

Pinterest (PINS)

\$25.19 (As of 07/30/20)

Price Target (6-12 Months): **\$26.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/06/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: F

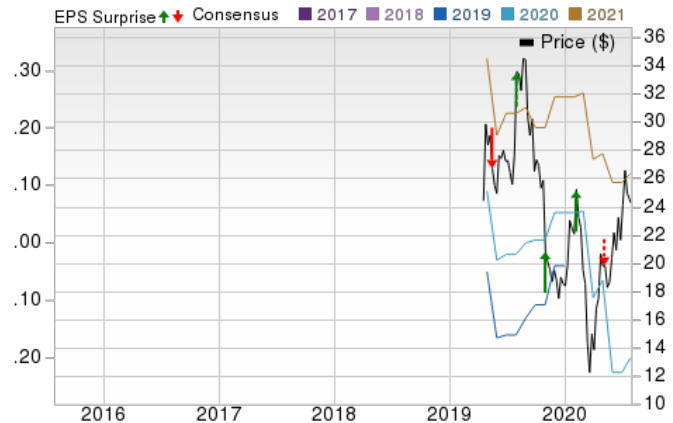
Growth: A

Momentum: B

Summary

Pinterest is benefiting from user base expansion boosted by coronavirus-led lockdown and strong ARPU growth. Launch of features like Today and Shop tab for Pinners are key catalysts. Enhanced product offerings, expanding Pinner and advertiser base, simplifying ad systems through Verified Merchant Program and Pinterest Partners Program for small businesses and improving advertisers' ability to measure the effectiveness of their ad spend are expected to drive advertising revenues in the near term. However, growing expenses to expand domestically and internationally will weigh on profits in the near term. Pinterest withdrew its 2020 revenue guidance, citing adverse impact of the coronavirus outbreak on its advertising revenues. Shares have underperformed the industry on a year-to-date basis.

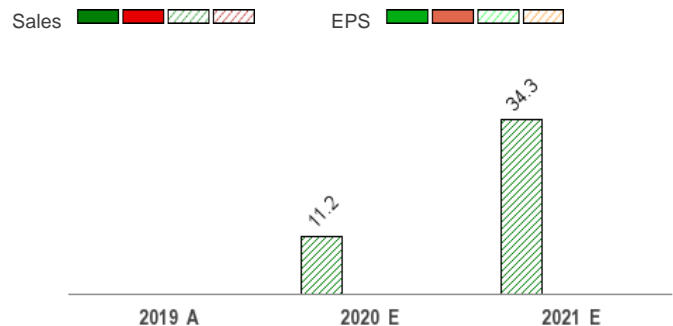
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$36.83 - \$10.10
20 Day Average Volume (sh)	10,902,758
Market Cap	\$14.8 B
YTD Price Change	35.1%
Beta	1.56
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Top 37% (94 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-25.0%
Last Sales Surprise	0.5%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/31/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	337 E	380 E	420 E	599 E	1,707 E
2020	272 A	256 E	298 E	450 E	1,271 E
2019	202 A	261 A	280 A	400 A	1,143 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.08 E	-\$0.06 E	\$0.04 E	\$0.20 E	\$0.12 E
2020	-\$0.10 A	-\$0.15 E	-\$0.06 E	\$0.11 E	-\$0.20 E
2019	-\$0.32 A	-\$0.06 A	\$0.01 A	\$0.12 A	\$0.00 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	12.2

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/30/2020. The reports text is as of 07/31/2020.

Overview

Pinterest was incorporated in Delaware in 2008 and is headquartered in San Francisco. The company provides a platform to show its users (called Pinners) visual recommendations (called Pins) based on their personal taste and interests. Users then save and organize these recommendations into collections (called Boards).

Pinterest generates revenues by delivering ads on its website and mobile application. The company is helping advertisers reach millennials and Gen Z audience who are more active on immersive mobile platforms.

