized user experiences and new features like Pinterest Assistant to the advertiser experience through Pinterest Performance+, and to optimizing our own internal operations. And third, accelerate monetization through improved go-to-market and sales execution. So, our revenue consistently reflects the strength of our user activity.

With that context, I want to begin where every platform starts, with users and engagement. It's clear that we are in a period of rapid innovation in our industry, with new AI chatbots quickly scaling to hundreds of millions of users. However, competing for user engagement is not new to us, and we have been able to thrive because we are doing something separate and distinct.

During that same period when AI chatbots were scaling, we reported 10 consecutive quarters of record high MAUs, 100% of which are logged in and reached 105 million UCAN MAUs. The Gen Z population, who are often the earliest adopters of this new technology, like AI chatbots, are also flocking to Pinterest. Gen Z represents over 50% of the users on Pinterest today, and they remain the fastest growing user cohort on our platform.

Our ratio of weekly active users to monthly active users, or WAU to MAU ratio, has held steady year-over-year even as we achieved record high – highs in users. Importantly, we're also deepening engagement per user in the areas that matter most as queries, boards created and clicks to advertisers continue to grow faster than users overall, both globally and also in our highest engagement UCAN region specifically.

To understand how we've been able to carve out this distinct position and grow users and engagement even as chatbots scale, I'd like to expand upon how we've positioned our platform for visual search and discovery.

Stepping back, e-commerce spent the first two decades focused on perfecting buying online, cheap and fast fulfillment, often at the expense of shopping, the joy of discovering what you actually want. Today, there are countless places to buy, but few great places to shop, and that's where visual discovery matters most.

As AI adoption accelerates, general-purpose search is increasingly up for grabs, as the largest players pour capital into general-purpose LLMs. But fit-for-purpose search still wins in key verticals like travel and consumer products. Our differentiation is clear. We're using AI to power visual search, discovery, and shopping, not general-purpose text-based search.

Pinterest sees over 80 billion searches a month, and the vast majority are visual. While our newest visual search features are growing fastest. Engagement is growing because our unique curation signal and Taste Graph, combined with cutting edge AI, has improved relevance significantly and made our surfaces much more actionable.

Users open Pinterest to a personalized visual feed that starts their shopping journey without having to enter a prompt, bringing the promise of agentic commerce to life. And they can buy seamlessly by linking to an advertiser's mobile app or site, or increasingly via one-click checkout from the advertiser within our app.

As I've said before, in many ways, AI is following the same pattern cloud computing did over a decade ago. It's rapidly becoming a set of foundational capabilities available to everyone. The winners will be the companies that combine those capabilities with truly differentiated data and solve problems in unique ways for users and customers. That's exactly what we do at Pinterest.

We have created one of the largest search destinations in the world, by pairing those building blocks with our unique feedback loop and data set, one of the largest image corpuses in the world, and the rich curation signal from hundreds of millions of users that forms our Taste Graph. In 2025, our Taste Graph grew by nearly 40% as users make more associations across pins, products, boards, retailers and brands. A larger Taste Graph means we can surface more relevant content and make truly differentiated recommendations.

Not only do we have differentiated signals, we're also leveraging AI in a highly capital efficient manner. We're model-agnostic and focus on what delivers the best results for our specific use case, giving us the flexibility to test multiple approaches. As a result, we use a combination of AI models, including our own proprietary fit-for-purpose foundation models, leading third-party proprietary models, and increasingly open source models that we fine-tune on our unique signal.

In 2025, we introduced OmniSage, our core AI model trained on our Taste Graph to turn those associations into a single, high-value recommendation signal used to retrieve and rank content. The application of OmniSage drove a 450 basis point lift in site-wide saves.

Additionally, in a continuation of our work to increase context windows and bring a user's full history across all major surfaces on Pinterest, we developed a proprietary foundational ranking model called PinFM. This model distills lifetime user actions into the recommendations on the home feed and related pins, driving personalization in nearly every impression our users see. This launch brought meaningful site-wide engagement gains, including a 240 basis point increase in saves across the platform.

Finally, as open source models have made tremendous strides in performance, we developed a model framework called Navigator One, which allows us to leverage visual embeddings built on our Taste Graph and fine-tune open source models to power our newest AI-driven experiences. This framework reduces latency and delivers approximately 90% reduction in cost versus utilizing a leading third-party proprietary model. These models form the foundation for the next generation of AI-driven discovery experiences on Pinterest.

A great example of this is Pinterest Assistant, which we launched in beta in Q4. Pinterest Assistant is a voice-activated, visual-first conversational assistant that will leverage Navigator One to expand our multimodal discovery capabilities and seamlessly flow between images, voice, and text. While we're still iterating, we're encouraged by how people are using the product. Compared with traditional text-based search, users are asking a significantly higher share of commercially oriented questions, about 25 percentage points more when using Pinterest Assistant.

Pinterest Assistant also helps users learn the names and terms for whatever they're looking for, making it easier to find similar items in the future. That's exactly the kind of high-intent, high-value engagement we want to enable. We expect to meaningfully broaden access to US users over the coming months.

Lastly, AI is at the core of how we're improving efficiencies internally, as roughly 50% of our new code is AI-generated. Taken together, these advances give us confidence that we can keep improving relevance, engagement, and advertiser performance while remaining disciplined on AI spend by leveraging Pinterest's unique first-party data. With that, now I'll turn to the fourth quarter and our priorities for the year ahead.

