

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____
Commission file number 001-38872



Pinterest, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

26-3607129

(I.R.S. Employer Identification No.)

505 Brannan Street

San Francisco, California

(Address of Principal Executive Offices, including zip code)

94107

(Zip Code)

(415) 762-7100

Registrant's Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Class A Common Stock, \$0.00001 par value

Trading Symbol

PINS

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of a share of the registrant's common stock on June 30, 2020 as reported by the New York Stock Exchange on such date was approximately \$9.4 billion.

As of January 29, 2021, there were 532,423,430 shares of the Registrant's Class A common stock, \$0.00001 par value per share, outstanding, and 96,091,207 shares of the Registrant's Class B common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2020.

PINTEREST, INC.
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risk and uncertainties. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "intends," "plans", "targets", "forecasts" or "anticipates," or by discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from historical results or any future results, performance or achievements expressed, suggested or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, statements about:

- uncertainty regarding the duration, scope and impact of the coronavirus referred to as the COVID-19 pandemic;
- the effect of general economic and political conditions;
- our financial performance, including revenue, cost of revenue and operating expenses and cash flows;
- our ability to attract and retain Pinners and their level of engagement;
- the pace of recovery when the COVID-19 pandemic subsides;
- our ability to provide content that is useful and relevant to Pinners' personal taste and interests;
- our ability to develop successful new products or improve existing ones;
- our ability to maintain and enhance our brand and reputation;
- potential harm caused by compromises in security, including our cybersecurity protections and resources and costs required to prevent, detect and remediate potential security breaches;
- potential harm caused by changes in online application stores or internet search engines' methodologies, particularly search engine optimization methodologies and policies;
- discontinuation, disruptions or outages in third-party single sign-on access;
- our ability to compete effectively in our industry;
- our ability to scale our business, including our monetization efforts;
- our ability to attract and retain advertisers and scale our revenue model;
- our ability to develop effective products and tools for advertisers, including measurement tools;
- our ability to expand and monetize our platform internationally;
- our ability to effectively manage the growth of our business;
- our lack of operating history and ability to attain and sustain profitability;
- decisions that reduce short-term revenue or profitability or do not produce the long-term benefits we expect;
- fluctuations in our operating results;
- our ability to raise additional capital;
- the scope and impact of the COVID-19 pandemic on our planned investments, operations, expenses, revenue, cash flow, liquidity and users;
- our ability to realize anticipated benefits from mergers and acquisitions, joint ventures, strategic partnerships and other investments;
- our ability to protect our intellectual property;
- our ability to receive, process, store, use and share data, and compliance with laws and regulations related to data privacy and content;
- current or potential litigation and regulatory actions involving us;
- our ability to comply with modified or new laws and regulations applying to our business, and potential harm to our business as a result of those laws and regulations;
- real or perceived inaccuracies in metrics related to our business;

- disruption of, degradation in or interference with our use of Amazon Web Services and our infrastructure; and
- our ability to attract and retain personnel.

These statements are based on our historical performance and on our current plans, estimates and projections in light of information currently available to us, and therefore you should not place undue reliance on them. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Forward-looking statements made in this Annual Report on Form 10-K speak only as of the date on which such statements are made, and we undertake no obligation to update them in light of new information or future events, except as required by law.

You should carefully consider the above factors, as well as the factors discussed elsewhere in this Annual Report on Form 10-K, including under "Risk Factors" and elsewhere in this Annual Report on Form 10-K. The factors identified above should not be construed as an exhaustive list of factors that could affect our future results and should be read in conjunction with the other cautionary statements that are included in this Annual Report. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. If any of these trends, risks or uncertainties actually occurs or continues, our business, revenue and financial results could be harmed, the trading price of our Class A common stock could decline and you could lose all or part of your investment.

Unless expressly indicated or the context requires otherwise, the terms "Pinterest," "company," "we," "us," and "our" in this document refer to Pinterest, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term "Pinterest" may also refer to our products, regardless of the manner in which they are accessed. For references to accessing Pinterest on the "web" or via a "website," such terms refer to accessing Pinterest on personal computers. For references to accessing Pinterest on "mobile," such term refers to accessing Pinterest via a mobile application or via a mobile-optimized version of our website such as m.pinterest.com, whether on a mobile phone or tablet.

Summary of Risk Factors

The following summarizes the principal factors that make an investment in our company speculative or risky, all of which are more fully described in the Risk Factors section below. This summary should be read in conjunction with the Risk Factors section and should not be relied upon as an exhaustive summary of the material risks facing our business. The following factors could result in harm to our business, reputation, revenue, financial results, and prospects, among other impacts:

Business Strategy and Growth. Our strategic decisions and efforts to expand the business, including:

- our ability to scale our business for future growth, as we are in the early stages of our monetization efforts;
- our ability to attract, grow, retain, and engage our user base;
- providing content that is useful and relevant to Pinners' personal taste and interests;
- decisions consistent with our mission and values that may reduce our short- or medium-term operating results;
- removing objectionable content or blocking objectionable practices by advertisers or third parties;
- our ability to compete effectively for users or advertisers and to develop effective products and tools for advertisers;
- our further expansion and monetization of our platform internationally;
- effective management of our business growth; and
- our acquisition of other businesses.

Operation of Our Business. The manner in which we operate our business, including:

- the disruption and harm from the recent global COVID-19 pandemic outbreak, as well as potential challenges of post-pandemic recovery;
- our dependence on and ability to maintain and enhance a strong brand and reputation;
- actual or perceived compromises in our security;
- our dependence on advertising for substantially all of our revenue;

- the development of tools to accurately measure the effectiveness of advertisements on our platform and thereby attract and maintain advertisers;
- the inherent challenges of measurements related to Pinner metrics and other estimates;
- our ability to maintain and scale our technology infrastructure, including the speed and availability of our service; and
- the attraction, retention, and loss of our key personnel and other highly qualified personnel.

Third-Party Reliance. Our use and dependence on third-party businesses and products, or the impacts of third-party business and products, including:

- our dependence on online application stores and internet search engines, including their methodologies, policies, and results, to direct traffic and refer new Pinners to our service;
- users' ability to authenticate with our service through third-party login providers;
- our dependence on Amazon Web Services for the vast majority of our compute, storage, data transfer, and other services;
- effectively operating with mobile operating systems, web browsers, networks, regulations, and standards, which we do not control, and changes in our products or to those mobile operating systems, web browsers, networks, regulations or standards; and
- our reliance on software, technologies, and related services from other parties; and
- technologies that can block the display of our ads.

Legal and Regulatory Matters. The legal and regulatory frameworks, actions, and requirements to which our business, products, services, and operations are subject, including:

- any liability as a result of content or information that is published or made available on our service;
- government action to restrict access to our service or certain of our products in their countries;
- the data, including personal information, we receive, process, store, use, and share, which subjects us to complex and evolving governmental regulation and other legal obligations related to data privacy, data protection and other matters;
- our involvement in any legal disputes or other disputes that are expensive to support and may be resolved adversely;
- an ability to protect our intellectual property and our use of "open source" software; and
- the interpretation and application of recent U.S. tax legislation or other changes in U.S. or non-U.S. taxation of our operations.

Financial Statements and Performance. The preparation of our financial statements and our financial and operating performance, including:

- our limited operating history and previously incurred operating losses, anticipated increases to operating costs, and expenses and our ability to obtain or maintain profitability;
- fluctuations in our operating results from quarter to quarter;
- our ability to obtain additional financing, if needed and any default on our credit obligations;
- greater than anticipated tax liabilities;
- limitations in our ability to use or benefit from our net operating loss carryforwards and certain other tax attributes; and
- the requirements of being a public company.

Our Common Stock. The rights, restrictions, and structure of, and actions that we make take that impact, our common stock, including:

- the dual class structure of our common stock;
- trading price volatility of our Class A common stock;

- future offerings of debt or equity securities by us or existing stockholders that could adversely impact the market price of our Class A common stock;
- additional stock issuances, including in connection with settlement of equity awards, and any resulting dilution;
- provisions under Delaware law and our governing documents that could make a merger, tender offer, or proxy contest difficult;
- our certificate of incorporation's designation of a state or federal court located within Delaware as the exclusive forum for substantially all disputes between us and our stockholders; and
- our intention not to pay dividends for the foreseeable future.

General. The risks common to our industry and public companies generally, including:

- our development of or investment in successful new products or improvements to existing one;
- adverse global economic and financial conditions; and
- changes in accounting principles generally accepted in the United States.

LIMITATIONS OF KEY METRICS AND OTHER DATA

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

PART I

Item 1. Business

Overview

Our mission is to bring everyone the inspiration to create a life they love.

Pinterest is where 459 million people around the world go to get inspiration for their lives. They come to discover ideas for just about anything you can imagine: daily activities like cooking dinner or deciding what to wear, major commitments like remodeling a house or training for a marathon, ongoing passions like fly fishing or fashion and milestone events like planning a wedding or a dream vacation.

We call these people Pinners. We show them visual recommendations, which we call Pins, based on their personal taste and interests. They then save and organize these recommendations into collections, called boards. Browsing and saving visual ideas on our service helps Pinners imagine what their future could look like, which helps them go from inspiration to action.

Pinterest is the productivity tool for planning your dreams. Dreaming and productivity may seem like polar opposites, but on Pinterest, inspiration enables action and dreams become reality. Visualizing the future helps bring it to life. In this way, Pinterest is unique. Most consumer internet companies are either tools (search, ecommerce) or media (newsfeeds, video, social networks). Pinterest is not a pure media channel; it is a media-rich utility.

Value Proposition for Pinners

Visual Experience. People often don't have the words to describe what they want, but they know it when they see it. This is why we made Pinterest a visual experience. Images and video can communicate concepts that are impossible to describe with words. We believe that Pinterest is the best place on the web for people to get visual inspiration at scale. Visual searches are becoming more common on Pinterest, with hundreds of millions of visual searches per month. We have invested heavily in computer vision to help people discover possibilities that traditional text-based search queries cannot offer. The computer vision models we've developed "see" the content of each Pin and optimize billions of related recommendations daily to help people take action on the Pins they've found.

Personalization. Pinterest is a personalized, curated environment. Most Pins have been handpicked, saved and organized over the years by hundreds of millions of Pinners creating billions of boards. As of December 31, 2020, our Pinners saved nearly 300 billion Pins across more than six billion boards. We call this body of data the Pinterest taste graph. Machine learning and computer vision help us find patterns in the data. We then understand each individual Pin's relationship not just to the Pinner who saved it, but also to the ideas and aesthetics reflected by the names and content of the boards where it's been pinned. We believe we can better predict what content will be helpful and relevant because Pinners tell us how they organize ideas. The Pinterest taste graph is the first-party data asset we use to power our visual recommendations.

When people organize ideas into collections on Pinterest, they are sharing how they contextualize that idea. When we scale human curation across hundreds of millions of Pinners saving nearly 300 billion Pins, we believe our taste graph and recommendations get exponentially better. The more people use Pinterest, the richer the taste graph gets, and the more an individual uses Pinterest, the more personalized their home feed becomes.

Designed for Action. People use Pinterest to visualize their future and to make their dreams a reality. Our goal is for each Pin to link back to a useful source—everything from a product to buy, ingredients for a recipe or instructions to complete a project. We have built features that encourage Pinners to take action on ideas they see on Pinterest, with a special focus on making it easy for people to purchase products they discover on our service.

Inspiring Environment. Pinners describe Pinterest as an inspiring place where they can focus on themselves, their interests and their future. We encourage positivity on the platform through our policies and product development -- for example, Pinterest has banned political ads, developed inclusive beauty search functionality and rolled out compassionate search for Pinners seeking mental health support. This work is an important part of our value proposition because people are less likely to dream about their future when they feel self-conscious, excluded, unhappy or preoccupied with the problems of the day.

Value Proposition for Advertisers

Valuable Audience. Pinterest reaches 459 million monthly active users, about two-thirds of whom are female. The value of Pinterest's audience to advertisers is driven not merely by the number of Pinners on our platform or their demographics, but also by the reason they come to Pinterest in the first place. Getting inspiration for your home, your style or your travel often means that you are actively looking for products and services to buy. Billions of searches happen on Pinterest every month. Commercial content from brands, retailers and advertisers is central to Pinterest. This means that relevant ads don't compete with native content on Pinterest; instead, they are content. The mutually beneficial alignment between advertisers and Pinners differentiates us from other platforms where ads (even relevant ads) can be distracting or annoying. We are still in the early stages of building an advertising product suite that fully taps the value of this alignment between Pinners and advertisers, but we believe it will be a competitive advantage over the long term.

Inspiration to Action. Pinners use our service to get inspiration for things they want to do and buy in their real lives. This journey from ideation to action takes them down the entire purchasing "funnel", so our advertisers have the opportunity to put relevant promoted content in front of Pinners at every stage of the purchasing journey—when they are browsing through many possibilities without a clear idea of what they want, when they have identified and are comparing a handful of options and when they are ready to make a purchase. As a result, advertisers can achieve a range of awareness and performance objectives on Pinterest.

Inspiring Environment. Advertisers are in the business of inspiration. On Pinterest, businesses have the opportunity to showcase their products and services in an inspiring, creative environment. This is rare on the internet, where consumers' digital experiences can be stressful or negative, and brands can get caught in the crossfire. We believe that the inspirational and constructive feelings that many people experience on Pinterest make our site an especially effective environment for brands and creators to build an emotional connection with consumers.

Our Pinner Products

Pins

People come to Pinterest because it is filled with billions of great ideas. Each idea is represented by a Pin. Pins can be created or saved by individual users or by businesses.

When an individual user finds content like an article, image or video on the web and wants to save it, she can use our browser extension or Save button to save a link to that idea to a board of a larger topic, along with an image representing the idea. They can also save ideas within Pinterest as they get inspiration for ideas others have found. Additionally, we are in the early days of introducing Story Pins, which enable creators to create Pins featuring their own original work, like a recipe they made, a beauty, style or home decor tutorial, or a travel guide. When people click on a Pin, they can learn more and act on it.

Businesses also create Pins on our platform in the form of both organic content and paid advertisements. We believe the addition of organic content from merchants adds significant value to the experience of both Pinners and advertisers, as we believe Pinners come with the intent to try something new, and welcome content from brands. We expect that these Pins will become an even larger part of our content in the future.

We have several types of Pins on our platform to inspire people and help them take action, including standard Pins, Product Pins, collections, Video Pins and Story Pins. More types of Pins and features will come in the future.

- Standard Pins: Images with links back to original content from around the web, used to highlight products, recipes, style and home inspiration, DIY, and more.
- Product Pins: Product Pins make items shoppable with up-to-date pricing, information about availability and links that go directly to the checkout page of a retailer's website.
- Collections: Collections allow Pinners to shop for the individual products they see in the inspiring scenes on fashion and home decor Pins.
- Video Pins: Video Pins are short videos on topics like how-to content about cooking, beauty and DIY that help Pinners more deeply engage by watching an idea come alive.
- Story Pins: Story Pins are multi-page videos, images, text and lists that are natively created on Pinterest. This format enables creators to show how to bring ideas to life (e.g. how to cook a meal or design a room).

Planning

Boards are where Pinners save and organize Pins into collections around a topic. Every new Pin saved by a user must be saved onto a particular board and is associated with a particular context (such as “bedroom rug ideas,” “electric bikes” or “healthy kids’ snacks”). Once the Pin has been saved, it exists on the board of the Pinner who saved it, but it also joins the billions of Pins available for other Pinners to discover and save to their own boards. Pinners access their boards in their profile and organize them however they prefer.

Pinners can create sections in a board to better organize Pins. For example, a “Quick Weekday Meals” board could have sections like “breakfast,” “lunch,” “dinner” and “desserts.” A board can be made visible to anyone on Pinterest or kept private so only the Pinner can see it. As Pinners plan projects, like a home renovation or a wedding, they can invite others on Pinterest to a shared group board. When a Pinner follows another person on Pinterest, they can choose to follow a select board or their entire account.

Discovery

People go to Pinterest to discover the best ideas to bring into their lives. They do this by exploring the home feed and search tools on our service.

- Home Feed: When people open Pinterest, they see their home feed, which is where they will find Pins that are relevant to their interests based in part on their recent activity. Home Feed discovery is powered by machine learning recommendations based on previous activity and the overlapping interests of Pinners with similar taste. They will also see Pins from the people, topics and boards they choose to follow. Every home feed is personalized to dynamically reflect the taste and interests of the Pinner.
- Search:
 - Text queries: Pinners can search for Pins, broad ideas, boards, or people by typing in the search bar. Pinners who use search typically want to see many relevant possibilities that are personalized for their individual taste and interests rather than one perfect answer. Often, Pinners start by typing in something general like “dinner ideas,” then use Pinterest’s built-in search guides (like “weekday” or “family”) to narrow down the results.
 - Visual queries: When a Pinner taps on a Pin to learn more about an idea or image, a feed of visually similar Pins is served beneath the tapped image. These related Pins help Pinners springboard off a point of inspiration to explore deeper into an interest or narrow in on the perfect idea. Pinners also search within images by using our Lens tool to select specific objects inside an inspiring scene e.g., a lamp in a living room scene or a pair of shoes in a street fashion scene. This action automatically triggers a new search that yields related Pins that are visually similar to the specific object. This is powered by years of computer vision that can identify objects and attributes within scenes.
- Shopping: Pinterest is where people turn inspiration into action, as Pinners plan, save, and find things to buy that inspire them to create a life they love. We are building a place to shop online—not just a place to find things to buy.

Our Advertising Products

Pinners’ desire to discover something they love and make it part of their life is aligned with the motivations of our advertisers. Products and services often help bring dreams to life. Pinterest can help businesses reach a Pinner from the moment he starts thinking about what he wants his living room to look like to the moment when he is about to purchase a couch at his price point. We’ve understood this alignment since our founding, and we’re building an ad product suite that drives value for our users and advertisers simultaneously.

We offer both brand and performance ads, with performance representing approximately two thirds of our revenue for the year ended December 31, 2020. Brand revenue is billed when an advertiser optimizes an ad campaign around “brand” objectives like impressions or video views. Performance revenue is billed when an advertiser optimizes an ad campaign around “performance” objectives like clicks or conversion events.

Because Pinners travel down the entire purchasing funnel on Pinterest, our ad product suite is used by different advertisers to meet different objectives, including awareness, consideration and sales.

Awareness Objective.

Pinterest ads appear in the home feed and on search results pages. They echo the visual style of organic Pins and are fully integrated into the design. A Pinner sees ads as he scrolls through his home feed and search results, looking for inspiration and ideas.