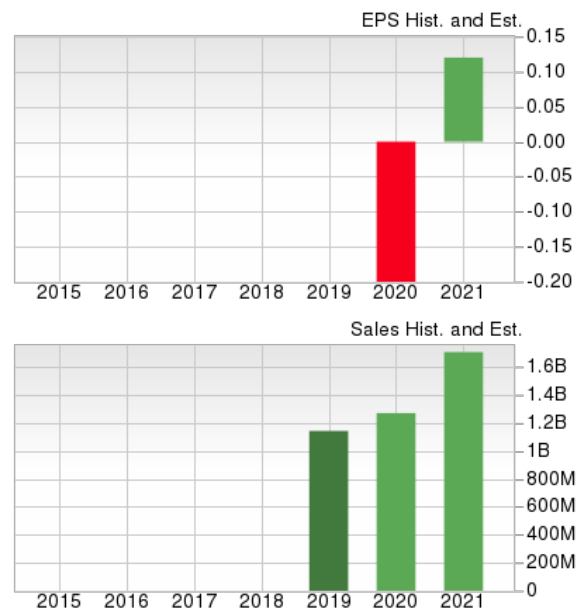
Pinterest went for an Initial Public Offering (IPO) on Apr 18, 2019. As of December 2019, the company's total audience includes 47% of internet users in the United States, according to data from Comscore based on total unique visitors to its platform. This includes eight out of 10 moms as well as more than half of all U.S. millennials aged 18-34.

Advertisers purchase ads directly or through their relationships with advertising agencies. The company recognizes revenues only after transferring control of promised goods or services to customers. This happens when a user clicks on an ad contracted on a cost per click (CPC) basis, views an ad contracted on a cost per thousand impressions (CPM) basis or views a video ad contracted on a cost per view (CPV) basis.

In 2019, Pinterest reported revenues of \$1.14billion. The company serves ads in 28 countries and had a headcount of 2,217 at the end of the fourth-quarter 2019.

Pinterest uses metrics like monthly active users (MAUs) to measure its user base. At the end of first-quarter 2020, MAUs were 367 million. While United States MAUs increased 6% to 90 million, International MAUs increased 34% to 277 million.

Pinterest faces significant competition from the likes of Amazon, Facebook (including Instagram), Google, Snap and Twitter and smaller companies including Allrecipes, Houzz and Tastemade.



Reasons To Buy:

- ▲ Pinterest is different from other social media platforms and popular digital advertising channels. Google and Amazon offer advertisers an audience that already knows what it wants. Pinterest, on the other hand, caters to discovery. People turn to the platform to get more information on a variety of subjects like weddings, fashion, or fitness but they're not necessarily looking for a specific item. They're there to discover, or to be inspired, and that presents an appealing opportunity to advertisers as users or Pinners, are often very open to purchasing. According to a survey firm Statista, 71% of global Pinterest users are female. In the United States, Pinterest reaches 83% of women between ages 25-54. That same group makes 80% of the buying decisions in U.S. households.
- ▲ Pinterest is increasingly establishing a unique value prop to advertisers that could provide a competitive advantage in the long haul. Through various innovations, Pinterest continues to dramatically improve its advertising platform, which presently appears to be one of the best ad platforms for consumer discretionary brands looking for new ways to reach customers and stretch smaller ad budgets. Pinterest's Verified Merchants Program allows brands to create a catalog of shoppable products on the app and use special re-targeting capabilities in their ads.
- ▲ Pinterest's initiative to improve user engagement by infusing visual search technology even in offline mode on its platform and introducing Pinterest Lite, especially in countries such as Peru, Argentina, Colombia, Chile and Mexico among others have accelerated conversion of searches into product purchases. Additionally, the company's global expansion in countries, including the UK, Ireland, Canada, Australia, Singapore, India, the Philippines, Hong Kong and New Zealand, is expected to have contributed to international user base growth in the near term, thus boosting the top line. In the first quarter of 2020, Global MAUs increased 26% year over year to 367 million.
- ▲ Pinterest has a strong balance sheet and generates significant cash flow, which makes it an attractive stock for investors. The company has cash and cash equivalents (including marketable securities) worth \$1.74 billion as of Mar 31, 2020. Moreover, it has no financial debt and an undrawn \$500 million revolving credit facility. We believe Pinterest's strong liquidity position will enable it to make further investments in product development and acquisitions in the future.