As I stated upfront, we're not satisfied with our Q4 revenue growth and we are moving with urgency to close the gap. Many of the largest retailers have been disproportionately impacted by tariffs and have been pulling back on advertising spend across the industry as they seek to protect their margins. Our higher mix of large retailers relative to some of our peers has resulted in us feeling more of an impact. This highlights the need for us to further accelerate our growth with a broader set of mid-market, SMB, and international advertisers with less than \$30 billion of GMV. This is the next phase of our sales and go-to-market transformation.

Stepping back, as we were building our performance ads platform, we deliberately started by serving the largest retailers, given that is where consumers do the most shopping and was the fastest way to provide comprehensive inventory and selection to shoppers. This strategy has been effective, as reflected in our user and engagement trends and in our ad supply, with paid clicks to advertisers up roughly five-fold over the last three years. However, this strategy is also what has led to higher exposure to large retailers compared to some other platforms.

We saw continued softness from this cohort of large retailers in Q4. While we see opportunity over the long term, the near-term outlook for this cohort on our platform remains pressured given these headwinds. At the same time, the scale of the monetization opportunity we're pursuing has grown significantly. We're now competing for full-funnel and performance marketing budgets across a broader range of advertisers and global markets than ever before.

We made significant progress growing with a broader set of mid-market, SMB, and international advertisers in 2025, but not enough to offset the headwinds that the largest retailers faced. So, we've proven we can serve mid-market, SMBs, and international advertisers, but we need to accelerate our growth within these segments. Also, while we've made progress evolving our sales organization from primarily selling upper-funnel brand advertising a few years ago to full-funnel and performance marketing, our monetization still doesn't fully reflect the value of the clicks and conversions we're driving.

This quarter made it clear that capturing this opportunity requires a higher level of sales and go-to-market sophistication, with globally scaled selling motions as well as deeper technical expertise, particularly around measurement and attribution.

To lead this next phase, we're pleased to welcome Lee Brown as our new Chief Business Officer, with responsibility for scaling Pinterest's global monetization efforts. Lee is a proven business and sales leader with deep experience building and growing advertising businesses at the intersection of technology, media, and commerce. Claudine Cheever also joined us in February as our new Chief Marketing Officer, bringing extensive background with the world's largest online retailer. With this leadership in place, we believe we have the right team to pursue the significant long-term opportunity ahead.

Now, let me turn to the key levers we'll be executing against as we move through 2026. First, as I've shared, we're prioritizing broadening our revenue mix, with a primary focus on deepening our footprint with both mid-market enterprises and SMB advertisers. These advertisers, who on our platform range from roughly \$30 billion down to tens of millions in annual GMV, continue to represent a significant opportunity for us to scale advertiser demand. Relative to the largest advertisers I was describing earlier, we believe this group has exhibited stronger advertising spending trends in the current environment and has been a strong growth driver for competing ad platforms.

By further unlocking this opportunity, we create a powerful flywheel, more diverse advertiser demand allows our models to serve more relevant, highly personalized ads to users. This relevancy not only improves the user experience, but drives superior performance for our advertisers and higher yield for Pinterest.

While we're seeing healthy revenue growth from this group today, we believe we can accelerate that momentum over time with new leadership and a more sophisticated go-to-market approach, along with the enhancements we're making to Pinterest Performance+ that I will talk about in a moment.

As part of our multiple ways to win, we've also been on a multi-year journey to bring in new sources of demand via multiple third-parties to complement our first-party demand. We previously announced the agreement to acquire tvScientific, a leading connected TV performance advertising platform. This acquisition is an important step toward leveraging our valuable, high-intent audience beyond Pinterest's own surfaces and starting to monetize off-platform supply.

Acquiring tvScientific, which comes after a partnership and several years of exploration in this space, supports our roadmap to make Pinterest a full-funnel and performance solution across search, social and, over time, connected TV. It opens up larger and incremental budget pools. We're excited to welcome this outstanding team and to begin helping advertisers reach our high-intent audience on connected TV.

Second, we're continuing to advance Pinterest Performance+ by investing in the next wave of bidding and performance enhancements. Since the end of 2023, we have increased the number of shopping SKUs with a paid ad impression by roughly five times. Over the past year, we accelerated this trend with the launch of Pinterest Performance+ ROAS bidding in Q1 2025, which adds more granular bidding functionality and allows advertisers to optimize for conversion value, not just the number of conversions. We still see significant opportunity to deepen catalog penetration as we remain a long way from having bids and budgets against advertisers' full product catalogs.

As advertisers increasingly adopt AI-driven automation platforms, the next step is optimizing our bidding system to become more tightly aligned with the advertisers' measurement source of truth. Late last year, we began to pilot integrations with a few of our most sophisticated advertisers' proprietary in-house measurement systems to help us optimize bids to drive more of the outcomes those advertisers value. So far, this pilot has delivered promising results,

with one advertiser increasing its bids on Pinterest by more than 30%, reflecting the higher value it was seeing from the platform under this new value-based optimization approach.

We expect to expand this pilot to additional large, sophisticated advertisers in the first half of 2026. To serve an even broader set of advertisers who rely on third-party measurement partners, later this year, we will enable deeper, direct integrations between Pinterest and a number of measurement partners. These integrations will allow automated, two-way data transfer so we can continuously train and optimize our bidding models to reflect advertisers' highest-valued outcomes and thus show up more favorably in their measurement systems.

Additionally, these measurement systems are increasingly assigning more credit to events leading up to a conversion, such as view-through attribution. For example, Omnilux, a leader in medical-grade LED light therapy, partnered with Pinterest and its measurement partner, Northbeam. After leveraging Northbeam's Clicks + Deterministic Views model, Omnilux saw a 7 times increase in attributed transactions to Pinterest through view-based attribution. For a full-funnel platform like Pinterest, this shift should support increased budget allocations over time.