Consideration and Sales Objectives.

When a Pinner clicks on an ad, he sees an intermediate screen that gives him a closer view of the ad creative as well as the option to save the ad to a board. He will also be able to swipe up or click to see the advertiser's online presence, where he can pursue deeper consideration (by exploring available products and services or signing-up for memberships) and potentially transact.

Ad Formats

- Standard ad: A static image used to showcase content in a simple vertical image format.
- Video ad: Used by advertisers to capture attention and tell a story with a visually engaging format. We currently offer three video ad formats: standard video, performance video and max width video.
- Shopping ad: Similar to a standard ad, used to reach people when they are deciding what to buy. Shopping ads are exclusive to advertisers who upload their product catalog to Pinterest.
- Carousel ad: Multiple static or video in one carousel, used by advertisers to showcase more than one image or video at a time.
- Collection ad: Used by advertisers to display products in action with a hybrid format that mixes lifestyle imagery with featured products.

Our Advertising System

Ad Auction

All advertisers on Pinterest buy ads through an auction-based system. Our ad auction allows us to serve ads to Pinners at relevant moments while optimizing business outcomes for advertisers. Our auction system selects the best ad for each available ad impression, based on the likelihood of a desired action occurring and how much that action is worth to advertisers. The likelihood of the action occurring depends on a variety of factors, such as targeting relevance and creative. Today, our advertisers can optimize their campaigns around four different types of user activity depending on their objectives: impressions ("CPM"), video views ("CPV"), clicks ("CPC"), and conversion events ("oCPM") such as checkout or add to cart.

Targeting

Ad targeting helps businesses reach the millions of people who come to Pinterest to find or shop for products and services.

Advertisers can target their messages to specific demographics (locations, languages, gender, age), device types, audiences (such as existing customers or Pinners who recently engaged with their content) and interests or keywords. Advertisers can also choose whether they want ads to show in Pinners' search surfaces, home feed or both.

Because ads are content on Pinterest, ad relevance is powered by the same principles that drive organic recommendations. We are building ad products that will allow advertisers to target ads based on a particular consumer's known aesthetic preferences and style. Eventually we expect to be able to leverage the Pinterest taste graph to match ad creative to a Pinner's individual taste and interests.

Measurement

Measuring the effectiveness of digital spend is a high priority for our advertisers. Our measurement solutions are aligned to help advertisers recognize the value of an investment on our platform across a variety of objectives. We enable our advertisers to meet their awareness, consideration and conversion objectives with a number of first-party tools to measure campaign effectiveness. We also have leading third-party measurement partners to validate Pinterest's performance and measure advertiser results.

Sales and Marketing

Our Go-to-Market Approach

The Pinterest platform enables a diverse group of advertisers to achieve a wide range of objectives. We serve these advertisers in customized ways across their size, product needs and measurement objectives. We initially built our business with large consumer packaged goods ("CPG") and retail advertisers in the United States who typically have large marketing budgets and had the greatest affinity for our core use cases at that time. We then scaled our sales force to support these advertisers and grew their spend with us over time while broadening the mix of advertisers across verticals.

As these advertisers scaled their investment on our platform, we have increased our focus on building the product and measurement tools required to serve mid-market and unmanaged advertisers. We have also begun to focus on expanding our international advertiser base.

Marketing

To date, we have been able to grow our global user base with relatively low marketing costs. User acquisition has been driven by the strength of our global brand and the utility of our service as well as by unpaid search engine traffic. We continue to test additional marketing efforts including paid marketing campaigns focused on user and advertiser acquisition efforts.

Our Technology Innovation

We believe we have one of the largest image-rich data sets ever assembled. This lets us analyze trends, understand intent and predict consumer behavior. And, we are just scratching the surface of what is possible. Looking ahead, we are excited about new technical challenges, including fine-grained image recognition, object-to-object visual search and large-scale visual search infrastructure.

Our Competition

We primarily compete with consumer internet companies that are either tools (search, ecommerce) or media (newsfeeds, video, social networks). We compete with larger, more established companies such as Amazon, Facebook (including Instagram), Google (including YouTube), Snap, TikTok and Twitter. Many of these companies have significantly greater financial and human resources. We also face competition from smaller companies in one or more high-value verticals, including Allrecipes, Houzz and Tastemade, that offer users engaging content and commerce opportunities through similar technology or products to ours. We remain focused on emerging competition as well. We face competition across almost every aspect of our business, particularly users and engagement, advertising and talent.

Users and Engagement

We compete to attract, engage and retain users and their time and attention. Because our products and those of our competitors are typically free, we compete based on our brand, product experience, quality, utility and ease of use of our products. For more information on users and engagement trends, see section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Advertising

We compete for advertising revenue across a variety of formats. We believe our ability to compete effectively depends on the effectiveness of our service in reaching users early in the decision-making process, amplifying advertisers' messages and delivering compelling returns on investment. This is driven by a number of factors, including our reach, relevance and engagement, as well as our brand and advertising products, delivery and measurement capabilities and other offerings. For more information on trends relating to advertising revenue and growth, see section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Talent

We compete to attract and retain highly talented individuals, particularly people with expertise in computer vision, artificial intelligence and machine learning. We believe we compete for these potential employees by providing a work environment that offers the opportunity to work on challenging, cutting-edge and inspirational products. For more information, see "*Talent Management and Development*" below.

Intellectual Property

Our success is tied in part to our ability to protect our intellectual property and key technological innovations. We rely on a combination of federal, state and common-law rights in the United States and rights under the laws of other countries, as well as contractual restrictions, to protect our intellectual property and other proprietary rights. We rely on a combination of patents, copyrights, trademarks, trade secrets, domain names and other intellectual property rights to help protect our brand and proprietary technologies. In addition, we generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with other third parties, in order to limit access to, and disclosure and use of, our confidential information and proprietary technology and to preserve our rights thereto.

As of December 31, 2020, we had over 340 issued patents and pending patent applications in the United States and foreign countries relating to aspects of our actual or contemplated operations and technologies. We also had over 550 registered trademarks and trademark applications in the United States and foreign countries, including our “Pinterest” name and related logos.

We are also dependent on third-party content, technology and intellectual property in connection with our business.

We are presently involved in a number of intellectual property lawsuits, and expect to continue to face allegations from third parties, including our competitors and “non-practicing entities,” that we have infringed or otherwise violated their intellectual property rights.

For additional information on risks relating to intellectual property, please see the sections titled “Risk Factors” and “—Legal Proceedings.”

Government Regulation

We are subject to many U.S. federal and state and foreign laws and regulations that involve matters central to our business, including laws and regulations that involve data privacy and data protection, intellectual property (including copyright and patent laws), content regulation, rights of publicity, advertising, marketing, health and safety, competition, protection of minors, consumer protection, taxation, anti-bribery, anti-money laundering and corruption, economic or other trade prohibitions or sanctions or securities law compliance. Our business may also be affected by the adoption of any new or existing laws or regulations or changes in laws or regulations that adversely affect the growth, popularity or use of the internet, or that significantly restrict or impose conditions on our ability to collect, store, augment, analyze, use and share data or increase consumer notice or consent requirements before a company can utilize cookies or other tracking technologies or that increase the liability of content platforms like us. Many relevant laws and regulations are still evolving and may be interpreted, applied, created or amended in a manner that could harm our business, and new laws and regulations may be enacted, including in connection with the restriction or prohibition of certain content or business activities. For example, EU member states are in the process of implementing the EU Copyright Directive, which may impose significant new burdens on content platforms like us.

We rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our service, including the Digital Millennium Copyright Act (“DMCA”), the Communications Decency Act (“CDA”) and the fair-use doctrine in the United States, and the Electronic Commerce Directive in the European Union. In addition, there are newly adopted and pending legislations in the European Union that may impose additional obligations or liability on us associated with content uploaded by users to our platform.

We receive, process, store, use and share data, some of which contains personal information. We are therefore subject to U.S. federal, state, local and foreign laws and regulations regarding data privacy and the collection, storage, sharing, use, processing, disclosure and protection of personal information and other data from users, employees or business partners, including the General Data Protection Regulation (“GDPR”) and the California Consumer Privacy Act (“CCPA”). These laws expand the rights of individuals to control how their personal data is processed, collected, used and shared creates new regulatory and operational requirements for processing personal data, increases requirements for security and confidentiality and provides for significant penalties for non-compliance. There are also a number of legislative proposals recently enacted or pending before the U.S. Congress, various state legislatures and foreign governments concerning content regulation and data protection that could affect us. These and other laws and regulations that may be enacted, or new interpretation of existing laws and regulations, may require us to modify our data processing practices and policies and to incur substantial costs in order to comply.

Government authorities outside the United States may also seek to restrict access to or block our service, prohibit or block the hosting of certain content available through our service or impose other restrictions that may affect the accessibility or usability of our service in that country for a period of time or even indefinitely. For example, access to our service has been or is currently restricted in whole or in part in China, India, Kazakhstan and Turkey. In addition, some countries have enacted laws that allow websites to be blocked for hosting certain types of content or may require websites to remove certain restricted content.

For additional information, see the sections titled “Risk Factors” and “—Legal Proceedings.”

Seasonality

We experience seasonality in user growth, engagement and monetization on our platform. Historically, we have had lower engagement in the second calendar quarter, though we did not experience typical seasonal trends and saw an increase in active user growth in the second quarter of 2020 due to shelter-in-place orders related to the COVID-19 pandemic. Industry advertising spend tends to be strongest in the fourth quarter, and we observe a similar pattern in our historical advertising revenue. Significant user and monetization growth has partially offset these trends in historical periods, and thus we expect the impact of seasonality to be more pronounced in the future.

Talent Management and Development

In order to fulfill our mission of bringing everyone the inspiration to create a life they love, we strive to attract and retain top talent. To attract and retain great talent, we strive to create opportunities for our employees to grow and develop in their careers, supported by competitive compensation, benefits and health and wellness programs, and by programs that build connections between our employees and their communities. As of December 31, 2020, we had 2,545 full-time employees.

Inclusion and Diversity

We strive to create an inclusive and diverse workplace where employees are empowered to bring their whole, authentic selves to work every day. We seek for and respect diverse perspectives which can only help us create a more inclusive and diverse product.

We seek inclusion and diversity at the highest level in our organization. Our board of directors includes directors from various backgrounds, industries, skills and experience. Our board of ten directors comprises eight independent directors, four women and is racially diverse. Our leadership team includes leaders with diverse skills, experience, racial backgrounds and gender. To further our commitment to create an inclusive and diverse culture, we appointed Tyi McCray as our Global Head of Inclusion and Diversity reporting directly to our CEO. We also added three new independent directors with diverse backgrounds to our board of directors in 2020.

Annually, we've published a diversity report since 2015 which we make publicly available on our website. We believe it is important to hold ourselves accountable to creating a diverse workforce. Our diversity report currently includes our annual hiring goals and how we performed against the goals and our workforce demographic data.

We have also created employee resource groups that are aligned around dimensions of diversity, such as gender, ethnicity, sexual orientation or other shared attributes, which we believe help build community and enable opportunities for development.

In June 2020, subsequent to concerns raised by current and former employees, our board of directors established a Special Committee of the board of directors to independently review Pinterest's workplace culture. The Special Committee engaged experienced outside counsel to advise the Special Committee in connection with its independent review and to help develop recommendations to further support an inclusive, fair, and respectful workplace. In December 2020, we began implementing the recommendations of the Special Committee.

Employee health, safety and benefits

The success of our business is fundamentally tied to the well-being of our people. We are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of flexible and convenient health and wellness programs that support their physical and mental health by providing tools and resources to help them improve or maintain their health. In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. This includes currently having the vast majority of our employees work from home, while implementing additional safety measures for employees continuing critical on-site work.

We provide robust compensation and benefits programs to help meet the needs of our employees. In addition to salaries, these programs (which vary by country/region) include equity awards, a 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, flexible paid time off, family leave, family care resources, flexible work schedules, employee assistance programs, charitable donation matching, among many others.

Learning and development

We help our employees create a career that is inspiring, impactful and ultimately time well spent. We have programs for open and ongoing conversation towards career growth goals both long term and short term. We also have workshops dedicated to learning new skills and developing an employee's career. We set aside a dedicated personal learning and development budget for every employee.

Corporate Information

We were incorporated in Delaware in October 2008 as Cold Brew Labs Inc. In April 2012, we changed our name to Pinterest, Inc. Our principal executive offices are located at 505 Brannan Street, San Francisco, California 94107, and our telephone number is (415) 762-7100. We completed our initial public offering in April 2019 and our Class A common stock is listed on the New York Stock Exchange under the symbol "PINS." Unless the context requires otherwise, the words "Pinterest," "we," "Company," "us" and "our" refer to Pinterest, Inc. and our wholly owned subsidiaries.

Available Information

Our website is located at www.pinterest.com, and our investor relations website is located at <http://investor.pinterestinc.com/>. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission, or the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov. We use our <http://investor.pinterestinc.com/> and www.pinterest.com websites as a means of disclosing material nonpublic information and for complying with our disclosure obligations under Regulation FD.

The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. In addition to the other information set forth in this Annual Report, you should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before deciding to invest in our Class A common stock. The occurrence of any of the following risks could harm our business, reputation, revenue, financial results and prospects. In addition, risks and uncertainties that are not presently known to us or that we currently believe are immaterial could also harm our business, revenue, financial results and prospects. If any of these risks occur, the value of our Class A common stock could decline and you may lose all or part of your investment.

Risks Related to our Business Strategy and Growth

We are in the early stages of our monetization efforts and there is no assurance we will be able to scale our business for future growth.

We are in the early stages of our monetization efforts and are still growing and scaling our revenue model. Our growth strategy depends on, among other things, attracting more advertisers (including expanding our sales efforts to reach advertisers in additional international markets), scaling our business with existing advertisers and expanding our advertising product offerings. There is no assurance that this revenue model will continue to be successful or that we will generate increasing revenue. We do not know if we can sustain the current growth rate of our revenue. To sustain or increase our revenue, we must obtain new advertisers, encourage existing advertisers to maintain or increase their advertising spend on our platform, expand the number of markets where we offer advertising and increase the breadth and functionality of our advertising offerings, including new advertising formats and measurement tools.

In order to obtain new advertisers and further our relationship with current advertisers, we must increase the size of our user base or the engagement of our users. There is no assurance that our user growth or engagement strategy will continue to be successful or that we will increase the number of users on our service.

As we continue to grow our advertiser base, our revenue depends on our ability to effectively serve enough advertisements that meet the objectives of our advertisers while maintaining a high quality user experience. If we are unable to do this on our platform due to a decline in user growth or user engagement, changes in product features or user behavior where users engage increasingly with product features where we may not be able to display as many advertisements, our business, revenue and financial results could be harmed.

In addition, to scale the growth of our ad platform, we will have to successfully develop and target ad products based on Pinners' personal taste and interests, which will require broad and diverse Pinner data. If we are unable to do this with the data, technology and resources available to us, we may need to consider alternatives, such as partnerships, to grow our business. If we choose not to pursue these partnerships, or if these partnerships are unsuccessful, our business may prove less scalable, and our business, revenue and financial results could be harmed.

Our ecosystem of Pinners and advertisers depends on our ability to attract, grow, retain and engage our user base. If we fail to add new Pinners or retain current Pinners, or if Pinners engage less with us, our business, revenue and financial results could be harmed.

We must continue to attract, grow, retain and engage our users on our platform, who we call Pinners. Our active Pinners may not continue to grow, and may decline.

If current and potential Pinners do not perceive their experience with our service to be useful, or the content that we serve to them to be relevant to their personal taste and interests, we may not be able to attract new Pinners, retain existing Pinners or maintain or increase the frequency and duration of their engagement. In addition, if our existing Pinners do not continue to utilize our service or our user base does not continue to grow, we may be required to incur significantly higher marketing expenses than we currently anticipate to add new Pinners or retain current Pinners. Pinner engagement may also fluctuate depending on factors beyond our control, such as changes to daily life resulting from the COVID-19 pandemic. Although we have seen higher engagement from Pinners during the COVID-19 pandemic, we may see lower levels of Pinner engagement once the effects of the COVID-19 pandemic have subsided.

We anticipate that our active user growth rate will decline over time if the size of our active user base increases or we achieve higher market penetration rates. If our active user growth rate slows, our financial performance will increasingly depend on our ability to increase Pinner engagement and our monetization efforts. We also may not be able to penetrate certain demographics in a meaningful manner to grow the number of Pinners. For example, in the United States, historically a substantial majority of our Pinners have been women of ages 18-64. We may not be able to further increase the number of Pinners in this demographic and would need to increase the number of Pinners in other demographics, such as men and international users, in order to maintain our user growth rate.

In addition, our products typically require high bandwidth data capabilities, and many Pinners live in countries with high-end mobile device penetration and high bandwidth capacity cellular networks with large coverage areas. Therefore, we do not expect to experience rapid user growth or engagement in countries with low smartphone penetration even if such countries have well-established and high bandwidth capacity cellular networks. We may also not experience rapid user growth or engagement in countries where, even though smartphone penetration is high, consumers rely heavily on Wi-Fi due to the lack of sufficient cellular based data network. We have entered into, and plan to continue to enter into, contracts with internet service providers that allow Pinners to access our mobile application without it counting toward their monthly data allowance, a practice known as “zero rating.” Such contracts may not be effective in increasing penetration or leading to user growth or revenue growth. Further, changes in regulations could adversely impact our existing and future contracts regarding our access to, and use of, zero-rating offers or other discounts or data usage for our service.

Our ability to serve advertisements on our platform, and therefore the value proposition for our advertisers, depends on the size and engagement of our user base. Our growth efforts are not currently focused on increasing the number of daily active users, and we do not anticipate that most of our users will become daily active users. Therefore, even if we are able to increase demand for our advertising products, we may not be able to deliver those advertisements if we cannot also increase the size and engagement of our user base, which could harm our business, revenue and financial results.