Pinterest has been benefiting from its growing popularity among teenagers driven by the diverse content that the platform provides, growing adoption of its advertising platform and efforts to improve user engagement.

Reasons To Sell:

- ▼ Pinterest has experienced net losses and negative cash flows from operations for all annual periods of operating history. The company generated net losses of \$1.36 billion for the year ended Dec 31, 2019. Notably, the company had an accumulated deficit of \$2.21 billion in the same period against cash, cash equivalents and marketable securities of \$1.71 billion.
- ▼ The company anticipates operating expenses to increase substantially in the near term to expand operations domestically and internationally, enhance product offerings, broaden Pinner and advertiser base, expand marketing channels, hire additional employees and develop technology. These efforts may prove more expensive than currently anticipated, and are likely to weigh on the company's top-line growth in the near term.
- ▼ Pinterest faces significant competition from larger, more established companies such as Amazon, Facebook (including Instagram), Google, Snap and Twitter, which provide their users with a variety of online products, services, content (including video) and advertising offerings, including web search engines, social networks and other means of discovering, using or acquiring goods and services. In addition, the company also faces competition from smaller companies including Allrecipes, Houzz and Tastemade that offer users engaging content and commerce opportunities through similar technology, products, and features or services.

Negative cash flow, higher operating expenses amid increasing competition from web search engines and social networks are major concerns.

Last Earnings Report

Pinterest Q1 Loss Wider Than Expected, Revenues Beat

Pinterest reported first-quarter 2020 non-GAAP loss of 10 cents per share, wider than the Zacks Consensus Estimate of a loss of 8 cents per share.

The company had reported loss of 32 cents in the year-ago quarter.

Revenues increased 34.7% year over year to \$272 million and beat the Zacks Consensus Estimate by 1.9%.

Revenues from the United States jumped 26.7% to \$237 million. International revenues soared 133.3% year over year to \$35 million.

Quarter Details

Monthly active users (MAUs) Global increased 26% to 367 million. Since mid-March, the company witnessed record levels of engagement globally (in impressions, searches, saves, board creation and visitation), with Pinners staying home as well as recent product innovations.

While United States MAUs increased 6% to 90 million, International MAUs increased 34% to 277 million.

The company's expansion in nine additional countries, including the UK, Ireland, Canada, Australia, Singapore, India, the Philippines, Hong Kong and New Zealand contributed to international user base growth in the first quarter.

In the early days of physical isolation (starting in mid-March), use of Pinterest dipped as many U.S. and European users adjusted to shelter in place but following that phase the company witnessed significant increases across multiple engagement metrics.

Average revenue per user (ARPU) Global increased 7% to 77 cents. ARPU United States and International jumped 18% and 76% on a year-over-year basis to \$2.66 and 13 cents, respectively.

Growth in ARPU was primarily driven by an increase in the number of advertisements. Further, the price of advertisements increased on a year-over-year basis. Internalizing ads business, simplifying ad systems for smaller businesses and improving advertisers' ability to measure the effectiveness of their ad spend were the key priorities in the first quarter.

Pinterest introduced a Today tab with curated topics and trending Pins to inspire Pinners to explore popular and timely ideas including expert information from the World Health Organization and Centers for Disease Control on topics like hand washing and other precautionary measures amid the coronavirus epidemic.

Pinterest also collaborated with American Academy of Pediatrics to bring the latter's resources for parents to its platform.

Additionally, Pinterest launched Pinterest Lite in countries such as Peru, Argentina, Colombia, Chile and Mexico among others. Pinterest Lite is an option for users who want faster download on slower Internet.