As part of our broader effort to give advertisers more control over expressing what matters most to them and building upon campaign customer groups, which we introduced two quarters ago, we recently entered beta for Pinterest Performance+ new customer acquisition. Available exclusively through Pinterest Performance+ campaigns, this feature helps advertisers efficiently acquire new customers by allowing them to assign their own customized values to different audiences so we can optimize toward that outcome. In initial testing, advertisers saw new customer conversions increase by an average of 64% in campaigns where new customer acquisition was enabled, compared to control campaigns without it.

In closing, this is a moment of extraordinary innovation at Pinterest and across our industry, and one that we've been building toward for the last several years. Our user and engagement trends reinforce that our product direction is working, and we know where we need to execute better to drive faster and more durable growth to ensure monetization follows that engagement.

Importantly, I'm proud not only of what we're building, but how we're building it. We've made deliberate choices that put user trust and well-being, especially for young users, at the center of the experience, and we're seeing those choices rewarded as more users than ever come to Pinterest each month.

It's clear that parents and regulators around the world are raising the bar for online safety, particularly for teens and kids. We're proud to lead the way by tuning our AI for positivity and giving our users more agency and choice over their experience. This positions us well as these standards evolve. We're creating a positive place on the internet where people can invest in themselves and proving that you can build a strong business based on positivity.

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

Julia Donnelly, Chief Financial Officer

Thanks, Bill, and good afternoon, everyone. Today, I'll be discussing our full year and fourth quarter 2025 financial results, and provide an update on our first quarter 2026 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.

I'll start with our fourth quarter results. We ended the quarter with 619 million global monthly active users, or MAUs, growing 12%, or 10th consecutive quarter of record high users. We continue to demonstrate user growth across all of our geographic regions. In Q4, our US and Canada region had 105 million MAUs, growing 4%. Our Europe region had 158 million MAUs, growing 9%. And in the rest of world markets, we had 356 million MAUs, growing 16%.

Moving to revenue. In Q4, our global revenue was \$1.319 billion, up 14% year-over-year, or 13% on a constant currency basis. We saw strength from our conversion objective. Across verticals, growth was driven by retail, though with puts and takes within that as we've described, and driven by smaller but faster growing categories on our platform, including financial services and telecom.

Turning to our geographical breakouts for Q4. Revenue in the US and Canada was \$979 million, growing 9%. Growth came from retail, financial services, and telecom. In Europe, revenue was \$245 million, growing 25% on a reported basis, or 18% on a constant currency basis. Growth in Europe was driven by retail, but was lower than our expectations. We saw a second order effect on cross-border spend from certain large global retailers, who pulled back ad spend in Europe, as well as UCAN, as they recalibrated across their global portfolio due to the same tariff and margin pressure, as Bill described earlier.

Revenue from rest of world was \$96 million, growing 64% on a reported and constant currency basis. In Q4, overall ad impressions grew 41%, while ad pricing declined 19% year-over-year, driven primarily by the continued mix shift impact from growing ad impressions in under-monetized international markets.

Moving to expenses. In Q4, cost of revenue was \$221 million, up 15% year-over-year and up 7% versus Q3, due to increased infrastructure spend related to our user and engagement growth. Our non-GAAP operating expenses were \$562 million, up 13%. The increase was driven by head count investments in sales and marketing and R&D, as we continued to invest in AI initiatives and grow our salesforce.

Within G&A, expenses grew at a higher-than-typical rate year-over-year, primarily due to certain legal costs not expected to repeat, as well as lapping certain insurance proceeds received in the prior year. In Q4, we delivered adjusted EBITDA of \$542 million, with an adjusted EBITDA margin of 41%, up 20 basis points versus Q4 last year. For the full year 2025, free cash flow increased 33% to \$1.25 billion. This compares to 2025 adjusted EBITDA of \$1.27 billion, representing free cash flow conversion of 99%.

Our ability to generate significant free cash flow speaks to the inherent profitability of our business and asset-light nature of our model. Investors should continue to analyze our free cash flow annually, as quarterly free cash flow can fluctuate due to the typical seasonality of our business.

We ended the year with cash, cash equivalents, and marketable securities of \$2.5 billion. We made further progress mitigating dilution in Q4, as we allocated \$500 million towards share repurchases, bringing our full year 2025 share repurchases to \$927 million for a total of 30 million shares. In addition, we utilized \$399 million of cash in the year on net share settlement of equity awards. Combined for full year 2025, these actions have driven an approximately 1.6% decline in year-over-year fully diluted share count, which compares favorably to our stated positive 2% to 3% average annual target.

Now, I'll discuss our guidance for the first quarter, which does not include any impacts from tvScientific, as we await regulatory approval for the closing of that transaction. We expect Q1 revenue to be in the range of \$951 million to \$971 million, representing 11% to 14% growth year-over-year. Based on current spot rates, our guidance assumes the impact of foreign exchange to be approximately 3 points of tailwind in Q1. For the first quarter, we expect adjusted EBITDA to be in the range of \$166 million to \$186 million. We anticipate Q1 2026 non-GAAP costs of revenue to grow sequentially from Q4 2025 by low single-digits percent. In Q1, within non-GAAP operating expense, we will focus our investments on our sales transformation and additional R&D hiring to support our AI efforts.