There are many other factors that could negatively affect user growth, retention and engagement, including if:

- our competitors mimic our products or product features, causing Pinners to utilize their products instead of, or more frequently than, our products;
- we do not provide a compelling Pinner experience because of the decisions we make regarding our products or the type and frequency of advertisements that we display;
- our content is not relevant to Pinners’ personal taste and interests;
- third parties do not permit or continue to permit their content to be displayed on our platform;
- Pinners have difficulty installing, updating or otherwise accessing our service on mobile devices or web browsers;
- there are changes in the amount of time Pinners spend across all applications and platforms, including ours;
- technical or other problems frustrate the Pinner experience, particularly if those problems prevent us from delivering our service in a fast and reliable manner;
- we are unable to address Pinner and advertiser concerns regarding the content, privacy and security of our service;
- we are unable to combat spam, harassment, cyberbullying, discriminatory, political or other hostile, inappropriate, misleading, abusive or offensive content or usage on our products or services;
- Pinners adopt new technologies where our products or services may be displaced in favor of other products or services, or may not be featured or otherwise available;
- third-party initiatives that may enable greater use of our service, including low-cost or discounted data plans, are discontinued;
- merchants on Pinterest do not provide Pinners with positive shopping experiences, for example, if products are not of the quality depicted on the platform or not readily available for purchase; or
- the other risks and uncertainties described in this Annual Report on Form 10-K.

Any decrease in user growth, retention or engagement could render our service less attractive to Pinners or advertisers, and could harm our business, revenue and financial results.

If we are not able to continue to provide content that is useful and relevant to Pinners' personal taste and interests or fail to remove objectionable content or block objectionable practices by advertisers or third parties, user growth, retention or engagement could decline, which could result in the loss of advertisers and revenue.

Our success depends on our ability to provide Pinners with content, including advertisements, that is useful and relevant to their personal taste and interests. This depends on the content contributed by our users, creators and advertisers and the manner in which we present that content to Pinners. Pinners engage with content that is relevant to their country, language and gender preferences as well as their personal intent. We may not correctly identify and serve content that is useful and relevant to Pinners. Content that is not visually pleasing, is not intuitive or easy to use or is not in the desired language may not be engaging for Pinners, especially in non-U.S. markets. If Pinners do not believe that we offer content that is useful and relevant to their personal taste and interests, user growth, retention or engagement may decline, which could result in the loss of advertisers and revenue.

Some of the actions that we may take to make our content more useful and relevant may reduce traffic that we drive from our platform to the websites of third parties, which may reduce their willingness to contribute or continue availability of their content on our service. We endeavor to keep divisive, disturbing or unsafe content off our service. We do this by deleting or hiding certain types of content, even if this content would be permitted on other platforms, which could result in decrease in user growth, retention or engagement. We apply significant judgment in making these determinations and may be unsuccessful in our efforts to remove this content in a manner that is (or perceived to be) consistently applied and on a timely basis or at all, which could also result in a decrease in user growth, retention or engagement. Further, if we fail to identify and keep off our service advertisers and merchants who offer poor quality goods or fail to deliver goods to their customers, we may lose Pinner confidence. Controversies regarding content on other social media platforms, such as the boycott of Facebook and Twitter by some advertisers, may impact user engagement and advertising spending on our platform, which could adversely affect our business and revenue.

We regularly monitor how our advertising affects Pinners' experiences in order to avoid delivering too many advertisements or irrelevant advertisements to Pinners. Therefore, we may decide to change the number of advertisements or eliminate certain types of advertisements to maintain Pinners' satisfaction in the service. We may make changes to our platform based on feedback provided by Pinners or advertisers. These decisions may not produce the long-term benefits that we expect, in which case user growth, retention and engagement, our relationships with advertisers, and our business, revenue and financial results could be harmed.

Current and future data privacy laws and regulations, including the General Data Protection Regulation ("GDPR") and California Consumer Privacy Act of 2018 (the "CCPA"), the California Privacy Rights Act (the "CPRA") which became effective January 2020, or new interpretations of existing laws and regulations, may limit our ability to collect and use data, which may impact our ability to effectively deliver relevant content. These laws and regulations may also impact our ability to expand advertising on our platform, as they may impede our ability to deliver targeted advertising and accurately measure our ad performance. Additionally, even if not prohibited by data privacy laws and regulations, we may elect not to collect certain types of data if we believe doing so would be inconsistent with our Pinners' expectations, if the source is unreliable or for any other reason. Similarly, the increase in media attention about online privacy and data protection may motivate Pinners to take certain actions to protect their privacy. Pinners may elect not to allow data sharing for a number of reasons, such as data privacy concerns. This could impact our ability to deliver relevant content aligned with Pinners' personal taste and interests. Additionally, the impact of these developments may disproportionately affect our business in comparison to certain peers in the technology sector that, by virtue of the scope and breadth of their operations or user base, have greater access to user data.

Substantially all our revenue is generated from advertising, and a decline in user growth, retention or engagement as a result of our inability to provide relevant and useful content to Pinners, and therefore our inability to serve the volume of advertisements desired by our advertisers, may deter new advertisers from using our platform or cause current advertisers to reduce their spending with us or cease doing business with us altogether, which could harm our business, revenue and financial results.

We may make decisions consistent with our mission and values that may reduce our short- or medium-term operating results.

Our mission—to bring everyone the inspiration to create a life they love—and company values are integral to everything we do. We frequently make decisions regarding our business and service in accordance with our mission and values that may reduce our short- or medium-term operating results if we believe those decisions will improve the

experiences of Pinners, advertisers, employees or our community, and therefore benefit our business. For example, we may choose to remove content that we have determined does not create an inspiring experience for Pinners or revise our policies in ways that decrease Pinner engagement. These decisions may not be consistent with the expectations of investors and any longer-term benefits may not materialize within the time frame we expect or at all, any of which could harm our business, revenue and financial results.

If we are unable to compete effectively for users, our business, revenue and financial results could be harmed.

We face significant competition to attract, retain and engage users and for their time and attention. We primarily compete with consumer internet companies that are either tools (search, ecommerce) or media (newsfeeds, video, social networks).

We compete with larger, more established companies such as Amazon, Facebook (including Instagram), Google (including YouTube), Snap, TikTok 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. Many of these competitors have longer operating histories, significantly greater financial, technical, research, marketing and other resources and larger user bases than we do. These competitors also have access to larger volumes of data and platforms that are used on a more frequent basis than ours, which may enable them to better understand their user base and develop and deliver more relevant content.

Our competitors have previously and may continue to develop technology, products, services or interfaces that are similar to our existing and future products quickly and at scale, or that achieve greater market acceptance than our products. Some of our competitors also operate existing products that have significant market power in certain market sectors and could use that market power to advance their own products or services that compete with ours. For example, Amazon, Google and Snap have introduced shopping platforms, each with camera search functionality, Facebook and Instagram have enhanced their shopping features, such as a shop tab and checkout functionality, Google has developed a series of features on Google Image Search that are similar to those of our service, including shoppable ads and a version of boards, called "Collections," and Instagram and other platforms allow users to bookmark and save images and other content and create collections. These competitors may engage in more extensive research and development efforts and undertake more extensive marketing campaigns, which may allow them to build larger, more engaged user bases than we have. Also, some of our existing or potential competitors operate products or services from which we currently derive substantial value, such as search engines and email, and those competitors could reduce or eliminate the value and information we receive.

We also face competition from smaller companies in one or more high-value verticals, including Allrecipes, Houzz and Tastemade, that offer users engaging content and commerce opportunities through similar technology, products, features or services to ours. In addition, emerging startups may be able to innovate and provide technology, products, services or features similar to ours or before us.

Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in user preferences. Barriers to entry in our industry are low, and our intellectual property rights may not be sufficient to prevent competitors from launching comparable products or services.

In emerging international markets, where mobile devices often lack large storage capabilities, we may also compete with other applications for the limited space available on a user's mobile device.

We believe that our ability to compete for users depends upon many factors both within and beyond our control, including:

- the usefulness, novelty, performance and reliability of our service compared to those of our competitors;
- the timing and market acceptance of our products, including the developments and enhancements to those products, offered by us or our competitors;
- our brand strength relative to our competitors; and
- the other risks and uncertainties described in this Annual Report on Form 10-K.

If we are unable to compete effectively for users, our business, revenue and financial results could be harmed.

If we are unable to compete effectively for advertisers, our business, revenue and financial results could be harmed.

We face significant competition for advertising revenue across a variety of formats. To compete effectively, we must enable our advertisers to easily create content and buy, forecast, optimize and measure the performance of advertising on our platform. In order to grow our revenue and improve our operating results, we must increase our share of advertising spend relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products, as well as more robust tools to measure the effectiveness of advertising campaigns.

Some of our larger competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising spend. They have large distributed sales forces and an increasing amount of control over mobile distribution channels. These competitors' economies of scale allow them to have access to larger volumes of data and platforms that are used on a more frequent basis than ours, which may enable them to better understand their user base and develop and deliver more targeted advertising. They may not need to rely on third-party data, including data provided by advertisers, in order to effectively target the campaigns of advertisers, which could make their advertising products more attractive to advertisers than ours if third-party data ceases to be available to us, whether because of regulatory changes, privacy concerns or other reasons. If we are unable to provide our advertisers with the ability to effectively target their advertising campaigns, or if our advertisers do not believe that our value proposition is as compelling as those of our competitors, we may not be able to attract new advertisers or retain existing ones, and our business, revenue and financial results could be harmed.

We believe that our ability to compete for advertisers, depends upon many factors both within and beyond our control, including:

- sales, marketing, customer service and support efforts;
- first- and third-party data available to us relative to our competitors;
- ease of use, performance, price and reliability of solutions developed either by us or our competitors;
- the attractiveness and volume of our product and service offerings (including measurement tools) compared to those of our competitors;
- the strength of our advertiser relationships and offerings compared to those of our competitors;
- the ease with which our advertising products fit into existing advertiser budgets compared to those of our competitors;
- positions or actions taken by us, Pinners, advertisers or other third parties that may impact our brand and reputation or the desirability of advertising on social media and other online platforms in general; and
- the other risks and uncertainties described in this Annual Report on Form 10-K.

If we are unable to compete effectively for advertisers, our business, revenue and financial results could be harmed.

We may not be able to develop effective products and tools for advertisers.

Growth in our advertising revenue depends on our ability to continue to develop and offer effective products and tools for advertisers. New ad formats that take up more space on our platform may result in fewer impressions, which could adversely affect our revenue. Alternatively, new ad formats, such as video ads, may be more engaging and users may spend less time browsing or searching on our platform, which could adversely affect our revenue. As the advertising market generates and develops new concepts and technology, we may incur additional costs to implement more effective products and tools. Continuing to develop and improve these products and tools may require significant time and resources and additional investment. If we cannot continue to develop and improve our advertising products and tools in a timely fashion, or if our advertising products and tools are not well received by advertisers, our advertising revenue could be adversely affected.

We may not succeed in further expanding and monetizing our platform internationally and may be subject to increased international business and economic risks.

We plan to continue expanding our business operations outside the United States and offering content and advertising to Pinners and advertisers in other languages and countries. We plan to continue to enter new international markets where we have limited or no experience in deploying our service or selling advertisements. In order to expand

successfully, we need to offer content and products that are customized and relevant to local Pinners and advertisers, which requires significant investment of time and resources. We may launch our advertising platform in countries where we do not have sales staffing in place, where market perception of our service and ad platform may be low or where our audience size in a given market may be low relative to advertiser expectations, all or any of which could limit our ability to monetize those countries. As we expand into new international markets, we may not yet understand the full scope of Pinners' personal taste and interests, demographics and culture in those markets, as well as advertiser expectations, target audiences and return on advertising spend. This may cause us to expand into markets before we are able to offer a service and advertising platform that has been sufficiently localized for those markets or where those markets lack the necessary demand and infrastructure for long-term adoption of our service. For example, we may experience challenges adapting our content and search tools to be localized for new markets, or establishing sufficient high quality advertising inventory to deliver relevant localized experiences in new markets. This may cause us to limit our expansion or decrease our operations in international markets, including discontinuing advertising in those markets or not monetizing those markets at all, which could harm our reputation and business, revenue and financial results. If the advertising market does not scale sufficiently or we are unsuccessful in deploying or managing our operations in these markets, our business, revenue and financial results could be harmed.

We are subject to a variety of risks inherent in doing business internationally, and our exposure to these risks will increase as we continue to expand our operations, user base and advertiser base globally. These risks include:

- political, social and economic instability;
- selective or inconsistent government regulatory action or enforcement;
- fluctuations in currency exchange rates and restrictions on currency conversions;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations and subsidiaries;
- different regulations and practices with respect to employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language and cultural differences, making it harder to do business in certain international jurisdictions;
- increasing labor costs due to high wage inflation in certain international jurisdictions;
- compliance with statutory requirements relating to our equity;
- regulations that might add difficulties in repatriating cash earned outside the United States and otherwise prevent us from freely moving cash;
- import and export controls and restrictions and changes in trade regulations, including sanctions;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar laws in other jurisdictions;
- compliance with laws governing supply chains and related business operations;
- compliance with GDPR and similar data privacy and data protection laws;
- compliance with laws that might restrict content or advertising or require us to provide user information, including confidential information, to local authorities;
- macroeconomic conditions, such as the COVID-19 pandemic and/or the subsequent recovery period, could slow our global expansion;
- compliance with multiple tax jurisdictions and management of tax impact of global operations; and
- the other risks and uncertainties described in this Annual Report on Form 10-K.

If we are unable to expand internationally and manage the complexity of global operations successfully, our business, revenue and financial results could be harmed.

We cannot assure you that we will effectively manage the growth of our business.

We have experienced rapid growth and demand for our service since inception. The growth and expansion of our business and product offerings and the increase in full-time employees place significant challenges on our management, operational and financial resources, including managing multiple relationships with Pinners, advertisers, technology licensors and other third parties. If we continue to grow our operations or the number of our third-party relationships, our technology systems, procedures or internal controls may not be adequate.

As our organization continues to grow in number of employees and offices and we are required to implement more complex organizational management structures, we also find it increasingly difficult to preserve our workplace culture, including our ability to quickly develop and launch new and innovative products and adequately oversee employees and business functions. This is particularly true in recent times where we have shut down most of our offices (including our headquarters) in connection with the COVID-19 pandemic and a significant majority of our workforce is remote. Our inability to effectively manage growth of our organization may harm our business, revenue and financial results.

We may acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value and harm our business, revenue and financial results.

As part of our business strategy, we have made and intend to make acquisitions to add specialized employees and complementary companies, products or technologies. Our previous and future acquisitions may not achieve our goals, and we may not realize benefits from acquisitions we make in the future. Any integration process will require significant time and resources, and we may not be able to manage the process successfully. If we fail to successfully integrate acquisitions, or the personnel or technologies associated with those acquisitions, the business, revenue and financial results of the combined company could be harmed. Our acquisition strategy may change over time and future acquisitions we complete could be viewed negatively by Pinners, advertisers, investors or other parties with whom we do business. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition, including accounting charges. We may also incur unanticipated liabilities that we assume as a result of acquiring companies. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our securities. We would expect to finance any future acquisitions through a combination of additional issuances of equity, corporate indebtedness, asset-backed acquisition financing or cash from operations. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. In the future, we may not be able to find other suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Our acquisition strategy could require significant management attention, disrupt our business and harm our business, revenue and financial results.

Risks relating to our Business Operations

The recent global COVID-19 pandemic outbreak has disrupted and harmed and is expected to continue to disrupt and harm our business and results of operations.

The recent global COVID-19 pandemic outbreak and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. It has adversely affected the broader economies, financial markets and overall demand for advertising.

As a result of the COVID-19 pandemic, we temporarily closed all our offices (including our corporate headquarters) globally and implemented certain travel restrictions, both of which have disrupted and could continue to disrupt how we operate our business, including limiting certain of our sales and marketing plans and requiring us to manage a significant majority of our workforce remotely. Our workforce has had to spend a significant amount of time working from home, which could impact their productivity. Moreover, as a result of the COVID-19 pandemic, the ability and willingness of advertisers to spend on our services has fluctuated. We do not know how evolving events related to the COVID-19 pandemic will continue to affect Pinner and advertiser behavior in the future. We may not be able to recognize revenue, collect payment or generate future revenue from advertisers, including from those that have been or may be forced to close their businesses or are otherwise impacted by the economic downturn. The pandemic has, and could in the future, adversely affect our business, revenue growth rate, financial performance and stock price. Additionally, volatility in capital markets could affect the values of our cash equivalents and marketable securities or our ability to dispose of them to fund future working capital needs. Although we are continuing to invest in our strategic priorities, we are actively monitoring and adjusting our spending in light of the evolving business environment resulting

from the COVID-19 pandemic. If we are not able to successfully manage our spending and investment it could have a material adverse effect on our balance sheet, business, results of operations and future growth.

Further, during the COVID-19 pandemic and the related shelter-in-place order we saw an increase in Pinner engagement. The post-pandemic period may present challenges such as user engagement declining or user behavior changing unexpectedly and in ways that are difficult to anticipate or measure, resulting in reduced or different usage of our platform. As a result, engagement as well as metrics such as revenues, operating margins and other financial and operating data, may not be indicative of results for future periods.

We are currently unable to accurately predict the full impact that the COVID-19 pandemic will have on our results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the severity and transmission rate of the virus, duration of the pandemic, including any resurgences, the extent and effectiveness of containment actions and other public health measures, the development, distribution and public acceptance of vaccines and treatments, and the impact of these and other factors on our employees, users, advertisers, partners and vendors. The pandemic as well as any subsequent recovery period, may also have the effect of heightening many of the other risks described in this "Risk Factor" section.

Our business depends on a strong brand and reputation, and if we are unable to maintain and enhance our brand and reputation, our ability to expand our user and advertiser base will be impaired and our business, revenue and financial results could be harmed.

We believe that our brand, identity and reputation has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "Pinterest" brand and reputation is critical to retaining and growing our user and advertiser base. Maintaining and enhancing our brand and reputation depends largely on our continued ability to provide high-quality, relevant, reliable, trustworthy and innovative products, which may require substantial investment and may not be successful. We may need to introduce new products or updates to existing products that require Pinners to agree to new terms of service that Pinners do not like, which may negatively affect our brand and reputation. Additionally, advertisements or actions of our advertisers may affect our brand and reputation if Pinners do not think the advertisements help them accomplish their objectives, view the advertisements as intrusive, annoying or misleading or have poor experiences with our advertisers. In addition, our brand, identity and reputation may be adversely affected by perceptions of social media platforms in general, including perceptions resulting from factors unrelated to the Company's actions or the content or actions of Pinners, such as the boycott of Facebook and Twitter by some advertisers.