New Verified Merchant Program launched with retailers like Quay Australia, Ruggable, Filson, Coyuchi and Lotuff Leather among others displays a special blue checkmark on their profiles, and provides eligibility for increased distribution within high-intent shopping experiences and metrics like conversion reporting.

Catalog feed uploads increased 144% sequentially in the first quarter, boosted in part by the migration of existing merchants participating in Shopify beta test and Verified Merchant Program.

In February, Pinners who engaged with organic shopping content on Pinterest, increased 44% year over year, and total organic traffic to retailers increased 2.3X, showing engagement gains even before users began sheltering in place.

The Pinterest platform saw significant increase in search and saving on the platform as Pinners looked for practical solutions on how to educate and entertain their kids and how to clean during quarantine among others.

Moreover, the company's partnership with Shopify is helping smaller merchants to get on Pinterest. Currently, the integration is live to all Shopify merchants in the United States and Canada.

With just a few clicks on the Shopify merchant dashboard, merchants can seamlessly set up their Pinterest Tag, upload their Product Catalogs to Pinterest and create Pinterest ad campaigns. However, the company does not expect this integration to significantly impact near-term revenues.

Pinterest's first-quarter 2020 total expenses grew 69.4% year over year to \$418 million, which includes \$81 million of share-based compensation following its April 2019 IPO.

In the reported quarter, research and development expenses grew 101% to \$145.7 million attributed to higher personnel and facilities-related costs.

Sales and marketing expenses surged 53% year over year to \$117 million due to higher marketing expenses.

General and administrative expenses increased 132% year over year to \$56 million.

Adjusted EBITDA loss was \$53 million in first-quarter 2020. The company had reported adjusted EBITDA loss of \$38 million in the year-ago quarter.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	0.54%
EPS Surprise	-25.00%
Quarterly EPS	-0.10
Annual EPS (TTM)	-0.03

Non-GAAP costs and expenses grew 37% year over year to \$336.7 million, attributable to headcount growth.

Loss from operations was \$146 million compared with loss of \$44.8 million in the year-ago quarter.

Balance Sheet

The company ended Mar 31, 2020 with cash, cash equivalents, and marketable securities were \$1.74 billion compared with \$1.71 billion in the previous quarter; no financial debt, and an undrawn \$500 million revolving credit facility.

Guidance

Given the uncertainties related to the ongoing COVID-19 pandemic and the rapidly shifting macroeconomic conditions, the company has not provided guidance for 2020 revenues and adjusted EBITDA.

Pinterest expects an increase in operating expenses year over year in second-quarter 2020 but at a slower pace compared to the first quarter.

Recent News

On Jun 1, Pinterest announced the launch of Shop tab on Lens visual search results. Users can click on the camera in the search bar, snap or upload a photo, and see a Shop tab with a feed of shoppable Pins based on in-stock products identified in that image. Every Product Pin links directly to the checkout page on the retailer's site.

On May 18, Pinterest announced the release of a new feature called shopping spotlights that bring expert recommendations of influential fashion and home tastemakers as well as publishers directly to pinners.

On May 7, Pinterest announced the launch of a new app with Shopify that gives their more than one million merchants a quick way to upload catalogs to Pinterest and turn their products into shoppable Product Pins, in just a few clicks.

On Apr 22, Pinterest announced adding Adobe Spark, Over, PicMonkey and Canva to the Pinterest Partners program to help make it easier for creators and small and medium businesses to identify trusted creative specialty partners.

On Apr 14, Pinterest announced the launch of a collection of products from sustainable brands on the Pinterest Shop for the 50th anniversary of Earth Day.

Valuation

Pinterest shares are down 11% in the past year. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 39.6% and 27.8% over the same period, respectively. Moreover, the S&P 500 index is up 10.4%.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$26 price target reflects 12.6X trailing 12-month (TTM) sales.