Next, I want to share some color about the trajectory of margins throughout the year. Starting with cost of revenue. In 2026, we're making deliberate investments in high ROI areas, such as GPU capacity, to enable key AI initiatives. These investments will allow us to train and serve visual foundation models and our conversation models that advance our capabilities in multimodal search, discovery, as well as Pinterest Assistant.

In addition, we will continue to build more powerful AI models that are enhancing full funnel ROAS for our advertisers and ads relevance for our users. We also have been signaling for some time that we have captured much of the benefit from our multiyear infrastructure cost optimization efforts and are now reaching diminishing returns. As a result, we expect modest headwinds from cost of revenue as a percentage of revenue in 2026.

That said, we are acting decisively to free up investment capacity elsewhere within the company. In January, we announced a restructuring, including a series of organizational actions to simplify how we operate, reduce layers, and increase efficiency so that we can invest more intentionally in the areas that matter most, especially AI and our go-to-market transformation. The result of these offsetting dynamics is that we expect adjusted EBITDA margins to be

roughly in line with 2025. So while we anticipate year-over-year adjusted EBITDA margin pressure in the first half, based on our current outlook, we expect full year 2026 adjusted EBITDA margin to be roughly in line with 2025 at approximately 30%.

While the acquisition of tvScientific has not yet closed, we do expect closing to happen in Q1 or Q2, which we anticipate would cause a roughly 100 basis point drag to adjusted EBITDA margin in 2026, leading to 29% for 2026 overall on a combined basis. To illustrate the potential revenue impact of the acquisition, I will also share that we estimate tvScientific's Q4 2025 revenue would have contributed less than 2 points of growth to Pinterest revenue in Q4 2025.

Stepping back, over the last two years, we've made meaningful progress toward our long-term margin goals. Adjusted EBITDA margins expanded by nearly 700 basis points from 2023, reaching 30% in 2025, reflecting both operating discipline as well as the inherent profitability of our model as we've scaled. Our margin outlook for 2026 reflects our decision to lean into the high ROI investment opportunities we see for ourselves in this crucial moment and to capture the full opportunity ahead.

However, our fundamental view of the profit potential of the business is unchanged and we therefore still expect to achieve our adjusted EBITDA margin targets of 30% to 34% over the medium term. Given the strength of our user and supply dynamics and the organizational actions we are taking to strengthen our sales and go-to-market efforts, we believe our revenue growth should be higher over time and we continue to have conviction in our ability to reach our long-term targets. We are making the right decisions today to emerge from this period better positioned to compete for the large and growing opportunity ahead.

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

Bill Ready, Chief Executive Officer

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

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

QUESTION AND ANSWER SECTION

Operator

The first question will go to the line of Doug Anmuth with JPMorgan. Doug, your line is open.

Doug Anmuth

JPMorgan Securities

Great. Thanks so much for taking the question. Can you just talk more about the drivers of 4Q revenue, including the home impact that you saw? And then also how you're thinking about the 1Q guidance? Thank you.

Julia Donnelly

Chief Financial Officer

Sure, Doug. I'll take that one. So in Q4, our largest retail advertisers created a more meaningful headwind than we expected as they sought to protect their margins in this dynamic environment and pulled back on ad spend. We believe this pullback on ad spend from larger advertisers was felt across the industry, but impacted our platform to a higher degree, given our current revenue mix. We also saw a second-order effect of the same dynamic into Europe, as well with some of these same large global retailers pulling back on spend in Europe as they rebalance across their global portfolio. On the home category, where there was a new furniture tariff enacted last October, the home category remains challenged overall, but the performance there was generally in line with our expectations at the time of guidance.

Looking ahead to Q1, we expect these headwinds will continue and may become slightly more pronounced in Q1, including in UCAN and Europe. It's also worth noting that we recently implemented a restructuring in January and are going through a sales and go-to-market transformation, and that may cause some near-term disruption, which we've factored into our guidance, to be prudent. So, all that's to say, we're in a moment in time where both of these near-term factors are impacting us. And we know we have a lot of execution to do on the monetization side, and we've started that process.

Looking kind of even beyond Q1, visibility isn't perfect. And obviously, we don't guide beyond one quarter. And we can't predict the macro, nor can anyone perfectly. But we're not seeing any new factors today beyond what we've described that would create more headwinds to our current trajectory.

A few things to think about as we go forward to 2026. In terms of external factors, we've talked about the larger retailer headwinds, which we will start to anniversary in the second half of 2026. For internal factors, we talked about our measurement product releases and sales and go-to-market transformation, which may take a couple of quarters to play out, but we're encouraged by the new leadership we have in place with Lee and the quick actions he's taking there. So, all of this will take time, but we're moving quickly to ensure our revenue matches the strength of the users and engagement we're seeing on the platform today.

Operator

Thank you, Doug. Our next question will go to the line of Ross Sandler with Barclays. Ross, your line is open.

Ross Sandler

Barclays Capital

Great. Bill, can you elaborate on how you and Lee are changing the go-to-market team? And basically, how is this new organization or reorganized team likely to drive wallet share and digital advertising for Pinterest? And then, Julia just mentioned this, but what's the lag period between when the new team kind of comes together and when it might be generating positive results in the form of share gain? Thank you very much.

Bill Ready

Chief Executive Officer

Thanks, Ross. So, Lee's only been here for a few weeks, but he's already moving quickly and taking decisive action. As with any sales transformation, there can be some modest disruption in the near term as we rebuild and retool the organization to best position the company for the long term. But we're doubling down on broadening our revenue, and consistent with the areas that we've been talking about with you all, all of last year, particularly across mid-market enterprise and SMB advertisers, and closing the monetization gap in international markets, including rethinking how we cover some of these areas.