Our brand and reputation may also be negatively affected by the content or actions of Pinners that are deemed to be hostile or inappropriate to other Pinners, by the actions of Pinners acting under false or inauthentic identities, by the use of our products or services to disseminate information that is deemed to be misleading, or by the use of our service for illicit, illegal or objectionable ends. We also may fail to respond expeditiously to the sharing of illegal, illicit or objectionable content on our service or objectionable practices by advertisers, or to otherwise address Pinner or advertiser concerns, which could erode confidence in our brand and damage our reputation. We expect that our ability to identify and respond to this content in a consistently applied manner and on a timely basis or at all may decrease as the number of Pinners grows, as the amount of content on the platform increases or as we expand our product and service offerings, such as video. Any governmental or regulatory inquiry, investigation or action, including based on the appearance of illegal, illicit or objectionable content on our platform, our business practices, or failure to comply with laws and regulations, could damage our brand and reputation, regardless of the outcome.

We have experienced, and expect to continue to experience, media, legislative, governmental, regulatory, investor and other third-party scrutiny of our decisions. Any scrutiny, inquiry, investigation or action, including regarding our data privacy, copyright, content, employment or other practices, workplace culture, charitable giving, product changes, product quality, litigation or regulatory action or regarding the actions of our employees, Pinners or advertisers or other issues, may harm our brand and reputation. In addition, scrutiny of other companies in our industry, including their impact on user "screen time" or their content policies or data privacy practices, could also have a negative impact on our brand and reputation. These concerns, whether actual or unfounded, may also deter Pinners or advertisers from using our service.

Adverse publicity, whether or not accurate, relating to events or activities attributed to us, our employees, third-party vendors, or our advertisers, or to social media platforms in general, may tarnish our reputation and reduce the value of our brand. If we fail to promote and maintain the "Pinterest" brand or preserve our reputation, or if we incur excessive expenses in this effort, our business, revenue and financial results could be harmed.

If our security is compromised, or Pinners or advertisers believe our security has been compromised, we could lose the trust of Pinners and advertisers who may use our service less or may stop using our service altogether, which could harm our business, revenue and financial results.

Our efforts to protect the information that Pinners and advertisers have shared with us may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, cyberattacks, employee error or malfeasance, hacking, viruses or other factors. In addition, third parties may attempt to induce our employees, Pinners, advertisers or vendors to disclose information to gain access to our data, advertisers' data or Pinners' data. Further, because the login credentials or passwords employed by Pinners to access our service may be similar to or the same as the ones that they use in connection with other platforms or websites, a breach in the security of those platforms or websites can allow third parties to gain unauthorized access to Pinners' accounts on our service. If any of the events described above occur, our information or Pinners' or advertisers' information could be accessed or disclosed improperly. If a third-party gains unauthorized access to our service, they may amongst other things that could negatively affect our products and our business, post malicious spam and other content on our platform using a Pinner's or advertiser's account.

Some third parties, including advertisers and vendors, may store information that we share with them on their networks. If these third parties fail to implement adequate data-security practices or fail to comply with our terms and policies, Pinners' data may be improperly accessed, used or disclosed. Even if these third parties take all the necessary precautions, their networks may still suffer a breach, which could compromise Pinners' data.

Any incidents where Pinners', advertisers or our information is accessed without authorization or is improperly used, or incidents that violate our privacy policy, terms of service or other policies, or the perception that an incident has occurred, could damage our brand and reputation, adversely impact our competitive position and result in significant costs. We may need to notify government authorities or affected Pinners regarding security incidents, and government authorities or affected Pinners or advertisers could initiate legal or regulatory action against us over those incidents, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Maintaining the trust of Pinners and advertisers is important to sustain user growth, retention and engagement, and we may incur significant costs in an effort to detect and prevent any security incidents. Concerns over our information security or data privacy practices, whether actual or unfounded, could subject us to negative publicity and damage our brand and reputation and deter Pinners and advertisers from using our service. Any of these occurrences could harm our business, revenue and financial results.

We generate substantially all of our revenue from advertising. The failure to attract new advertisers, the loss of advertisers or a reduction in how much they spend could harm our business, revenue and financial results.

Substantially all of our revenue is generated from third-party advertising, a trend that we expect to continue. Most advertisers do not have long-term advertising commitments with us. Many of our advertisers only recently started working with us and spend a relatively small portion of their overall advertising budget with us. In order to increase the number of advertisers and increase the portion of the advertising budget that our existing advertisers spend with us, we must invest in new tools and expand our sales force, and there can be no assurance that those efforts will be successful. The insights on user behavior we provide to advertisers may not yield effective results for the advertisers and may reduce or stop their spend on our platform. In addition, advertisers may view some of our products or our platform as experimental and may devote only a small portion of their advertising spend to our platform unless we improve existing and develop new measurement tools that better demonstrate the effectiveness of our platform. In addition, many advertisers do not have advertising creative content in a format that would be successful on our platform and may be unable or unwilling to devote the technical or financial resources required to develop content for our platform. While we continue to develop and deploy tools to allow advertisers to create content for our platform, we may be unable to develop tools that effectively and efficiently meet the needs of advertisers. Advertisers will not do, or continue to do, business with us if they do not believe that our advertisements are effective in meeting their campaign goals, if we cannot measure the effectiveness of our advertising products or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives.

A substantial portion of our revenue is derived from a small number of advertisers, and is currently concentrated in certain verticals, particularly CPG and retail. We either contract directly with advertisers or with advertising agencies on behalf of advertisers. Many of these advertising agencies are owned by large media corporations that exercise varying degrees of control over the agencies. Our business, revenue and financial results could be harmed by the loss of, or a deterioration in our relationship with, any of our largest advertisers or with any advertising agencies or the large media corporations that control them.

Our advertising revenue could be harmed by many other factors, including:

- changes in the price of advertisements;
- our inability to create new products that sustain or increase the value of our advertisements;
- our inability to meet advertiser demand on our platform if we cannot increase the size and engagement of our user base;
- our inability to find the right balance between brand and performance advertising and provide the right products and platform to support the pricing and demand needed for each of the advertisers;
- changes in Pinner demographics that make us less attractive to advertisers;
- our inability to make our ads more relevant and effective;
- any decision to serve contextually relevant advertisements when the price of relevant advertisements may be lower than other advertisements that we could show Pinners that are less relevant;
- the availability, accuracy and utility of our analytics and measurement solutions that demonstrate the value of our advertisements, or our ability to further improve such tools;
- changes to our data privacy practices (including as a result of changes to laws or regulations or third-party policies) that affect the type or manner of advertising that we are able to provide;
- our inability to collect and share data which new or existing advertisers find useful;
- competitive developments or advertiser perception of the value of our products;
- product changes or advertising inventory management decisions we make that change the type, size or frequency of advertisements on our platform;
- Pinners that upload content or take other actions that are deemed to be hostile, inappropriate, illicit, objectionable, illegal or otherwise not consistent with our advertisers' brand;
- the impact of invalid clicks or click fraud on our advertisements;
- the failure of our advertising auction mechanism to target and price ads effectively;
- difficulty and frustration from advertisers who may need to reformat or change their advertisements to comply with our guidelines or experience challenges uploading and conforming their advertisements with our system requirements;
- the macroeconomic conditions and the status of the advertising industry, such as the global outbreak of the COVID-19 pandemic, its uncertain duration and recovery, which could cause businesses to spend less on advertising and/or direct their advertising spend to larger companies that offer more traditional and widely accepted advertising products; and
- the other risks and uncertainties described in this Annual Report on Form 10-K.

These and other factors could reduce the amount that advertisers spend on our platform, or cause advertisers to stop advertising with us altogether. Any of these events could harm our business, revenue and financial results.

Our ability to attract and retain advertisers depends on our ability to collect and use data and develop tools to enable us to effectively deliver and accurately measure advertisements on our platform.

Most advertisers rely on tools that measure the effectiveness of their ad campaigns in order to allocate their advertising spend among various formats and platforms. If we are unable to measure the effectiveness of advertising on our platform or we are unable to convince advertisers that our platform should be part of a larger advertising budget, our ability to increase the demand and pricing of our advertising products and maintain or scale our revenue may be limited. Our tools may be less developed than those of other platforms with which we compete for advertising spend. Therefore, our ability to develop and offer tools that accurately measure the effectiveness of a campaign on our platform is critical to our ability to attract new advertisers and retain, and increase spend from, our existing advertisers.

We are continually developing and improving these tools and such efforts have and are likely to continue to require significant time and resources and additional investment, and in some cases we have relied on and may in the future rely on third parties to provide data and technology needed to provide certain measurement data to our advertisers. If

we cannot continue to develop and improve our advertising tools in a timely fashion, those tools are not reliable, or the measurement results are inconsistent with advertiser goals, our advertising revenue could be adversely affected.

Many existing advertiser tools that measure the effectiveness of advertising do not account for the role of advertising early in a Pinner's decision-making process, which is when many Pinners come to our service. Instead, these tools measure the last ad or content that was exposed to the Pinner that gets credit for influencing any Pinner's purchase or action. As a result, we may not be able to demonstrate and measure for our advertisers the value of engaging with a Pinner during the early intent phase.

In addition, web and mobile browser developers, such as Apple, Microsoft or Google, have implemented and may continue to implement changes, including requiring additional user permissions, in their browser or device operating system that impair our ability to measure and improve the effectiveness of advertising on our platform. Such changes include, limiting the use of first-party and third-party cookies and related tracking technologies, such as mobile advertising identifiers, and other changes that limit our ability to collect information that allows us to attribute user actions on advertisers' websites to the effectiveness of advertising campaigns run on our platform. For example, Apple launched its Intelligent Tracking Prevention ("ITP") feature in its Safari browser. ITP blocks some or all third-party cookies by default on mobile and desktop and ITP has become increasingly restrictive over time. Apple's related Privacy-Preserving Ad Click attribution (PPAC), intended to preserve some of the functionality lost with ITP, would limit cross-site and cross-device attribution, prevent measurement outside a narrowly-defined attribution window, and prevent ad re-targeting and optimization. Similarly, Google recently announced that it plans to stop supporting third-party cookies in its Google Chrome browser. Further, Apple announced certain changes, including introducing an AppTrackingTransparency framework that will limit the ability of mobile applications to request an iOS device's advertising identifier and may also affect our ability to track user actions off our platform and connect their interactions with on-platform advertising.

In addition, third-parties, such as Apple, Microsoft or Google, have implemented and may continue to implement changes and restrictions in browser or device functionality including by limiting the use of cookies, or that limit our ability to communicate with or understand the identity of our Pinners.

These restrictions make it more difficult for us to provide the most relevant ads to our Pinners, measure the effectiveness of, and to re-target and optimize, advertising on our platform. Developers may release additional technology that further inhibits our ability to collect data that allows us to measure the effectiveness of advertising on our platform. Any other restriction, whether by law, regulation, policy (including third-party policies) or otherwise, on our ability to collect and share data which our advertisers find useful, our ability to use or benefit from tracking and measurement technologies, including cookies, or that further reduce our ability to measure the effectiveness of advertising on our platform would impede our ability to attract, grow and retain advertisers. Advertisers and other third parties who provide data that helps us deliver personalized, relevant advertising may restrict or stop sharing this data. If they stop sharing this data with us, it may not be possible for us to collect this data within the product or from another source.

We rely heavily on our ability to collect and share data and metrics for our advertisers to help new and existing advertisers understand the performance of advertising campaigns. If advertisers do not perceive our metrics to be accurate representations of our user base and user engagement, or if we discover inaccuracies in our metrics, they may be less willing to allocate their budgets or resources to our platform, which could harm our business, revenue and financial results.

Pinner metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics could harm our business, revenue and financial results.

We regularly review metrics, including the number of our active users and other measures to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third-party. While these numbers are based on what we currently believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our products are used across large populations globally. Our metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies. In the past, we have relied on other metrics that measure different activities, such as saving a Pin, clicking, searching and other activities, as indicators of user growth and engagement. We have in the past implemented, and may from time to time in the future implement, new methodologies for calculating these metrics which may result in the metrics from prior periods changing, decreasing or not being comparable to prior periods. For example, in the second quarter of 2018, we implemented our current

methodology for tracking active users. We have restated our active user data for periods from the fourth quarter of 2016 to the first quarter of 2018 based on the information that was available to us under the prior methodology in a way that we believe is comparable to the current methodology. However, we were not able to restate active users for periods prior to the fourth quarter of 2016 based on the data available to us from those periods. As a result, active user information for the first, second and third quarters of 2016 are based on the prior methodology, although we believe the differences are not material. Our prior methodology for measuring active users relied on different signals depending on the platform where the user activity was measured—iOS, Android, web and mobile web—and inferred user activity in a way that required removal of certain data that would not indicate active use, such as background system requests. Our metrics may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.

Our MAU metrics may also be impacted by our information quality efforts, which are our overall efforts to reduce malicious activity on our platform, including of false, spam and malicious automation accounts in existence on our service. We regularly deactivate false, spam and malicious automation accounts that violate our terms of service, and exclude these users from the calculation of our MAU metrics; however, we will not succeed in identifying and removing all false, spam and malicious accounts from our service. We are continually seeking to improve our ability to estimate the total number of false, spam or malicious accounts and we intend to continue to make such improvements. In addition, users are not prohibited from having more than one account on our service, and we treat multiple accounts held by a single person as multiple users for purposes of calculating our active users.

In addition, some of our Pinners demographic data may be incomplete or inaccurate. For example, because Pinners self-report their date of birth, our age-demographic data may differ from Pinners' actual ages, or be unavailable. We receive age-demographic data for a portion of those Pinners from other third-party accounts that Pinners chose to authenticate with on our service, such as Facebook and Google, but there can be no assurance that those platforms will continue to give us permission to access that data or that the data we receive from those third parties is accurate. In addition, our data regarding the geographic location of Pinners and revenue by user geography is estimated based on a number of factors, which may not always accurately reflect the actual location and may be different depending on the metric we are calculating. If our metrics provide us with incorrect or incomplete information about Pinners and their behavior, we may make inaccurate conclusions about our business.

Our business depends on our ability to maintain and scale our technology infrastructure, including speed and availability of our service.

Our reputation and ability to attract, retain and serve Pinners and advertisers is dependent upon the reliable performance of our service and our underlying technology infrastructure and content delivery processes. From time to time, we are subject to interruptions in or disruptions of our systems. If our platform is unavailable when Pinners or advertisers attempt to access it, if it does not load as quickly as they expect or if their content is not saved, Pinners may not return to our platform as often in the future, or at all.

Our advertisers must be able to easily buy, forecast, optimize and measure the performance of ads on a responsive and stable platform. Advertisers will not continue to do business with us if our technology infrastructure is not reliable. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could harm our business. Our systems may not be adequately designed to avoid performance delays or outages. For example, our engineering teams' broad access to our systems is designed for speed and release velocity, which increases the risk of disruptive intentional and unintentional (and potentially premature) updates and changes being made directly to our live platforms and services. As our user and advertiser base and the volume and types of information shared on our service continue to grow, we will need an increasing amount of technology infrastructure, including network capacity and computing power, to continue to satisfy the needs of Pinners and advertisers, which could increase our costs. It is possible that we may fail to effectively scale and grow our technology infrastructure to accommodate these increased demands, which could harm our business, revenue and financial results. Further, in the event of a systems failure, employee error, failure or interruption of services by AWS, malicious intent by employees or third parties, we may lose all or substantial amounts of data and we may not be able to recover such data quickly or at all. Such loss of data could adversely affect our business and financial results.

In addition, our systems and operations are vulnerable to damage, delays or interruptions from fire, flood, power loss, telecommunications failure, spikes in usage volume, terrorist attacks, acts of war, earthquakes and similar events. We are particularly vulnerable to these types of events because our cloud computing infrastructure is currently located in one geographic region. In addition, the substantial majority of our employees are based in our headquarters located in San Francisco, California. If there is a catastrophic failure involving our systems or major disruptive event affecting our headquarters or the San Francisco area in general, we may be unable to operate our service.

A substantial portion of our technology infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic or cause our platform to become unavailable, which could harm our business. We exercise little control over these providers and have limited line of sight into their governance, and any financial or other difficulties these providers face may harm our business.

The occurrence of any of the foregoing risks could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such risks or may be insufficient to compensate us for losses that may occur. These events may result in distraction of management, loss of revenue and costs from litigation and enforcement. In addition, they could also result in significant expense to repair or replace damaged facilities and remedy resultant data loss or corruption. A prolonged interruption in the availability or reduction in the speed or other functionality of our products could materially harm our reputation and business.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business, revenue and financial results.

We currently depend on the continued services and performance of our key personnel, including Benjamin Silbermann and others. Mr. Silbermann's employment, and the employment of our other key personnel, is at will, which means they may resign or be terminated for any reason at any time. In addition, much of our key technology and systems are custom-made for our business by our personnel. The loss of key personnel, including key members of management as well as our key engineering, design, marketing, sales and product development personnel, could disrupt our operations and harm our business.

In addition, it is important to our business to attract and retain highly talented personnel, particularly engineers with expertise in computer vision, artificial intelligence and machine learning. As we grow our business, we may find our recruiting and retention efforts more challenging because the marketplace for talent is highly competitive. The incentives provided by our stock option grants, restricted stock grants and restricted stock unit grants, or by other compensation and benefits arrangements, may not be effective to attract and retain employees. We may also be required to enhance wages, benefits and non-equity incentives. If we are unable to meet employees and potential employees' expectations, we may experience difficulties attracting and retaining personnel. Following an independent review of our workplace culture, a Special Committee of our Board has made a number of recommendations, which we are working to implement. Our ongoing efforts to address workplace culture, implement our Special Committee's recommendations and resolve certain related allegations or claims have resulted in, and will continue to result in, increased costs, as well as consuming management's time and attention. Further, if our efforts are unsuccessful, we may not be able to attract and retain talent and we may be subject to investigations, litigation and other proceedings. Additionally, given that a significant majority of our workforce is remote due to the COVID-19 pandemic and the uncertainty of the timing and manner of our workforce returning to the office, our continued efforts related to employee onboarding, training and development and retention may not be successful. If we do not succeed in attracting and retaining highly qualified personnel or the financial resources required to do so increase, we may not be able to meet our business objectives, and our business, revenue and financial results could be harmed.

Risks arising from our reliance on third parties

We depend in part on online application stores and internet search engines to direct traffic and refer new Pinners to our service. If these online application stores or search engines' methodologies and policies are modified or enforced in ways we do not anticipate, or if our search results page rankings decline for other reasons, traffic to our service or user growth, retention or engagement could decline, any of which could harm our business, revenue and financial results.