Industry Analysis Zacks Industry Rank: Top 37% (94 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Facebook, Inc. (FB)	Neutral	3
Sina Corporation (SINA)	Neutral	3
Sogou Inc. Sponsored ADR (SOGO)	Neutral	3
Tencent Holding Ltd. (TCEHY)	Neutral	3
Twilio Inc. (TWLO)	Neutral	2
Twitter, Inc. (TWTR)	Neutral	3
Atlassian Corporation PLC (TEAM)	Underperform	5
Weibo Corporation (WB)	Underperform	3

Industry Comparison Industry: Internet - Software				Industry Peers		
	PINS	X Industry	S&P 500	FB	TWTR	WB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	F	F
Market Cap	14.77 B	830.58 M	22.57 B	668.11 B	28.81 B	7.69 B
# of Analysts	4	5	14	12	9	2
Dividend Yield	0.00%	0.00%	1.83%	0.00%	0.00%	0.00%
Value Score	F	-	-	C	D	C
Cash/Price	0.12	0.09	0.07	0.09	0.26	0.31
EV/EBITDA	-9.91	-0.79	12.96	20.21	22.61	11.18
PEG Ratio	NA	6.03	3.04	1.68	NA	2.41
Price/Book (P/B)	7.56	7.29	3.13	6.35	3.69	3.32
Price/Cash Flow (P/CF)	NA	26.09	12.61	27.61	13.32	14.77
P/E (F1)	NA	80.62	22.06	31.85	NA	15.70
Price/Sales (P/S)	12.18	4.62	2.42	8.89	8.67	4.54
Earnings Yield	-0.79%	0.17%	4.31%	3.14%	-1.47%	6.35%
Debt/Equity	0.08	0.14	0.75	0.09	0.51	0.73
Cash Flow (\$/share)	-2.34	-0.00	6.94	8.49	2.76	2.31
Growth Score	A	-	-	B	D	F
Hist. EPS Growth (3-5 yrs)	NA%	16.26%	10.85%	48.20%	NA	99.92%
Proj. EPS Growth (F1/F0)	NA%	-4.63%	-7.75%	14.51%	-122.64%	-21.76%
Curr. Cash Flow Growth	3,062.97%	5.94%	5.39%	-8.33%	123.58%	-12.04%
Hist. Cash Flow Growth (3-5 yrs)	NA%	21.83%	8.55%	38.21%	55.36%	133.19%
Current Ratio	11.60	1.46	1.31	4.60	12.29	4.69
Debt/Capital	7.55%	20.69%	44.32%	8.28%	33.81%	42.14%
Net Margin	-120.48%	-17.02%	10.44%	31.29%	-32.54%	23.44%
Return on Equity	-73.06%	-14.34%	14.73%	23.49%	-12.11%	18.14%
Sales/Assets	0.52	0.61	0.52	0.57	0.26	0.38
Proj. Sales Growth (F1/F0)	11.18%	5.32%	-1.95%	9.90%	-5.46%	-5.82%
Momentum Score	B	-	-	B	F	D
Daily Price Chg	0.96%	0.00%	-0.92%	0.52%	-1.18%	-0.84%
1 Week Price Chg	-1.56%	-0.06%	0.37%	-4.68%	4.83%	-4.64%
4 Week Price Chg	4.48%	1.27%	4.14%	0.46%	18.95%	1.28%
12 Week Price Chg	34.71%	21.51%	12.21%	11.00%	27.63%	-7.40%
52 Week Price Chg	-10.99%	4.50%	-1.73%	21.67%	-12.74%	-8.45%
20 Day Average Volume	10,902,758	529,412	1,887,986	19,530,204	26,760,612	1,885,529
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-344.05%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.38%	2.36%	-1,161.35%	0.00%
(F1) EPS Est 12 week change	7.32%	0.00%	-0.07%	1.50%	-757.47%	-5.09%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.16%	2.72%	5.71%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	A
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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