Over the past year, we've made good progress on this. We've doubled the growth rate of our managed SMB business. We expanded with mid-market enterprise advertisers in the \$1 billion to \$30 billion range, and international revenue growth accelerated to 38% versus 25% in 2024. But we believe growth in these areas should be higher, which is why we need to move faster and be bolder. And to do this, we need to restructure and reallocate resources across those opportunities.

We need to adapt more quickly to grow within the fastest-growing parts of the market that we see contributing more significantly to the overall growth of competing platforms. So, we're also doubling down on measurement and technical capabilities within our sales team. We've made significant progress from where Pinterest was just a few years ago as an upper-funnel-only platform and sales team, to one that can compete for performance budgets with the largest, most sophisticated advertisers.

But we know there's significant opportunity in driving greater performance selling capability across our sales organization and across the segments of the business beyond large advertisers. This is actually really important as the industry has advanced measurement and attribution, with large platforms becoming more aggressive in claiming credit for outcomes, even when they don't own the click or conversion. You'd see this reflected in others talking about, "modeled conversions."

This is an area where we know we haven't moved fast enough, but we're laser focused on addressing this and have – we talked about some of the successful pilots that we've already put in place and that we have underway. So while we expect this to play out over a couple of quarters, we're planning prudently around it as we think these changes are essential for us to capture, what we continue to see as a much larger long-term opportunity, more consistent with the long-term targets that we've talked about previously.

Operator

Thank you, Ross. Our next question will go to the line of Ken Gawrelske with Wells Fargo. Ken, your line is open.

Ken Gawrelske *Wells Fargo & Co*

Thanks so much. I want to just follow up a little bit on this last point about broadening the advertiser base. And I know, Bill, you talked about this in the prepared remarks around broadening beyond the large retailers. But can you talk a little bit more about how much tech investment beyond just kind of sales and go-to-market, but more tech investment might be necessary to broaden that advertiser base, broaden and deepen that advertiser base? And that's question one.

And just to follow on, on the engagement side, it's kind of rare that we see in this industry where you see really strong engagement trends. At least the third-party data that we follow suggests you've had very healthy time spent increases, both domestically and internationally. And I think that syncs up pretty well with your commentary on these calls, but yet to see that the ad revenues kind of decelerate here. And I understand there are specific pressures, but maybe you could just talk a little bit about the dynamics around impression growth and click-outs relative to what you might see – the pressure you might be seeing on pricing and maybe even conversion, if the consumer is less healthy. Thank you.

Bill Ready *Chief Executive Officer*

Thanks, Ken. So like the rest of the market, we're seeing strong performance amongst our managed SMB business. We actually think that's one of the fastest growing parts of the market and a part of the market that we've been under-indexed to. These advertisers represent approximately 15% of our revenue today, so we are very active there, but it's

a lower percentage than other platforms. And I mentioned the revenue growth rate of this group nearly doubled in 2025 versus 2024. And so, we see opportunity over a multi-year period to make this a larger part of the business. And again, we think that's where we see competing platforms having significant growth. And so, that growth we have had there demonstrates that we've got product that can compete there.

SMBs who are adopting Performance+ campaigns to automate and simplify campaigns setup with AI are seeing stronger performance and are spending more on our platform. So as we noted last quarter, we see a 12% higher monthly revenue growth rate with these managed SMB advertisers versus non-adopters. So, the ongoing improvements we're making to Performance+ around measurement and attribution will be particularly important for this group, as they have leaner teams and often rely on third-party measurement platforms to validate performance.

So, looking forward, we will continue to focus on driving Pinterest Performance+ campaign adoption as well as simplifying the advertiser onboarding experience. So there's more for us to build on product, but the product that we have today we know can work and is driving good progress there. And it'll take time, but Lee and the team are focused on bringing a new level of sophistication to our go-to-market efforts, including how we sell to a broader range of advertisers, particularly with SMBs. And then, I'll give to Julia to hit some of the other part of your question there.

Julia Donnelly
Chief Financial Officer

So, I would just add on to that, and we'll hit Ken, I think you had a second question on sort of engagement, which we'll go back to. But I just want to add on that into SMB. Bill was talking about SMB is obviously a large opportunity for us, but it is sort of one of multiple ways that we have to win, as we've talked about in previous quarter, right? Other growth drivers include deepening our share of wallet with mid-market enterprises, growing internationally, growing with agencies in UCAN and internationally, and using third-party demand to complement our first-party business.

We're also continuing to drive growth in emerging verticals, including financial services, telecom, technology, and entertainment, all of which we think can help us build a broader base of revenue and more resilient platform over time. I think we had a second part to Ken's question as well, so I'll turn it back to Bill for that.

Bill Ready
Chief Executive Officer

Yeah. On the engagement side, a couple of things I'd note. We've talked about that to transform the platform, we need to start with users first, get the shopping behavior and the search behavior. And on that engagement, we talked about the 10 straight quarters of record high users. I actually think one of the things, we shared this for the first time last quarter. And I don't think it got as much discussion on the call, but as we talked to folks across the industry, it has really raised some eyebrows in terms of the 80 billion monthly searches that we're doing.

To put that in context, you can go look at third-party data as to what other platforms are doing. If you ask ChatGPT how many prompts per month ChatGPT does, it will tell you about 75 billion monthly prompts. And so, we're doing 80 billion monthly searches and generating 1.7 billion monthly clicks. That makes us one of the largest search destinations in the world. And importantly, more than half of those searches are commercial in nature, compared to, I think, OpenAI share that they have approximately 2% that would be commercial there.