We depend in part on internet search engines, such as Bing, Google, Yahoo! and Yandex, to direct a significant amount of traffic to our service. For example, when a Pinner types a query into a search engine, we may receive traffic and acquire new Pinners when those search results include Pins, boards, Pinners and other features of our service that cause the Pinner to click on the Pinterest result or create a Pinterest account. These actions increase user growth due to signups of new Pinners and increase retention and engagement of existing Pinners.

Our ability to maintain and increase the number of visitors directed to our service from search engines is not within our control. Search engines, such as Google, have and may continue to modify their search algorithms (including what content they index) and policies or enforce those policies in ways that are detrimental to us, that we are not able to predict or without prior notice. When that occurs, have in the past and we expect to experience declines or de-indexing in the organic search ranking of certain Pinterest search results, leading to a decrease in traffic to our

service, new user signups and existing user retention and engagement. We have experienced declines in traffic and user growth as a result of these changes in the past, and anticipate fluctuations as a result of such actions in the future. For example, in the first quarter of 2018, Google de-indexed our keyword landing pages, which negatively impacted traffic and user growth in the quarters that followed and in December 2020, Google made certain changes to their search algorithms which also negatively impacted traffic and user sign-ups. Our ability to appeal these actions is limited, and we may not be able to revise our search engine optimization ("SEO") strategies to recover the loss in traffic or user growth resulting from such actions. Changes in policies or their enforcement may not apply in the same manner to our competitors, or our competitors' SEO strategies may be more successful than ours. In addition, some of these search engines are owned by companies that compete with various aspects of our business. When email platforms, such as Google, change their policies related to the placement of our emails in Pinners' inboxes, it can affect the open and click rate of our emails. Such changes have led to and may lead to a decrease in traffic to our service, new user signups and existing user retention and engagement. To offset the impact on our user growth, we would need to increase our investment in other growth strategies, such as paid marketing or other initiatives that drive user acquisition, which may cost more and be less effective. Any significant reduction in the number of Pinners directed to our website or mobile application from search engines or email could harm our business, revenue and financial results.

In addition, we also rely on certain major online stores for distribution of our application. If either of these application store providers modify or implement new terms, we may require to modify our product to maintain our ability to remain in that application store. Such requirements or our inability to meet such requirements could harm our business, revenue and financial results.

We allow users to authenticate with our service through third-party login providers. If these third parties discontinue these tools or experience a breach or outage in their platform or web browser developers make changes that restrict the use of these tools, user growth or engagement could decline, and our business, revenue and financial results could be harmed.

A significant number of Pinners access their accounts on our service using a third-party login provider such as Facebook, Apple or Google. If security on those platforms is compromised, if Pinners are locked out from their accounts on those platforms or if those platforms experience an outage or otherwise institute policies that prevent Pinners from accessing their accounts on our service through those logins, Pinners may be unable to access our service. In addition, third-party log-in providers may institute policies that restrict us from communicating with Pinners. As a result, user growth, retention and engagement on our service could be adversely affected, even if for a temporary period. For example, in the second quarter of 2018, Facebook changed its login authentication systems, which negatively impacted our user growth and engagement in that period. Additionally, if Facebook or Google discontinue their identity services or experience an outage, then we may lose and be unable to recover users previously using this function, and our user growth or engagement could decline. Any of these events could harm our business, revenue and financial results.

We depend on Amazon Web Services for the vast majority of our compute, storage, data transfer and other services. Any disruption of, degradation in or interference with our use of Amazon Web Services could negatively affect our operations and harm our business, revenue and financial results.

Amazon Web Services ("AWS") provides the cloud computing infrastructure we use to host our website, mobile application and many of the internal tools we use to operate our business. We have a long-term commitment with AWS. Under the agreement with AWS, in return for negotiated concessions, we currently are required to maintain a substantial majority of our monthly usage of certain compute, storage, data transfer and other services on AWS. This addendum is terminable only under certain conditions, including by either party following the other party's material breach, which may be the result of circumstances that are beyond our control. A material breach of this addendum by us, or early termination of the addendum as a result of an acquisition of us by another cloud services provider, could carry substantial penalties, including liquidated damages. If AWS increases pricing terms, terminates or seeks to terminate our contractual relationship, establishes more favorable relationships with our competitors, or changes or interprets its terms of service or policies in a manner that is unfavorable, those actions could harm our business, revenue and financial results.

Any significant disruption of, limitation of our access to or other interference with our use of AWS would negatively impact our operations and our business could be harmed. In addition, any transition of the cloud services currently provided by AWS to another cloud services provider would be difficult to implement and would cause us to incur significant time and expense and could disrupt or degrade our ability to deliver our products and services. The level of

service provided by AWS could affect the availability or speed of our services. If Pinners or advertisers are not able to access our service or platform or encounter difficulties in doing so, we may lose Pinners or advertisers and could harm our business and reputation.

We utilize data center hosting facilities operated by AWS, located in various facilities. In addition, we have implemented a limited disaster recovery program which does not allow us to serve network traffic from back-up data center services. An unexpected disruption of services provided by these data centers could hamper our ability to handle existing or increased traffic, result in the loss of data or cause our platform to become unavailable, which may harm our reputation and business.

We must effectively operate with mobile operating systems, web browsers, online application stores, networks, regulations and standards, which we do not control. Changes in our products or to those mobile operating systems, web browsers, networks, regulations or standards may harm Pinner retention, growth and engagement.

Because our service is used on mobile devices and through web browsers, our application must remain interoperable with popular mobile operating systems and browsers, including Android, Chrome, iOS and Safari. We have no control over these operating systems and browsers. Any changes to these operating systems, browsers or the online stores distributing our application that impact the accessibility, speed or functionality of our service or give preferential treatment to competitive products, could harm usage of our service. Our competitors that control the operating systems, browsers and online stores that our application runs on, or is distributed through, could make interoperability of our service with those systems, browsers and stores more difficult. New products introduced by us may take longer to function with these systems and browsers.

If we are unable to deliver consistent, high-quality Pinner experiences across different devices with different operating systems, user growth, retention or engagement may decline, which could harm our business, revenue and financial results.

To deliver high-quality video and other content over mobile cellular networks, our products must work well with a range of mobile technologies, systems, networks, regulations and standards that we do not control. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet, including laws governing internet neutrality, could decrease the demand for our products and services and increase our cost of doing business. For example, in June 2018, the Federal Communications Commission repealed the 2015 “open internet rules,” which had prohibited broadband internet access service providers in the United States from impeding access to most content, or otherwise unfairly discriminating against content providers. The impact of this repeal on the way Pinners access the internet and the way we interact with internet service providers remain uncertain. Other countries also have rules requiring equal access to internet content. Regulatory changes could limit Pinners’ ability to access our service or make our service a less attractive alternative to our competitors’ platforms and cause our user growth, retention or engagement to decline, which could harm our business, revenue and financial results.

If it becomes more difficult for Pinners to access and use our service on their browsers or mobile devices, if Pinners choose not to access or use our service on their mobile devices, or if Pinners choose to use mobile products that limit access to our service, user growth, retention and engagement may decline, which could harm our business, revenue and financial results.

We rely on software, technologies and related services from other parties, and problems in their use, access or performance could increase our costs and harm our business, revenue and financial results.

We rely on software, technologies and related services from third parties to operate critical functions of our business. Third-party technologies or services that we utilize may become unavailable due to a variety of reasons, including outages, interruptions or failure to perform under our agreement. Unexpected delays in their availability or function can, in turn, affect the use or availability of our service. Further, third-party software and service providers may no longer provide such software and services on commercially reasonable terms or may fail to properly maintain or update their software. In such instances, we may be required to seek licenses to software or services from other parties or to redesign our products to function with new software or services. This could result in delays in the release of new products until equivalent technology can be identified, licensed or developed, and integrated into our platform and services. Furthermore, we might be forced to limit the features available in our current or future products. These occurrences, delays and limitations, if they occur, could harm our business, revenue and financial results.

Technologies have been developed that can block the display of our ads, which could harm our business, revenue and financial results.

Technologies have been developed, and will likely continue to be developed, that can block the display of our ads. We generate substantially all of our revenue from advertising, and ad blocking technologies may prevent the display of certain of our ads, which could harm our business, revenue and financial results. Existing ad blocking technologies that have not been effective on our service may become effective as we make certain product changes, and new ad blocking technologies may be developed. More users may choose to use products that block or obscure the display of our ads if we are unable to successfully balance the amount of organic content and paid advertisements, or if users' attitudes toward advertisements become more negative. Further, regardless of their effectiveness, ad blockers may generate concern regarding the health of the digital advertising industry, which could reduce the value of digital advertising and harm our business, revenue and financial results.

Risks relating to Legal and Regulatory Matters

We may be liable as a result of content or information that is published or made available on our service.

We are subject to many U.S. federal and state and foreign laws and regulations that involve matters central to our business, including laws and regulations that involve data privacy and protection, intellectual property (including copyright and patent laws), content regulation, rights of publicity, advertising, marketing, health and safety, competition, protection of minors, consumer protection, taxation, anti-bribery, anti-money laundering and corruption, economic or other trade prohibitions or sanctions or securities law compliance. We may be sued or face regulatory action for claims relating to content or information that is published or made available on our service. Our systems, tools and personnel that help us to proactively detect potentially policy-violating or otherwise inappropriate content cannot identify all such content on our service, and in many cases this content will appear on our service. This risk may increase as we develop and increase the use of certain products, such as video, for which identifying such content is challenging. Additionally, some controversial content may not be banned on our service and, even if it is not featured in advertisements or recommendations to Pinners, may still appear in search results or be saved on boards. This risk is enhanced in certain jurisdictions outside of the United States where our protection from liability for content published on our platform by third parties may be unclear and where we may be less protected under local laws than we are in the United States. Further, if policy-violating content is found on our service, we may be in violation of the terms of certain of our key agreements, which may result in termination of the agreement and, in some cases, payment of damages. We could incur significant costs in investigating and defending such claims and, if we are found liable, damages. If any of these events occur, our business, revenue and financial results could be harmed.

We rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our service, including but not limited to, the Digital Millennium Copyright Act ("DMCA"), the Communications Decency Act ("CDA") and the fair-use doctrine in the United States, and the Electronic Commerce Directive in the European Union. The DMCA limits, but does not necessarily eliminate, our potential liability for caching, hosting, listing or linking to third-party content that may include materials that infringe copyrights. The CDA further limits our potential liability for content uploaded onto our service by third parties. Defenses such as the fair-use doctrine (and related doctrines in other countries) may be available to limit our potential liability for featuring third-party intellectual property content for purposes such as reporting, commentary and parody. In the European Union, the Electronic Commerce Directive offers certain limitations on our potential liability for featuring third-party content. However, each of these statutes and doctrines is subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments, and we cannot guarantee that such frameworks and defenses will be available for our protection. Regulators in the United States and in other countries may introduce new regulatory regimes that increase potential liability for content available on our service, including liability for misleading or manipulative information, hate speech, privacy, copyrighted content and other types of online harm and current protections from liability for third-party content in the United States could decrease or change. For example, there have been various Congressional and regulatory efforts to restrict the scope of the protections available to online platforms under Section 230 of the CDA. Similarly, the EU Directive on Copyright in the Digital Single Market (DSM) to be implemented by each EU member state by June 2021 could alter the liability scheme for online sharing-content platforms and impose additional requirements for the content uploaded by their users to protect copyright owners against unlicensed use of their work. If amendments to Section 230 of the CDA or other statutory or regulatory changes reduce liability protections for content published on our service, we may be required to make significant changes to our business model, including increasing our content moderation operations and building in additional product features or tools that may not be favorable to our business, add payment obligations or compliance costs. There are also a number of legislative proposals in the United States, at

both the federal and state level, and in the European Union and the U.K., that could impose new obligations in areas affecting our business, such as liability for copyright infringement and other online harm.

We could also face fines or orders restricting or blocking our service in particular countries as a result of content on our platform. For example, the Network Enforcement Act in Germany imposes significant fines for failures to comply with certain content removal and disclosure obligations, and other countries, including the U.K. and Austria, may enact similar legislation, which would impose penalties for failure to remove certain content. Similarly, Turkey recently amended Law No. 5651 on Regulation of Internet Broadcasts and Prevention of Crimes Committed through Such Broadcasts to require social networking platforms to remove certain content from their platforms, appoint a local representative, and store user data locally. The Turkish government may impose a fine or block services that fail to comply. Additionally, the European Union is currently debating a regulation that would require the removal of terrorist-related content within one hour of being flagged. If the regulation is passed, the tools we use for certain removal obligations may not work and we may have to build custom tools.

Any new legislation may be difficult to comply with in a timely and comprehensive fashion and may expose our business, users, or employees to increased costs. These costs could be prohibitively expensive for a company of our size, which could prevent us from launching a product or require us to restrict access to a product in a particular market. This could disadvantage us relative to our competitors with more resources. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply similar protections that are currently available in the United States or the European Union or if a court were to disagree with our application of those rules to our service, we could be required to expend significant resources to try to comply with the new rules or incur liability and our business, revenue and financial results could be harmed.

Action by governments to restrict access to our service or certain of our products in their countries could harm our business, revenue and financial results.

Governmental authorities outside the United States have restricted, and may in the future seek to restrict access to our service if they consider us to be in violation of their laws or for other reasons. For example, access to our service has been or is currently restricted in whole or in part in China, India, Kazakhstan and Turkey. Other governments may seek to restrict access to or block our service, prohibit or block the hosting of certain content available through our service, or impose other restrictions that may affect the accessibility or usability of our service in that country for a period of time or even indefinitely. We may also decide to stop offering our service in a country as a result of these types of restrictions. For example, some countries have enacted laws that allow websites to be blocked for hosting certain types of content or may require websites to remove certain restricted content, to appoint local representatives in the country, or to store user data within that country. It can be challenging or impractical to manage the requirements of multiple jurisdictions governing the type and nature of the content available on our service. If prohibitions or restrictions are imposed on our service, or if our competitors are able to successfully penetrate new geographic markets or capture a greater share of existing geographic markets that we cannot access or where we face other restrictions, our user growth, retention and engagement may be adversely affected, and our business, revenue and financial results could be harmed.

We receive, process, store, use and share data, some of which contains personal information, which subjects us to complex and evolving governmental regulation and other legal obligations related to data privacy, data protection and other matters, which are subject to change and uncertain interpretation.

We receive, process, store, use and share data, some of which contains personal information. There are numerous federal, state, local and foreign laws and regulations regarding matters central to our business, data privacy and the collection, storing, sharing, use, processing, disclosure and protection of personal information and other data from Pinners, employees and business partners, the scope of which are regularly changing, subject to uncertain and differing interpretations and may be inconsistent among countries or conflict with other rules.

The application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and as the focus on data privacy and data protection increases globally, we are, and will continue to be, subject to varied and evolving data privacy and data protection laws. We are subject to GDPR which expands the rights of individuals to control how their personal data is processed, includes restrictions on the use of personal data of children, creates new regulatory and operational requirements for processing personal data (in particular in case of a data breach), increases requirements for security and confidentiality, restricts transfers of data outside of the European Economic Area and provides for significant penalties for non-compliance, including fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the

most serious infringements. Additionally, we have historically relied upon multiple legally valid transfer mechanisms to transfer certain personal data outside of the European Economic Area, including the EU-U.S. Privacy Shield Framework and Standard Contractual Clauses (SCCs). Recently, the Court of Justice of the European Union ruled that the EU-U.S. Privacy Shield is an invalid transfer mechanism, but upheld the validity of the SCCs subject to future elaboration of additional safeguards by regulators such as specific “supplemental measures” that should be undertaken to protect EU data subjects. The validity of data transfer mechanisms and these additional safeguards remains subject to legal, regulatory, and political developments in both Europe and the U.S. The invalidation of the EU-U.S. Privacy Shield, the potential invalidation of other data transfer mechanisms, or the potential invalidation of additional safeguards could have a significant adverse impact on our ability to process and transfer the personal data of EEA users outside of the European Economic Area. In June 2018, the State of California enacted the CCPA, which came into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. Though we have regulations accompanying the legislation, the CCPA is largely untested, so it remains unclear how the CCPA will be interpreted. Additionally, a new privacy law, the CPRA, recently was approved by California voters in the November, 2020. The CPRA significantly modifies the CCPA, resulting in further uncertainty and requiring us to incur additional costs and expenses. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. The burdens imposed by these and other laws and regulations that may be enacted, or new interpretations of existing laws and regulations, may require us to modify our data processing practices and policies and to incur substantial costs in order to comply and may disproportionately affect our business in comparison to our peers that have greater resources. These laws and regulations may also impact our ability to expand advertising on our platform internationally, as they may impede our ability to deliver targeted advertising and accurately measure our ad performance.

Any failure or perceived failure by us to comply with our privacy policies, data privacy-related obligations to Pinners or other third parties, or our data privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, or other failure to comply with these laws and regulations, or regulatory scrutiny, may result in governmental enforcement actions or litigation that could expose our business to substantial financial penalties, or other monetary or non-monetary relief, negative publicity, loss of confidence in our products, decline in Pinner or advertiser growth or damage to our brand and reputation. Companies in the technology industry have recently experienced increased regulatory scrutiny relating to data privacy and data protection, and we may become subject to enhanced scrutiny and enforcement actions from regulators to ensure compliance with data privacy and data protection laws and regulations. The GDPR, CCPA and other such laws and regulations impose new and burdensome obligations, and include substantial uncertainty as to their interpretation, and we may face challenges in addressing their requirements, which could result in fines or penalties, lead us to change our data privacy policies and practices and limit our ability to deliver personalized advertising. Public statements against us by consumer advocacy groups or others could also cause Pinners to lose trust in us, which could result in declines in user growth, retention or engagement and have an adverse effect on our brand, reputation and business. Additionally, if third parties that we work with, such as advertisers, service providers or developers, violate applicable laws or our policies, these violations may also put Pinners’ information at risk and could in turn have an adverse effect on our business, revenue and financial results.

Any significant change to applicable laws, regulations or industry practices, or to interpretations of existing laws and regulations, regarding the use or disclosure of Pinners’ data, or regarding the manner in which we obtain consent from Pinners for the use and disclosure of such data, could require us to modify our products to allow for limited data use, possibly in a material manner, and may limit our ability to develop new products that make use of the data that Pinners voluntarily share. There currently are a number of proposals pending before federal, state and foreign legislative and regulatory bodies. For example, Member States in the European Union are working to align on a draft of the “ePrivacy Regulation” that would govern data privacy and the protection of personal data in electronic communications, in particular for direct marketing purposes. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our service, particularly as we expand our operations internationally.

We could become involved in legal disputes that are expensive to support, and if resolved adversely, could harm our business, revenue and financial results.

We are currently involved in, and may in the future be involved in, actual and threatened legal proceedings, claims, investigations and government inquiries arising in the ordinary course of our business, including intellectual property, data privacy and data protection, privacy and other torts, illegal or objectionable content, consumer protection, securities, stockholder derivative claims, employment, governance, workplace culture, contractual rights, civil rights infringement, false or misleading advertising, or other legal claims relating to content or information that is provided to us or published or made available on our service. Any proceedings, claims or inquiries involving us, whether successful or not, may be time consuming, result in costly litigation, unfavorable outcomes, increased costs of business, may require us to change our business practices or products, require significant amount of management's time, may harm our reputation or otherwise harm our business and future financial results.

We are currently involved in and have been subject to actual and threatened litigation with respect to third-party patents, trademarks, copyrights and other intellectual property, and may continue to be subject to intellectual property litigation and threats thereof. Companies in the internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, grow our business and products, and become increasingly high profile, the possibility of receiving a larger number of intellectual property claims against us grows. In addition, various "non-practicing entities" that own patents and other intellectual property rights have asserted, and may in the future attempt to assert, intellectual property claims against us to extract value through licensing or other settlements.

From time to time, we receive letters from patent holders alleging that some of our products infringe their patent rights and from trademark holders alleging infringement of their trademark rights. We also receive letters from holders of copyrighted content alleging infringement of their intellectual property rights, including DMCA take-down requests. Our technologies and content, including the content that Pinners pin to our service, may not be able to withstand such third-party claims.

With respect to any intellectual property claims, we may have to seek a license to continue using technologies or engaging in practices found to be in violation of a third-party's rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such technologies or practices may not be available to us at all and we may be required to discontinue use of such technologies or practices or to develop alternative non-infringing technologies or practices. The development of alternative non-infringing technologies or practices could require significant effort and expense or may not be achievable at all. Our business, revenue and financial results could be harmed as a result.

If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business, revenue and financial results could be harmed.

We rely, and expect to continue to rely, on a combination of confidentiality, invention assignment and license agreements with our employees, consultants and other third parties with whom we have relationships, as well as trademark, copyright, patent and trade secret protection laws, to protect our proprietary rights. We have filed various applications for certain aspects of our intellectual property in the United States and other countries, and we currently hold issued patents in multiple jurisdictions. Further, there can be no assurance that each of our patent applications will result in the issuance of a patent. In addition, any resulting issued patents may have claims narrower than those in our patent applications. There can be no assurance that each of our trademark applications will result in the issuance of a trademark or that each resulting trademark registration will be able to be maintained. In the future we may acquire additional patents or patent portfolios, license patents from third parties or agree to license the use of our patents to third parties, which could require significant cash expenditures. Additionally, our current and future patents, trademarks and other intellectual property or other proprietary rights may be contested, circumvented or found unenforceable or invalid.

However, third parties may knowingly or unknowingly infringe or challenge our proprietary rights. Effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. We may not be able to prevent infringement without incurring substantial time and expense, if at all. There can be no assurance that others will not offer technologies, products, services, features or concepts that are substantially similar to ours and compete with our business. Similarly, particularly as we expand the scope of our business and the countries in which we operate, we may not be able to prevent third parties from infringing, or challenging our use of, our intellectual property rights, including those used to build and distinguish the "Pinterest" brand. If the protection of

our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our technologies, products, services or features or methods of operations. Any of these events could harm our business, revenue and financial results.

Our use of “open source” software could subject us to possible litigation or could prevent us from offering products that include open source software or require us to obtain licenses on unfavorable terms.

A portion of the technologies we use incorporates “open source” software, and we may incorporate open source software in the future. Open source licenses may subject us to certain unfavorable conditions, including requirements that we offer our products that incorporate the open source software for no cost, that we make publicly available the source code for any modifications or derivative works we create based upon, incorporating or using the open source software, or that we license such modifications or derivative works under the terms of the particular open source license.

We also license to others some of our software through open source projects which requires us to make the source code publicly available, and therefore can affect our ability to protect our intellectual property rights with respect to that software. If an author or other third-party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from offering our products that contained the open source software, required to release proprietary source code, required to obtain licenses from third parties or otherwise required to comply with the unfavorable conditions unless and until we can re-engineer the product so that it complies with the open source license or does not incorporate the open source software. Any of the foregoing could disrupt our ability to offer our products and harm our business, revenue and financial results.

The interpretation and application of recent U.S. tax legislation or other changes in U.S. or non-U.S. taxation of our operations could harm our business, revenue and financial results.

The 2017 Tax Cuts and Jobs Act (the “Tax Act”) changed how the United States imposes income tax on multinational corporations in a number of ways. The issuance of additional regulatory or accounting guidance may affect our analysis of the impact of the new law on us and may harm our operating results and financial condition. Accordingly, we are still analyzing the Tax Act with our professional advisers. Until that analysis is complete, the full impact of the new tax law on us during future periods is uncertain, and no assurances can be made on any potential impact.

Additionally, in March 2018, the European Commission released a proposal for a European Council directive on taxation of specified digital services. The proposal calls for an interim tax on certain revenues from digital activities, as well as a longer-term regime that creates a taxable presence for digital services and imposes a tax on digital profits. Some jurisdictions have enacted a tax on technology companies that generate revenues from the provision of digital services, including United Kingdom, France, Spain and Italy, and a number of other jurisdictions are considering enacting similar digital tax regimes. The Organisation for Economic Co-operation and Development, as part of its Base Erosion and Profit Shifting (BEPS) Action Plan, recently released proposals that provide a long-term, multilateral framework on taxation of the digital economy. Although we do not know the exact impact, this legislation has and may continue to result in additional tax exposure.

Further changes to the U.S. or non-U.S. taxation of our operations may increase our worldwide effective tax rate, result in additional taxes or other costs or have other material consequences, which could harm our business, revenue and financial results.

Risks relating to our Financial Statements and Performance

We have a limited operating history and, as a result, our past results may not be indicative of future operating performance.

We have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. You should not rely on our past results of operations as indicators of future performance. You should consider and evaluate our prospects in light of the risks and uncertainties frequently encountered by companies like ours.

We have incurred operating losses in the past, anticipate increasing our costs and operating expenses, expect to incur operating losses in the future and may never achieve or maintain profitability.

Since our inception, we have incurred significant net losses. We generated net losses of \$(128.3) million, \$(1,361.4) million and \$(63.0) million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, we had an accumulated deficit of \$(2,335.0) million. We have not achieved profitability, and we may not realize sufficient revenue to achieve profitability in future periods.

We also anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to expand our operations domestically and internationally, enhance our product offerings, broaden our Pinner and advertiser base, expand our marketing channels, hire additional employees and develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. We may encounter unforeseen expenses, operating delays or other unknown factors that may result in losses in future periods. We have significant unrecognized share-based compensation expense, which we expect to recognize over the next several years. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Financial Statements." In addition, we have entered into certain non-cancelable commitments that limit our ability to reduce our cost and expenses in the future. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Financial Statements." Any failure to increase our revenue as we implement initiatives to grow our business could prevent us from achieving or maintaining profitability on either a quarterly or annual basis.

Our operating results are likely to fluctuate from quarter to quarter, which makes them difficult to predict.

Our quarterly operating results are tied to certain key business metrics that have fluctuated in the past and are likely to fluctuate in the future, which makes them difficult to predict. Our operating results depend on numerous factors, many of which are outside of our control, including:

- our ability to generate revenue from our service;
- our ability to improve or maintain gross margins;
- the number and relevancy of advertisements shown to Pinners;
- the relevancy of content shown to Pinners;
- the manner in which Pinners engage with different products, where certain products may generate different amounts of revenue
- downward pressure on the pricing of our advertisements;
- the timing, cost of and mix of new and existing marketing and promotional efforts as we grow and expand our operations to remain competitive;
- seasonal fluctuations in spending by our advertisers, product usage by Pinners and growth rates for Pinners and engagement, each of which may change as our product offerings evolve or our business grows;
- fluctuations in spending by our advertisers and engagement and product usage by Pinners due to macroeconomic conditions, such as the COVID-19 pandemic;
- seasonal fluctuations in internet usage generally;
- the success of technologies designed to block the display of ads;
- development and introduction of new product offerings by us or our competitors;
- the ability of our third-party providers to scale effectively and provide the necessary technical infrastructure for our service on a timely basis;
- system failures, disruptions, breaches of security or data privacy or internet downtime, whether on our service or on those of third parties;
- the inaccessibility of our service due to third-party actions;
- changes in measurement of our metrics;
- costs associated with the technical infrastructure used to operate our business, including hosting services;
- fluctuations in the amount of share-based compensation expense;

- our ability to anticipate and adapt to the changing internet business or macroeconomic conditions; and the other risks and uncertainties described in this Annual Report on Form 10-K.

If we are unable to obtain additional financing, if needed, or if we default on our credit obligations, our operations may be interrupted and our business, revenue and financial results could be harmed.

We may require additional financing to maintain and grow our business. Our ability to obtain financing will depend on, among other things, our development efforts, business plans, operating performance, investor demand and the condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our existing stockholders may experience dilution. In addition, the COVID-19 pandemic has resulted in high levels of uncertainty with respect to access to additional financing and volatility in financial markets. If our access to capital is restricted or our borrowing costs increase as a result of developments in financial markets relating to the COVID-19 pandemic, our operations and financial condition could be adversely impacted.

Our revolving credit facility provides our lenders with a first-priority lien against substantially all of our domestic assets, as well as certain domestic intellectual property, and contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our results of operations. It contains a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, make redemptions and repurchases of stock, make investments, loans and acquisitions, incur liens, engage in transactions with affiliates, merge or consolidate with other companies, sell material businesses or assets, or license or transfer certain of our intellectual property. We are also required to maintain certain financial covenants, including a consolidated total assets covenant and a liquidity covenant. Complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

If we fail to comply with the covenants under the revolving credit facility, lenders would have a right to, among other things, terminate the commitments to provide additional loans under the facility, enforce any liens on collateral securing the obligations under the facility, declare all outstanding loans and accrued interest and fees to be due and payable and require us to post cash collateral to be held as security for any reimbursement obligations in respect of any outstanding letters of credit issued under the facility. If any remedies under the facility were exercised, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately materially and adversely affect our business, cash flows, operations and financial condition. Even if we were able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us.

Additionally, our revolving credit facility utilizes LIBOR or various alternative methods set forth in our revolving credit facility to calculate the amount of accrued interest on any borrowings. Regulators in certain jurisdictions including the United Kingdom and the United States have announced that they will phase out the use of LIBOR by the end of 2021. If a published U.S. dollar LIBOR rate is unavailable, the interest rates on our debt indexed to LIBOR will be determined using one of the alternative methods, any of which could, if the revolver is drawn, result in interest obligations that are more than the current form, which could have a material adverse effect on our financing costs.

We may have greater than anticipated tax liabilities, which could harm our business, revenue and financial results.

We operate in a number of tax jurisdictions globally, including in the United States at the federal, state and local levels, and in many other countries, and plan to continue to expand the scale of our operations in the future. Thus, we are subject to review and potential audit by a number of U.S. federal, state, local and non-U.S. tax authorities. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Further, tax authorities may disagree with tax positions we take and challenge our tax positions. Successful unilateral or multi-jurisdictional actions by various tax authorities, including in the context of our current or future corporate operating structure and third-party and intercompany arrangements (including transfer pricing and the manner in which we develop, value and use our intellectual property), may increase our worldwide effective tax rate, result in additional taxes or other costs or have other material consequences, which could harm our business and financial results. In December 2019, we completed an intra-entity asset transfer of certain of our intellectual property rights to

our Irish subsidiary, which resulted in an increase in foreign deferred tax assets. We cannot be certain that this transfer will not lead to any unanticipated tax consequences which could harm our financial results.

Although we do not currently incur significant tax costs due to our history of operating losses, our tax liabilities may increase if our profitability increases in the future. In addition, our effective tax rate may change from year to year based on changes in the mix of activities and income allocated or earned among various jurisdictions, tax laws and the applicable tax rates in these jurisdictions (including future tax laws that may become material), tax treaties between countries, our eligibility for benefits under those tax treaties and the valuation of deferred tax assets and liabilities. Such changes could result in an increase in the effective tax rate applicable to all or a portion of our income, which would negatively affect our financial results.

Our ability to use or benefit from our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2020, we had federal, California and other state net operating loss carryforwards of \$3,282.2 million, \$405.6 million and \$1,214.9 million, respectively. If not utilized, these will begin to expire in 2028, 2028 and 2026, respectively. Utilization of our net operating loss carryforwards and other tax attributes, such as research and development tax credits, may be subject to annual limitations, or could be subject to other limitations on utilization or benefit due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), and other similar provisions. Further, the Tax Act changed the federal rules governing net operating loss carryforwards. For net operating loss carryforwards arising in tax years beginning after December 31, 2017, the Tax Act limits a taxpayer's ability to utilize such carryforwards to 80% of taxable income. In addition, net operating loss carryforwards arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. Net operating loss carryforwards generated before January 1, 2018 will not be subject to the Tax Act's taxable income limitation and will continue to have a twenty-year carryforward period. Nevertheless, our net operating loss carryforwards and other tax assets could expire before utilization and could be subject to limitations, which could harm our business and financial results.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our initial public offering ("IPO"), including our co-founders, executive officers, employees and directors, their affiliates, and all of our other pre-IPO stockholders (including those unaffiliated with any of our co-founders, executive officers, employees or directors). This will limit or preclude your ability to influence corporate matters.

Our Class B common stock has twenty votes per share, and our Class A common stock has one vote per share. Because of the 20-to-1 voting ratio between our Class B and Class A common stock, the holders of our outstanding Class B hold approximately 78.4% of the voting power of our outstanding capital stock as of December 31, 2020. Because the holders of our Class B common stock hold in the aggregate significantly more than a majority of the combined voting power of our capital stock, such holders (which include all of our pre-IPO stockholders, including those holders unaffiliated with any of our co-founders, executive officers, employees or directors) control all matters submitted to our stockholders for approval. The holders of Class B common stock will no longer hold in the aggregate over 50% of the voting power of our outstanding capital stock once the Class B common stock represents in the aggregate less than approximately 4.76% of our outstanding capital stock.

As a result, for the foreseeable future, holders of our Class B common stock could have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets, even if their stock holdings were to represent in the aggregate less than 50% of the outstanding shares of our capital stock. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders. These holders of our Class B common stock may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This control may adversely affect the trading price of our Class A common stock. Despite no longer being employed by us, Paul Sciarra, one of our co-founders, remains able to exercise significant voting power. If we terminate our other co-founders' employment, they would also continue to have the ability to exercise significant voting power to the extent they were to retain their Class B common stock while our other existing holders disposed of their Class B common stock.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, except certain transfers to entities, including certain charities and foundations, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock on (i) the seven-year anniversary of the closing date of our IPO, except with respect to shares of Class B common stock held by any holder that continues to beneficially own at least 50% of the number of shares of Class B common stock that such holder beneficially owned immediately prior to completion of our IPO, and (ii) a date that is between 90 to 540 days, as determined by the board of directors, after the death or permanent incapacity of Mr. Silbermann. Conversions of Class B common stock to Class A common stock have already had and will continue to have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, one or more of our existing stockholders were to retain a significant portion of their holdings of Class B common stock for an extended period of time while all the other existing stockholders disposed of their Class B common stock, then those existing stockholders that retain significant holdings (while all the others dispose) could, in the future, control a majority of the combined voting power of our outstanding capital stock.

Our dual class structure may depress the trading price of our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, pursuant to which, companies with multiple classes of shares of common stock are excluded. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices or any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could adversely affect the value and trading market of our Class A common stock.

An active trading market for our Class A common stock may not be sustained.

Our Class A common is listed on the NYSE under the symbol "PINS." However, we cannot assure you that an active trading market for our Class A common stock will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our Class A common stock will be maintained, the liquidity of any trading market, your ability to sell your shares of our Class A common stock when desired or the prices that you may obtain for your shares.

The trading price of our Class A common stock has been and may continue to be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock has been, and is likely to continue to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales, or anticipated sales, of shares of our Class A common stock by us or our stockholders, including when stockholders sell shares of our Class A common stock into the market to cover taxes due upon the settlement of restricted stock units ("RSUs") or the exercise of stock options, or conversions, or anticipated conversions, of a substantial number of shares of our Class B common stock by our stockholders;
- actions by institutional stockholders;
- failure by industry or securities analysts to maintain coverage of us, downgrade of our Class A common stock by analysts or provision of a more favorable recommendation of our competitors;
- failure by analysts to regularly publish research reports or the publication of an unfavorable or inaccurate report about our business;
- changes by external analysts to their financial and operating estimates for our company or our performance relative to third parties' estimates or the expectations;
- forward-looking financial or operating information or financial projections we may provide to the public, any changes in that information or projections or our failure to meet projections;
- any indebtedness we may incur in the future;
- whether investors or securities analysts view our stock structure unfavorably, particularly our dual class structure and the significant voting control of holders of our Class B common stock;
- announcements by us or our competitors of new products, features, services, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base or level of engagement, or those of our competitors;
- the public's perception of the quality and accuracy of our key metrics on our user base and engagement;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated fluctuations in our user growth, retention, engagement, revenue or other operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators and other third parties into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- developments or disputes concerning our culture or other diversity, equity and inclusion practices and initiatives;
- announced or completed acquisitions of businesses, products, services or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;

- any significant change in our management;
- macroeconomic events that are beyond our control, such as the recent global outbreak of the COVID-19 pandemic; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Future offerings of debt or equity securities by us or existing stockholders may adversely affect the market price of our Class A common stock.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional capital stock or offering debt or other securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. Future acquisitions could also require substantial additional capital in excess of cash from operations.

Issuing additional shares of capital stock or other securities, including securities convertible into equity, may dilute the economic and voting rights of our existing stockholders, reduce the market price of our Class A common stock or both. Upon liquidation, holders of debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. In addition, the large number of shares of our common stock eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our Class A common stock. The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market, and the perception that these sales could occur may also depress the market price of our Class A common stock. As a result, holders of our Class A common stock bear the risk that our future offerings or future sales of shares may reduce the market price of our Class A common stock and dilute their stockholdings in our company.