So not only have we created one of the largest search destinations in the world and doing approximately as many searches per month as ChatGPT is doing prompts in a month, more than half of that is commercial. And so, we have talked about how we needed to go from winning that engagement to then getting the advertisers behind that, and then getting measurements, so they could see that and lean more into their budgets.

If you step back from it, we're still relatively early on in that journey. We only became fully committed to being a performance ad platform just a few years ago. And you have the largest ad platforms in the world that have been at this for 20-plus years that we're competing against, but the growth that we have delivered is really indicative of how much unique user engagement we have there. But obviously, we have a lot more of that to do.

And I would say, our users and engagement are out in front of where our ad platform is. The ad platform has been growing significantly, and the ad platform is out in front of where our sales and go-to-market capabilities are. And as we have proven out that we can sell not only to those largest retailers, but also to those mid-size retailers that we've been talking about, and SMBs, and international, and now moving beyond our O&O, just the complexity of that sales organization has increased significantly. And the need to have technical, performance, selling ability, measurement ability within the sales organization, that has changed significantly as well.

So, these are the things that are embedded in that sales transformation that we're talking about, and we're – not only do we think there's a gap to cover between our monetization and our user engagement, we think that gap is quite significant and why we feel really encouraged about the long-term potential of our business. I've shared in my remarks, search is more up for grabs than it ever has been at least in the last 25 years. And I'm not aware of another company in the Western world that could claim anywhere close to the search volume that we're talking about other than us, ChatGPT, or us, OpenAI and Google. And obviously, we have a lot more to do to monetize that, but we have a clear line of sight as to what we need to do to get there.

Operator

Thank you, Ken. Our next question will go to the line of Eric Sheridan with Goldman Sachs. Eric, your line is open.

Eric Sheridan

Goldman Sachs & Co. LLC

Thanks for taking the question. Maybe building on the answers so far in the call, Bill, when you think about ChatGPT, and they're launching their own ad product, and you have a lot of ambition for growth across the industry, at the same time that the industry is moving towards more automation and more AI and machine learning, can you bring together your vision for how you see Pinterest broadly fitting into this increasingly competitive landscape for digital advertising budget dollars? I'll just ask the one and leave it there. Thanks.

Bill Ready

Chief Executive Officer

All right. Thank you, Eric. Over time, we believe ad dollars will ultimately flow towards clicks and conversions, and we have that engagement. And that has continued to grow, including in UCAN, our largest, most mature market. So while this has always been a competitive market, we have a unique curation signal. We have a differentiated full-funnel platform. And we've created one of the largest search destinations in the world now, with 619 million global users, and shopping as a primary use case. We have one of the highest commercial intent audiences of any platform.

Again, we're very early on in that monetization journey. But the others that would claim large search volumes are also very early. And so, I think that the ad market is still quite large. There are a lot of dollars still flowing to places that aren't necessarily highly performant. We think there's a lot of dollars still up for grabs. As we deliver high commercial intent, strong performance, there are a lot more dollars available.

And so, I talked about, for example, the tvScientific acquisition as one of us now starting to monetize our audience beyond our owned and operated. We think there's a real opportunity in that commerciality beyond just our O&O surface, and this has happened before – you've seen this play out before, where those that have high commercial intent are able to monetize that across multiple surfaces, including beyond their O&O.

So, we think that – again, we acknowledge that the revenue performance we put up in Q4, while pressured by the tariffs and our greater mix towards large retailers, while that has presented some near-term headwind, the long-term commerciality of the platform, the very significant volume of search activity that we're getting, the high commercial intent, and our ability that we've now proven that we can drive performance advertising budgets, gives us confidence that really this is about how we get that performance to a broader set of advertisers through greater sophistication, and we think what we have is quite unique.

I shared those stats. Again, 80 billion searches per month, similar to what ChatGPT would say that it provides in prompts per month, but with a much greater mix of commerciality, 50% of our searches being with commercial intent, 1.7 billion monthly outbound clicks. There's a lot of that that we still have to monetize, but we have a clear line of

sight to do it. We just have to do that across a broader set of advertisers, and we think that is quite unique in the ecosystem, and there's room for multiple winners.

So, even as another new search player comes in, I think there's room for multiple to succeed. And what we're doing with the completely visual-forward nature of our platform, those 80 billion monthly searches, the vast majority of those are visual in nature. It's just completely different than what anybody else is doing. We think that's a distinct space that not only are we winning there now, we see the very unique data that we have giving us a sustaining advantage of that.

Even as AI advances, we talked about how we're able to use low-cost, open source AI in our own internal proprietary models, train that against that data, and then get very different results. I shared on prior calls that our latest multimodal visual search models outperform leading proprietary off-the-shelf models by 30 full percentage points on the relevancy of shopping recommendations. That's really about that flywheel effect of the unique signal on our platform and the AI trained on that unique signal.

So, those are all the things I'd point to that give us confidence that – and I think, again, it's best demonstrated by what we've done over the last 10 quarters, or 10 straight quarters of record high users, but also despite the sort of near-term bumps here, where we see that there's a lot more monetization opportunity ahead, even just for the engagement that already exists on platform today. Hopefully, that helps.

Operator

Thank you, Eric. Our next question will go to the line of Colin Sebastian with Baird. Colin, your line is open.

Colin Sebastian

Robert W. Baird & Co., Inc.

Great. Thanks for taking my question. I guess maybe for, Julia, obviously, a lot of moving parts here, but given some of the top line headwinds, the salesforce transition and the opportunities you have to unlock with some of the reallocation of investments, could you maybe walk through a little more detail the puts and takes on the adjusted EBITDA outlook for the year, just as we move through the year, and then you balance some of those – the impacts from some of those various factors? Thank you.

Julia Donnelly

Chief Financial Officer

Thanks, Colin. So, we anticipate adjusted EBITDA margins, as I said on the call, to be kind of roughly in line with 2025, excluding the approximately 100 basis point drag from the tvScientific acquisition, which results in sort of 29% for full year 2026 overall. But to get into some of the puts and takes underneath that, we're intentionally investing in cost of revenue, specifically in GPU capacity, to enable key AI initiatives, which I described earlier in my prepared remarks. But we believe this will drive further improvement to advertiser performance and, therefore, advertiser budgets and continued user and engagement growth. So, we expect this cost of revenue investment to be approximately 100 basis points in 2026, similar to the gross margin outlook implied in my Q1 commentary earlier.

Moving to OpEx, in January, we took action on a restructuring, which we anticipate will generate approximately \$100 million of annualized non-GAAP OpEx savings. Now, we expect to reinvest roughly half of those OpEx savings, primarily in our sales transformation and in AI talent. So as a result, the net impact between the cost of revenue investment and the OpEx savings I just described gets you to roughly flat margins for the standalone Pinterest business in 2026 compared to 2025.

On top of that, we expect the acquisition of tvScientific, which is higher growth business, but also earlier stage business. So, we expect the acquisition of tvScientific to be an approximate 100 basis point headwind to full year adjusted EBITDA margin, including some modest further deleverage on cost of revenue. So, we'll continue to be responsive to the overall environment and thoughtful allocators of capital. But based on what we see today, these are the puts and takes that get us to our expected 29% adjusted EBITDA margin for 2026.

As I said before, we've made significant progress against our long term targets, reaching 30% in 2025. And obviously, this continues to be a very structurally high margin business, and we continue to have conviction in margins reaching 30% to 34% over the medium and long term.

Operator

Thank you, Colin. Our next question will go to the line of Brian Nowak with Morgan Stanley. Brian, your line is open.

Brian Nowak

Morgan Stanley & Co. LLC

Thanks for taking my questions. Just to go back to the advertising go-to-market change, so we can sort of understand a little bit what you want to really change this year, Bill. Can you give us sort of a couple examples of your current go-to-market with SMBs and international and some tangible examples of what you would like to change 12 months from now, just so we can understand the KPIs and the go-to-market that you're most focused on to make this right?

And then secondly, with the first quarter guide, I think you might have mentioned there's an assumption on some disruption expected in the advertising side. Can you just walk us through sort of, like, practically, what are you expecting to be disrupted with the org change? Thanks.

Bill Ready

Chief Executive Officer

Yeah. Thanks for the question. So, in terms of, like, how we're thinking about it, one, we should step back and put things in context for a moment. We only started building a true performance ads platform just a few years ago. Our first true CPC product for advertisers wasn't launched until – didn't go GA until Q4 of 2023. So, we're sort of two years and a quarter – we're two years and a partial quarter into even having a platform that drove clicks to advertisers. As we've talked about before, we started with the very largest advertisers. We've been working our way down.

Our SMB, the main product that we needed to enable that for SMBs was Pinterest Performance+, because SMB advertisers need something that is much more automated, more set-it-and-forget-it. Pinterest Performance+, we went in GA at the start of 2025. As we deployed that through 2025, we saw that working well. As I mentioned, we doubled the growth rate of our SMB, our managed SMB population. That's now 15% of revenue, but we know that can and should be much larger. And so, it's a different kind of selling to those kinds of advertisers.

The things that we need to do to run that, also the measurement integrations that we need to do as they rely on a different set of measurement partners than what the very largest advertisers would. So, that is part of that go-to-market, which is how do we have those sellers set up to sell performance, understand the measurement, particularly measurement sources of truth that are used by the advertiser, and then how to help that advertiser get the most out of our AI-driven tools like Pinterest Performance+, to configure those things for performance. Those are some of the things that we're driving through.

And again, Lee's only a couple of weeks in, but these are things that we have made progress on this. Again, doubling the growth rate of SMBs over the course of 2025, we've made progress. So, we have clear line of sight what to do. We just need to take bigger, bolder steps, and we're confident now with Lee here, we've got the right leadership in place to go do that.

Julia Donnelly

Chief Financial Officer

Yeah. And the second part of your question in terms of Q1 and what I was referring to there on the near-term disruption, I think we obviously took the difficult decision to go through that restructuring activity in January. Part of that did impact some of our frontline sellers and on the measurement side as well. And so, as we're kind of getting ahead of that and backfilling those roles, obviously, it'll take a little bit of time for those new folks to come in and ramp up to full productivity. So, I do think we're anticipating a little bit of that impact here in Q1, but all of that is factored into the guidance.

Operator

Thank you, Brian. Our next question will go to the line of Justin Patterson with KeyCorp. Justin, your line is open.

Justin Patterson

KeyBanc Capital Markets, Inc.

Great. Thank you. Bill, you mentioned earlier that Pinterest visual feed brings the promise of agentic commerce to life without having to enter prompts. Could you expand some more on just what agentic commerce means for Pinterest and the steps to get there? Thanks.