Additional stock issuances, including in connection with settlement of equity awards, could result in significant dilution to our stockholders.

Future issuances of shares of our Class A common stock or the conversion of a substantial number of shares of our Class B common stock to Class A common stock, or the perception that these sales or conversions may occur, could depress the market price of our Class A common stock and result in significant dilution for holders of our Class A common stock. We currently have Class B common stock that may be issued upon exercise of outstanding stock options or upon settlement of outstanding RSUs and shares of Class A common stock that may be issued upon settlement of outstanding RSUs. For more information, see "Notes to Financial Statements". We have 5,956,309,722 shares of authorized but unissued Class A common stock that are currently not reserved for issuance under our equity incentive plans or charitable giving program. We may issue all of these shares of Class A common stock without any action or approval by our stockholders, subject to certain exceptions. We also intend to continue to evaluate acquisition opportunities and may issue Class A common stock or other securities in connection with these acquisitions. Any common stock issued in connection with our equity incentive plans, acquisitions, the exercise of outstanding stock options, settlement of RSUs or otherwise would dilute the percentage ownership held by our Class A common stockholders.

We have broad discretion over the use of the net proceeds from our IPO and we may not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we received from our IPO. Our management will have broad discretion in the application of the net proceeds from our IPO, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. The failure by our management to apply these proceeds effectively could harm our business, results of operations and financial condition. Pending their use, we may invest our proceeds in a manner that does not produce income or that

loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our Class A common stock.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (the “DGCL”) may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- our dual class common stock structure, which provides our holders of Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- certain amendments to our amended and restated certificate of incorporation will require the approval of 66 $\frac{2}{3}$ % of the then-outstanding voting power of our capital stock;
- approval of 66 $\frac{2}{3}$ % of the then-outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws;
- our stockholders can take action only at a meeting of stockholders and not by written consent;
- vacancies on our board of directors can be filled only by our board of directors and not by stockholders;
- no provision in our amended and restated certificate of incorporation or amended and restated bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates;
- only our chairman of the board of directors, our chief executive officer, our president or another officer selected by a majority of the board of directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- nothing in our amended and restated certificate of incorporation precludes future issuances without stockholder approval of the authorized but unissued shares of our Class A common stock;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation designates a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the DGCL, or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of

Delaware (or, if the Court of Chancery does not have jurisdiction, any state or federal district court in the state of Delaware), in all cases subject to the court's having jurisdiction over indispensable parties named as defendants. Nothing in our amended and restated certificate of incorporation precludes stockholders that assert claims under the Securities Act or Exchange Act from bringing such claims in federal court, subject to applicable law.

Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing. If a court were to find the exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

The requirements of being a public company have and may continue to strain our resources, divert management's attention and may result in more litigation.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources, particularly as we transition away from qualifying as an "emerging growth company," as defined in section 2(a) of the Securities Act, and become subject to increased disclosure and other requirements.

As a public company we are required to publicly disclose additional details about our business and financial condition information, which may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business, revenue and financial results could be harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and harm our business, revenue and financial results.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid dividends on our capital stock. We currently intend to retain any future earnings, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment. In addition, our revolving credit facility contains restrictions on our ability to pay dividends.

General Risks

If we do not develop successful new products or improve existing ones, our business may suffer. We may also invest in new products that fail to attract or retain Pinners or generate revenue.

Our ability to grow, retain and engage our user base and therefore increase our revenue depends on our ability to successfully enhance our existing products and create new products, both independently and in conjunction with platform developers or other third parties, and to do so quickly. We may introduce significant changes to our existing products or develop and introduce new and unproven products with which we have little or no prior development or operating experience. Our focus on innovation and experimentation could result in unintended outcomes or decisions that are poorly received by Pinners. If new or enhanced products fail to engage our Pinners, we may fail to generate sufficient revenue, operating margin or other value to justify our investments, any of which could harm our business, revenue and financial results. We also may develop new products that increase Pinner engagement and costs that are not intended to increase revenue.

Further, our products often require Pinners to learn new behaviors that may not always be intuitive to them. To the extent that new Pinners are less willing to invest the time to learn to use our products, or if we are unable to make our products easier to learn to use, our user growth, retention or engagement could be affected, and our business, revenue and financial results could be harmed.

Adverse global economic and financial conditions could harm our business and financial condition.

Adverse macroeconomic developments could negatively impact our business and financial condition. Adverse global economic and financial events, such as the COVID-19 pandemic, have caused, and could, in the future continue to cause disruptions and volatility in global financial markets. Such conditions have resulted in or may result in, among

other things, an adverse impact on the ability and willingness of companies to spend on advertising, volatility in our stock price and an adverse impact on the financial condition of the institutions with whom we hold deposits or the credit quality of the issuers of our cash equivalents and marketable securities. We cannot assure you that we will perform well in adverse macroeconomic conditions. Since the majority of our revenue is derived from advertisers within the U.S., economic conditions in the U.S. have a greater impact on us.

Our financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could harm our revenue and financial results, and could affect the reporting of transactions completed before the announcement of a change.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties**Facilities**

Our corporate headquarters is located in San Francisco, California. As of December 31, 2020, we maintained offices in various locations in the United States and internationally totaling approximately 592,000 square feet, including approximately 339,000 square feet for our corporate headquarters and in the surrounding areas. We believe that our facilities are sufficient for our existing needs.

Item 3. Legal Proceedings

We are currently involved in, and may in the future be involved in, actual and threatened legal proceedings, claims, investigations and government inquiries arising in the ordinary course of our business, including legal proceedings, claims, investigations and government inquiries involving intellectual property, data privacy and data protection, privacy and other torts, illegal or objectionable content, consumer protection, corporate governance, securities, employment, workplace culture, contractual rights, civil rights infringement, false or misleading advertising, or other legal claims relating to content or information that is provided to us or published or made available on our service. This risk is enhanced in certain jurisdictions outside of the United States where our protection from liability for content published on our platform by third parties may be unclear and where we may be less protected under local laws than we are in the United States.

For information on certain litigation we are involved in, see "Legal Matters" in Note 6 of the accompanying notes to our consolidated financial statements, which is incorporated herein by reference.

Although the results of the actual and threatened legal proceedings, claims, investigations and government inquiries in which we currently are involved cannot be predicted with certainty, we do not believe that there is a reasonable possibility that the final outcome of these matters will have a material adverse effect on our business or financial results. Regardless of the final outcome, however, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, harm to our reputation and brand, and other factors.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our Class A common stock, par value \$0.00001 per share, is listed on the New York Stock Exchange, under the symbol “PINS” and began trading on April 18, 2019. Prior to that date, there was no public trading market for our Class A common stock. There is no public trading market for our Class B common stock, par value \$0.00001 per share.

Holders of Record

As of January 29, 2021, there were 110 stockholders of record of our Class A common stock and 74 stockholders of record of our Class B common stock. The actual number of holders of our Class A and Class B common stock is greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees. The number of holders of record presented here also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid dividends on our capital stock and do not intend to pay any dividends in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on then existing conditions, including our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, the terms of our revolving credit facility place certain limitations on the amount of dividends we can pay, even if no amounts are currently outstanding.

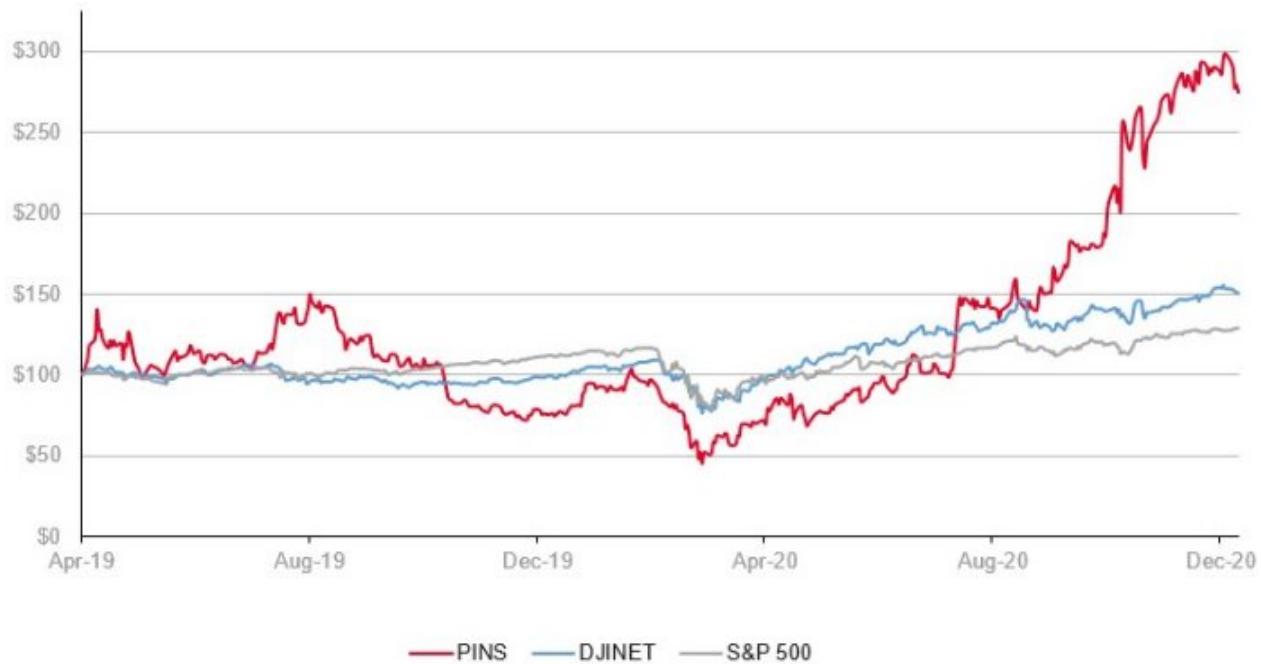
Unregistered Sales of Equity Securities

None.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Pinterest, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph shows a comparison of the cumulative total return for our Class A common stock, the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Dow Jones Internet Composite Index (DJINET Composite Index). An investment of \$100 and reinvestment of all dividends is assumed to have been made in our Class A common stock and in each index on April 18, 2019, the date our Class A common stock began trading on the NYSE, and its relative performance is tracked through December 31, 2020. The graph uses the closing market price on April 18, 2019 of \$24.40 per share as the initial value of our common stock. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



Use of Proceeds from Public Offering of Class A Common Stock

On April 23, 2019, we closed our IPO, in which we sold 75,000,000 shares of our Class A common stock at a price to the public of \$19.00 per share. The offer and sale of the shares in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-230458), which was declared effective by the SEC on April 17, 2019. On April 29, 2019, we issued and sold an additional 11,250,000 shares of Class A common stock at \$19.00 per share pursuant to the underwriters' option to purchase additional shares. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on April 18, 2019 pursuant to Rule 424(b)(4).

Item 6. Selected Financial Data

The following selected historical consolidated financial data should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the related notes included in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The consolidated statements of operations data for each of the years ended December 31, 2020, 2019 and 2018 and the consolidated balance sheets data as of December 31, 2020 and 2019 are derived from our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. The consolidated statements of operations data for the year ended December 31, 2017 and the consolidated balance sheet data as of December 31, 2018 and December 31, 2017 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended December 31,			
	2020	2019	2018	2017
	(in thousands, except per share amounts)			
Consolidated Statements of Operations Data:				
Revenue	\$ 1,692,658	\$ 1,142,761	\$ 755,932	\$ 472,852
Costs and expenses ⁽¹⁾ :				
Cost of revenue	449,358	358,903	241,584	178,664
Research and development	606,194	1,207,059	251,662	207,973
Sales and marketing	442,807	611,590	259,929	162,514
General and administrative	336,803	354,075	77,478	61,635
Total costs and expenses	<u>1,835,162</u>	<u>2,531,627</u>	<u>830,653</u>	<u>610,786</u>
Loss from operations	(142,504)	(1,388,866)	(74,721)	(137,934)
Interest income	16,119	30,164	13,152	8,313
Interest expense and other income (expense), net	(635)	(2,137)	(995)	(112)
Loss before provision for income taxes	(127,020)	(1,360,839)	(62,564)	(129,733)
Provision for income taxes	1,303	532	410	311
Net loss	\$ (128,323)	\$ (1,361,371)	\$ (62,974)	\$ (130,044)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.22)	\$ (3.24)	\$ (0.50)	\$ (1.03)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	596,264	420,473	127,091	126,562
Adjusted EBITDA ⁽²⁾	\$ 305,004	\$ 16,706	\$ (39,003)	\$ (92,995)

(1) Costs and expenses includes share-based compensation expense as follows (in thousands):

	Year Ended December 31,			
	2020	2019	2018	2017
Cost of revenue	\$ 7,865	\$ 31,758	\$ 83	\$ 372
Research and development	218,718	867,191	13,155	19,811
Sales and marketing	35,645	239,315	784	6,267
General and administrative	58,792	239,517	837	2,354
Total share-based compensation	<u>\$ 321,020</u>	<u>\$ 1,377,781</u>	<u>\$ 14,859</u>	<u>\$ 28,804</u>

(2) See "Non-GAAP Financial Measure" below for more information and for a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), to Adjusted EBITDA.

	As of December 31,			
	2020	2019	2018	2017
<i>(in thousands)</i>				
Consolidated Balance Sheets Data:				
Cash, cash equivalents and marketable securities	\$ 1,760,306	\$ 1,713,345	\$ 627,813	\$ 711,628
Working capital	2,152,710	1,891,077	780,925	807,157
Total assets	2,609,459	2,393,317	1,152,731	1,173,045
Total liabilities	367,088	369,612	281,895	254,110
Redeemable convertible preferred stock	—	—	1,465,399	1,465,399
Total stockholders' equity (deficit)	2,242,371	2,023,705	(594,563)	(546,464)

Non-GAAP Financial Measure

To supplement our consolidated financial statements presented in accordance with GAAP, we consider Adjusted EBITDA, a financial measure which is not based on any standardized methodology prescribed by GAAP.

We define Adjusted EBITDA as net loss adjusted to exclude depreciation and amortization expense, share-based compensation expense, interest income, interest expense and other income (expense), net, provision for income taxes and, for the third quarter of 2020, a one-time payment for the termination of a future lease contract.

We use Adjusted EBITDA to evaluate our operating results and for financial and operational decision-making purposes. We believe Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the income and expenses that it excludes. We also believe Adjusted EBITDA provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater transparency with respect to key metrics we use for financial and operational decision-making. We are presenting Adjusted EBITDA to assist investors in seeing our operating results through the eyes of management, and because we believe that this measure provides an additional tool for investors to use in comparing our core business operating results over multiple periods with other companies in our industry. However, our definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net loss, the nearest GAAP equivalent. For example, Adjusted EBITDA excludes:

- certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets, although these assets may have to be replaced in the future; and
- share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense and an important part of our compensation strategy.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net loss and our other financial results presented in accordance with GAAP. The following table presents a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (128,323)	\$ (1,361,371)	\$ (62,974)
Depreciation and amortization	36,988	27,791	20,859
Share-based compensation	321,020	1,377,781	14,859
Interest income	(16,119)	(30,164)	(13,152)
Interest expense and other (income) expense, net	635	2,137	995
Provision for income taxes	1,303	532	410
Termination of future lease contract	89,500	—	—
Adjusted EBITDA	\$ 305,004	\$ 16,706	\$ (39,003)

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, including risks and uncertainties regarding the duration, scope and impact of the COVID-19 pandemic. Our actual results could differ materially from these forward-looking statements as a result of many factors, including those discussed in "Risk Factors" and "Note About Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K.

A discussion regarding our financial condition and results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 is presented below. A discussion regarding our financial condition and results of operations for year ended December 31, 2019 compared to the year ended December 31, 2018 is included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Overview of 2020 Results

Our key financial and operating results as of and for the year ended December 31, 2020 are as follows:

- Revenue was \$1,692.7 million, an increase of 48% compared to 2019.
- Monthly active users ("MAUs") were 459 million, an increase of 37% compared to December 31, 2019.
- Share-based compensation expense was \$321.0 million, a decrease of \$1,056.8 million compared to 2019.
- Total costs and expenses were \$1,835.2 million.
- Loss from operations was \$(142.5) million.
- Net loss was \$(128.3) million.
- Adjusted EBITDA was \$305.0 million.
- Cash, cash equivalents and marketable securities were \$1,760.3 million.
- Headcount was 2,545.