Bill Ready

Chief Executive Officer

Yeah. Thanks for the question, Justin. The broader promise of agentic has tremendous potential, and we're leaning into the places where we see the most opportunity to solve compelling user problems. So, let me start with, first, the way we think about the broader agentic opportunity and what it really means for users. The promise of agentic is one where users trust AI to help them along a commercial journey, to remove friction and to find products they love, all without the user having to do as much of the work. That's exactly where Pinterest has been leaning in.

Our visual search, discovery, and personalization means that users are instantly met with relevant products that they're interested in when they open up the Pinterest app. We're helping them complete those commercial journeys without having to type in a single prompt. So, that is the agentic nature that we are solving for already, which is the user doesn't have to tell us what next step to take. We're meeting them with products that help along their – products and recommendations that help them along their commercial journey.

In essence, we're helping our users know what to buy before they know what to ask for, which has historically been one of the biggest problems in search, is that people don't have the words to describe what it is they're looking for. So, on top of that, we've enabled capabilities that make the purchase in a single tap without ever leaving our site, most notably with Amazon. This has resulted in users, searches, clicks, and overall commercial intent, all growing significantly and accelerating over the last three years.

And in Q4, we accelerated our product even further, introducing Pinterest Assistant, which adds voice as a new modality. So, we're seeing very strong traction in real-world application of this type of experience for users with our AI capabilities at the core of how we're delivering on it. What we see less demand for in the near term is an experience where agents complete the full shopping journey without the user being involved at all. We see users wanting to be in the loop for the foreseeable future.

And in the future, when users are – well, right now, when users are ready to confirm a purchase, we're making it very seamless for them to do so. And at whatever point in the future users are ready to actually trust the agent to press the buy button for them, that'll actually be one of the easiest parts of the commercial journey to solve, given how many frictionless buy buttons exist in the market today. So, again, I think there's been a lot of discussion of the promise of agentic, and a lot of it sort of goes all the way to the agent will just go do everything for you.

We're focused on the AI doing the thing that the users need the most help with today, and not getting in the way of the users for the thing that they want to make sure that they verify, which is the user being in the loop at that last one, saying, yeah, that's the thing. Give it to me. I press a button, and it's on the way. And that's what's happening on the platform today and why we're seeing the very strong user engagement trends that we talked about.

Operator

Thank you, Justin. Our last question will go to the line of Ron Josey with Citigroup. Ron, your line is open.

Ron Josey

Citigroup Global Markets, Inc.

Great. Thanks for taking the question. I wanted to ask two really quickly. Just Bill on tvScientific, you talked about the new sources of demand and highlighted Pinterest third-party partners in the past, but with tvScientific, it expands

beyond the platform. Just talk to us how this acquisition can open up larger budget pools as it just accelerates those tvScientific as well as Pinterest's overall scale.

And then on the go-to-market and the revamp that we're planning there in the first half of the year, would love your thoughts, just where are we on the process there? I know, obviously, Lee just joined not-too-long ago, but any insights on – additional insights on timing and, like, rebuilding that team? Thank you.

Bill Ready
Chief Executive Officer

Thanks, Ron. So on tvScientific, yes, you're exactly right, we've, over the last couple of years, been bringing in third-party demand. This now is our first foray – our first meaningful foray into third-party supply. And this is very consistent with what you would see from other high-intent platforms, where you can take the high intent that you have on your own platform and then drive more relevant and more performant ads on other surfaces based on knowledge of that intent.

And in terms of this is an area we've been sort of studying and experimenting in for a couple of years now. And we started with a partnership with tvScientific to allow us to sort of understand their technology, their team, and we moved from that to acquisition, because they're driving today search-type performance advertising in TV, in connected TV, which is very aligned with our approach.

And we think, when we combine that with our very highly commercial audience, and the scale of that audience, as I've shared a few times over 80 billion monthly searches, and that being primarily visual, which obviously would align with TV and sort of the visual nature of that, we think there's a lot we can do together to drive more performant connected TV advertising, which is one of the fastest-growing areas of the ad market.

So, I talked about more exposure to SMB and to international, given that those are fast-growing. Connected TV is also fast-growing, and I think there's a lot we can do to bring performance there. So, hopefully, that helps on the tvScientific acquisition. It effectively turns Pinterest into a full-funnel search, social, and connected TV performance solution, opening up larger and incremental budget pools. And of course, these things take time, but we're quite excited about the opportunity.

On the other part, on the go-to-market revamp, that – I have commented on a good bit. And so, the timing and rebuild, these things do take some time. We are in flight on these things already. Again, the way I would characterize this as looking back at 2025, we talked about diversifying the revenue base all through 2025. We were talking to you all about that on the calls then of expanding to those mid-sized retailers, expanding to SMBs, expanding to international. We executed on those things.

I would say that we had good execution. We need great execution. And so, all that's to say we're not starting for the first time on these things. It's really about how do we learn from the efforts we've had so far, double down, go faster with greater clarity with those teams, and bolder decisions around what are the different levers needed for those different segments of the business. It's just a more complex selling organization. Again, I think we've got the right leadership in place now with Lee to go after that, but time zero is not at this moment. This is really about sort of us finding the next gear in that transformation. We have really good line of sight to that.

And I commented that with any of these kinds of things, you can expect at times a quarter or two of disruption as you move through some of those things. But again, we've got clear line of sight to how these have already been faster-growing areas for us, and it's really about us doubling down in those faster-growing areas.

Operator
Thank you, Ron. That will conclude the question-and-answer session. I would now like to pass the conference back over to Pinterest's CEO, Bill Ready, for closing remarks.

Bill Ready
Chief Executive Officer

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 earnings call. Thank you for your participation and enjoy the rest of your day.