Update on the COVID-19 Pandemic

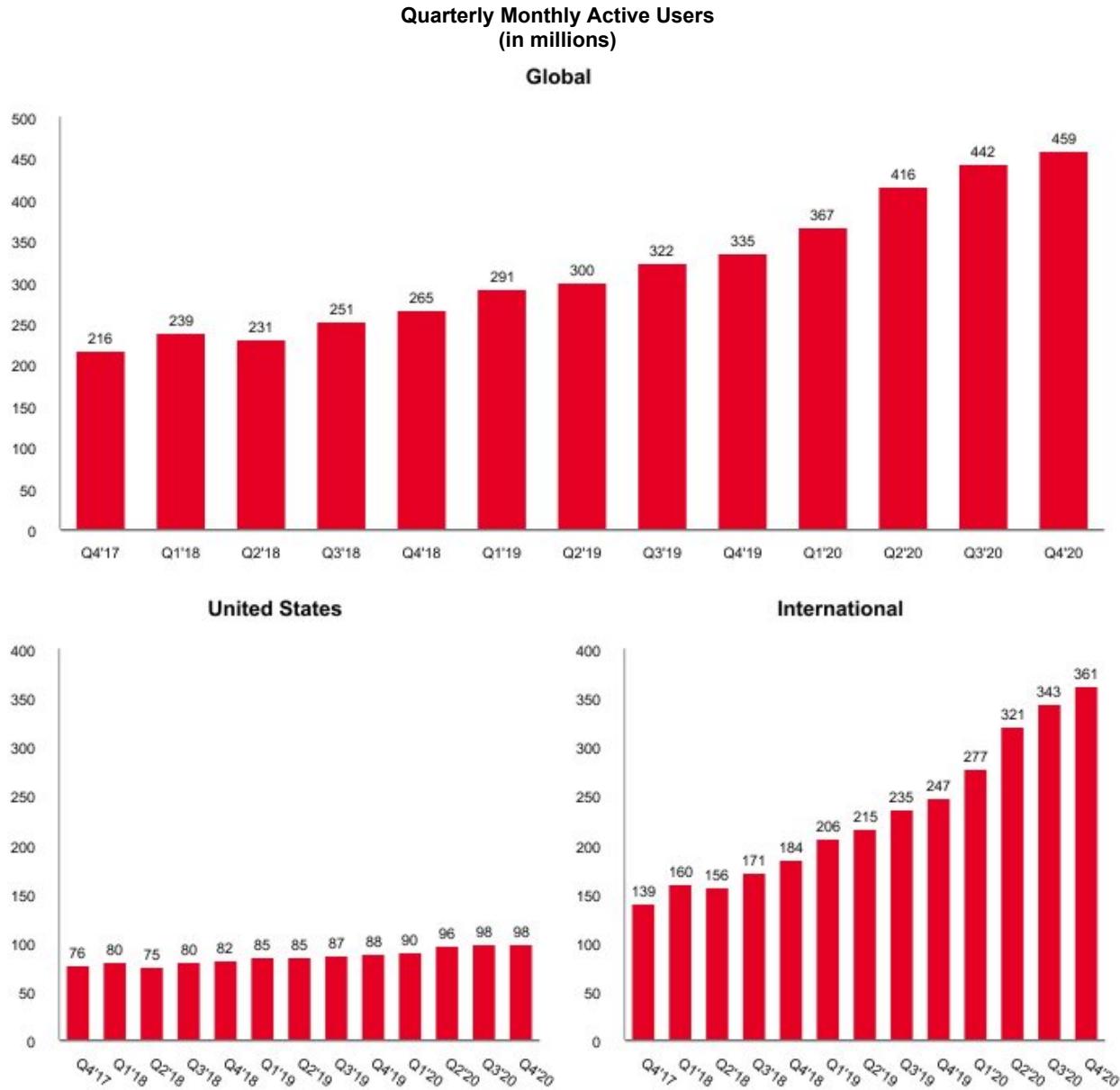
The COVID-19 pandemic, which resulted in authorities implementing preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines and shelter-in-place orders continues to have an impact globally. After a sharp deceleration in revenue growth in mid-March as advertisers responded to the onset of the COVID-19 pandemic, our revenue growth began recovering in the second quarter of 2020 before accelerating sharply in July 2020 and remaining strong through the end of 2020. Advertiser demand was broad based as businesses have increasingly adapted to the COVID-19 environment. An increase in the number of advertisements and a recovery in advertiser demand supported our revenue growth. In addition, people who began using Pinterest during the COVID-19 pandemic continued to have high levels of engagement in the fourth quarter of 2020. In fact, users in the COVID-19 pandemic cohort have had higher retention and higher engagement (defined as impressions, closeups and saves) than a cohort of new users during the same period in 2019.

Since the impact of the COVID-19 pandemic on our results of operations and overall financial performance remains unprecedented and highly unpredictable, our past results may not be indicative of our future performance. Given the uncertainty, we are unable to predict the extent and duration of the impact of the COVID-19 pandemic on advertiser demand, Pinner engagement, and our business, operations and financial results. To the extent the pandemic continues to disrupt economic activity globally we, like other businesses, would not be immune as it could adversely affect our business, operations and financial results. See "Risk Factors" and "Note About Forward-Looking Statements" for additional details.

We continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our employees, advertisers, Pinners, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our employees, advertisers, Pinners, suppliers, vendors or other partners, or on our financial results.

Trends in User Metrics

Monthly Active Users. We define a monthly active user as an authenticated Pinterest user who visits our website, opens our mobile application or interacts with Pinterest through one of our browser or site extensions, such as the Save button, at least once during the 30-day period ending on the date of measurement. We present MAUs based on the number of MAUs measured on the last day of the current period. We calculate average MAUs based on the average of the number of MAUs measured on the last day of the current period and the last day prior to the beginning of the current period. MAUs are the primary metric by which we measure the scale of our active user base.



Note: United States and International may not sum to Global due to rounding.

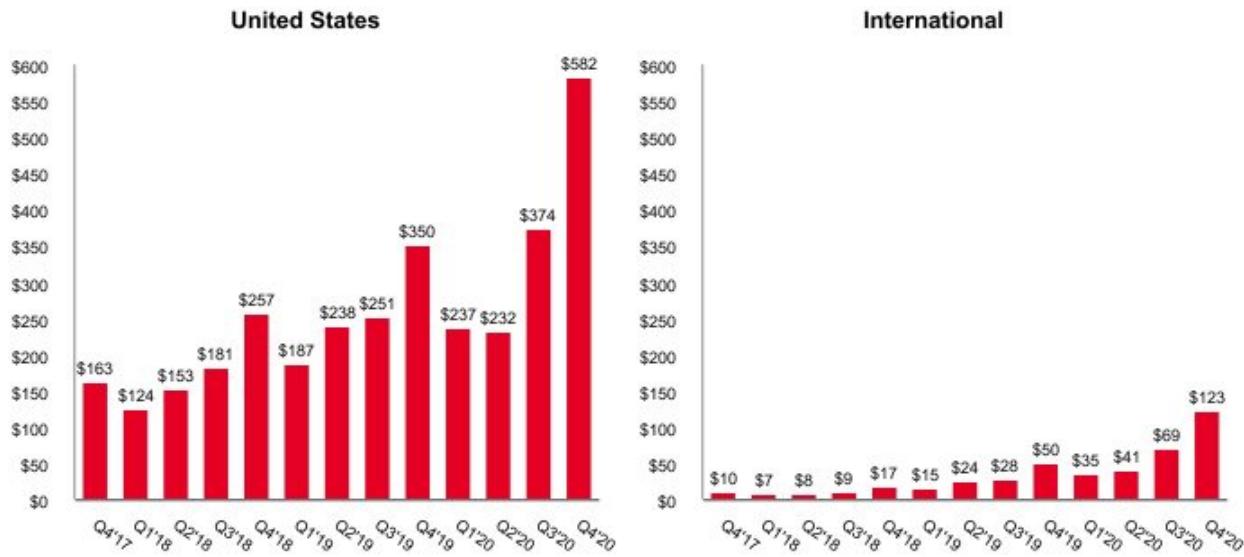
A portion of our MAUs visit Pinterest on a weekly basis. We define a weekly active user (“WAU”) as an authenticated Pinterest user who visits our website, opens our mobile application or interacts with Pinterest through one of our browser or site extensions, such as the Save button, at least once during the seven-day period ending on the date of measurement. We actively monitor the relationship of WAUs to MAUs, which has stayed relatively consistent over time. As of December 31, 2020, the proportion of WAUs to MAUs was 56%.

We have experienced significant growth in our global MAUs over the last several years. In particular, our international MAUs have grown significantly as a result of our focus on localizing content in international markets. We expect our international user growth to continue to outpace U.S. user growth in the near term. The impact of the COVID-19 pandemic on user growth remains difficult to measure and predict, and we are unable to predict the extent to which new or existing users will maintain their engagement once the pandemic has subsided.

Trends in Monetization Metrics

Revenue. We calculate revenue by user geography based on our estimate of the geography in which ad impressions are delivered. The geography of our users affects our revenue and financial results because we currently only monetize certain countries and currencies and because we monetize different geographies at different average rates. Our revenue in the United States is higher primarily due to our decision to focus our earliest monetization efforts there and also due to the relative size and maturity of the U.S. digital advertising market.





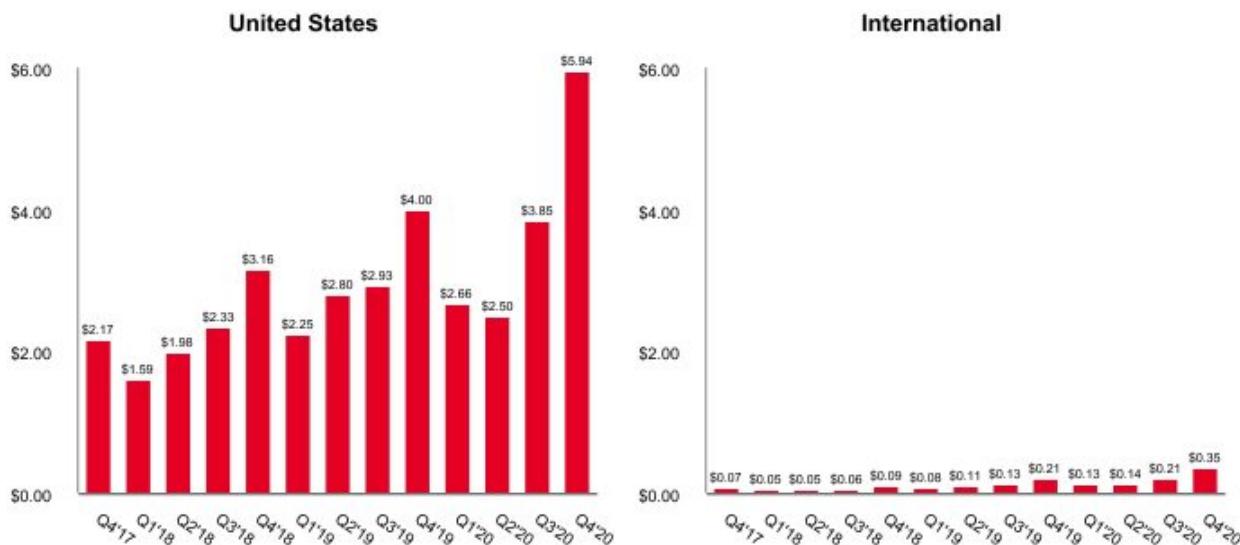
Note: Revenue by geography in the charts above is geographically apportioned based on our estimate of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our disclosure of revenue disaggregated by geography in the notes to our consolidated financial statements where revenue is geographically apportioned based on our customers' billing addresses. United States and International may not sum to Global and quarterly amounts may not sum to annual due to rounding.

Average Revenue per User ("ARPU"). We measure monetization of our platform through our average revenue per user metric. We define ARPU as our total revenue in a given geography during a period divided by average MAUs in that geography during the period. We calculate ARPU by geography based on our estimate of the geography in which revenue-generating activities occur. We present ARPU on a U.S. and international basis because we currently monetize users in different geographies at different average rates. U.S. ARPU is higher primarily due to our decision to focus our earliest monetization efforts there and also due to the relative size and maturity of the U.S. digital advertising market.

Quarterly Average Revenue per User

Global





For the year ended December 31, 2020, global ARPU was \$4.26, which represents an increase of 12% compared to the year ended December 31, 2019. For the year ended December 31, 2020, U.S. ARPU was \$15.34 and international ARPU was \$0.88, which represent increases of 27% and 62%, respectively, compared to the year ended December 31, 2019.

We use MAUs and ARPU to assess the growth and health of our overall business and believe that these metrics best reflect our ability to attract, retain, engage and monetize our users, and thereby drive revenue.

Factors Affecting Our Performance

Growth in MAUs. User growth trends, which are reflected in the number of MAUs, are a key factor that affects our revenue and financial results. As our user base and the quality of engagement of our users grow, we believe the potential to increase our revenue grows.

We are focused on increasing the ways Pinners use and get value from our platform and on expanding our user base, with an emphasis on international markets.

We may face challenges enhancing the quality of engagement and increasing the size of our user base, including competition from alternative products and services, saturation of existing markets, difficulties scaling in international markets, a lack of sufficiently relevant content available on Pinterest, actions by external parties (such as changes in search engine methodologies and policies, changes in terms of online application stores and disruptions in single sign-on access) or changes in regulations (which require changes to our products in a manner that negatively impacts our user growth, retention and engagement). We expect long-term revenue growth will be driven more by the quality of user engagement and higher monetization of users than by sheer growth of users. To the extent our user growth slows, our revenue growth will become increasingly dependent on our ability to increase the quality of user engagement.

Growth in Monetization. Monetization trends, which are reflected in ARPU, are a key factor that affects our revenue and financial results.

We are in the early stages of our monetization efforts. We are focused on helping advertisers of all sizes succeed on Pinterest and expanding our sales efforts to reach advertisers in additional international markets, with an initial focus on Western Europe and other select markets to follow. Our investments in tools are focused on helping advertisers with ad creation, campaign scaling and measurement.

There are many variables that impact ARPU, including the number of ad impressions shown on our platform and the price per ad, which depends on a number of factors including the engagement of our audience and the quality of that engagement, the number and diversity of advertisers, our ability and decision to serve contextually relevant advertisements, the amount of advertising spend, an advertiser's objectives, ad performance and the effectiveness of

our advertising products and our ability to measure that effectiveness for our advertisers, as well as the effect of geographic differences on each of these factors. Due to our decision to focus our earliest monetization efforts in the United States, we have less experience monetizing international markets and therefore may experience challenges scaling and monetizing these markets due to differences in Pinners' taste and interests and advertisers' expectations. The international advertising market is also smaller and less mature than the U.S. digital advertising market.

Investment in Technology. We make investments in technology that we believe will enhance Pinner and advertiser experiences. Key investment areas for our platform include machine learning, computer vision and our recommendation engine. We also invest heavily in our advertising products, including our self-serve platform and first- and third-party measurement tools. We plan to continue making significant investments in research and development and may develop products for Pinners that cannot be monetized immediately, if ever.

Investment in Talent. Our business relies on our ability to attract and retain talent. As of December 31, 2020, we had 2,545 full-time employees, an increase of 15% compared to December 31, 2019. For information, see "Talent Management and Development" in section Item 1. Business, which is incorporated herein by reference.

Competition. We face significant competition in almost every aspect of our business. We primarily compete with consumer internet companies that are either tools (search, ecommerce) or media (newsfeeds, video, social networks). We also compete for advertising revenue across a variety of formats. We must compete effectively for users and advertisers in order to grow our business and increase our revenue. For more information, see "Our Competition" in section Item 1. Business and Item 1A. Risk Factors, which are incorporated herein by reference.

Seasonality. We experience seasonality in user growth, engagement and monetization on our platform. Historically, we have had lower engagement in the second calendar quarter, though we did not experience typical seasonal trends and saw an increase in active user growth in the second quarter of 2020 due to shelter-in-place orders related to the COVID-19 pandemic. Industry advertising spend tends to be strongest in the fourth quarter, and we observe a similar pattern in our historical advertising revenue. Significant user and monetization growth has partially offset these trends in historical periods, and thus we expect the impact of seasonality to be more pronounced in the future.

Share-Based Compensation. We began granting restricted stock units ("RSUs") in March 2015. We measure RSUs based on the fair market value of our common stock on the grant date.

RSUs granted under our 2009 Plan are subject to both a service condition, which is typically satisfied over four years, and a performance condition, which was deemed satisfied upon the pricing of our IPO. We did not record any share-based compensation expense for our RSUs prior to our IPO because the performance condition had not yet been satisfied. Upon pricing our IPO, we recorded cumulative share-based compensation expense using the accelerated attribution method for those RSUs granted under our 2009 Plan for which the service condition had been satisfied at that date. We will record the remaining unrecognized share-based compensation expense over the remainder of the requisite service period.

RSUs and restricted stock awards ("RSAs") granted under our 2019 Omnibus Incentive Plan (the "2019 Plan") are subject only to a service condition, which is typically satisfied over four years. We record share-based compensation expense for these RSUs and RSAs on a straight-line basis over the requisite service period.

As of December 31, 2020, we had \$742.7 million of unrecognized share-based compensation expense, which we expect to recognize over a weighted-average period of 3.0 years.

For more information about the factors impacting our performance, see "Risk Factors."

Components of Results of Operations

Revenue. We generate revenue by delivering ads on our website and mobile application. Advertisers purchase ads directly with us or through their relationships with advertising agencies. We recognize revenue only after transferring control of promised goods or services to customers, which occurs 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.

Cost of Revenue. Cost of revenue consists primarily of expenses associated with the delivery of our service, including the cost of hosting our website and mobile application. Cost of revenue also includes personnel-related expense, including salaries, benefits and share-based compensation for employees on our operations teams, payments associated with partner arrangements, credit card and other transaction processing fees, and allocated facilities and other supporting overhead costs.

Research and Development. Research and development consists primarily of personnel-related expense, including salaries, benefits and share-based compensation for our engineers and other employees engaged in the research and development of our products, and allocated facilities and other supporting overhead costs.

Sales and Marketing. Sales and marketing consists primarily of personnel-related expense, including salaries, commissions, benefits and share-based compensation for our employees engaged in sales, sales support, marketing, and customer service functions, advertising and promotional expenditures, professional services and allocated facilities and other supporting overhead costs. Our marketing efforts also include user- and advertiser-focused marketing expenditures.

General and Administrative. General and administrative consists primarily of personnel-related expense, including salaries, benefits and share-based compensation for our employees engaged in finance, legal, human resources and other administrative functions, professional services, including outside legal and accounting services, and allocated facilities and other supporting overhead costs.

Other Income (Expense), Net. Other income consists primarily of interest earned on our cash equivalents and marketable securities.

Provision for Income Taxes. Provision for income taxes consists primarily of income taxes in foreign jurisdictions and U.S. federal and state income taxes adjusted for discrete items.

Adjusted EBITDA. We define Adjusted EBITDA as net loss adjusted to exclude depreciation and amortization expense, share-based compensation expense, interest income, interest expense and other income (expense), net, provision for income taxes and, for the third quarter of 2020, a one-time payment for the termination of a future lease contract. See "Non-GAAP Financial Measure" for more information and for a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA.

Results of Operations

The following tables set forth our consolidated statements of operations data (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Revenue	\$ 1,692,658	\$ 1,142,761	\$ 755,932
Costs and expenses ⁽¹⁾ :			
Cost of revenue	449,358	358,903	241,584
Research and development	606,194	1,207,059	251,662
Sales and marketing	442,807	611,590	259,929
General and administrative	336,803	354,075	77,478
Total costs and expenses	1,835,162	2,531,627	830,653
Loss from operations	(142,504)	(1,388,866)	(74,721)
Interest income	16,119	30,164	13,152
Interest expense and other income (expense), net	(635)	(2,137)	(995)
Loss before provision for income taxes	(127,020)	(1,360,839)	(62,564)
Provision for income taxes	1,303	532	410
Net loss	\$ (128,323)	\$ (1,361,371)	\$ (62,974)
Adjusted EBITDA ⁽²⁾	\$ 305,004	\$ 16,706	\$ (39,003)

(1) Includes share-based compensation expense as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 7,865	\$ 31,758	\$ 83
Research and development	218,718	867,191	13,155
Sales and marketing	35,645	239,315	784
General and administrative	58,792	239,517	837
Total share-based compensation	\$ 321,020	\$ 1,377,781	\$ 14,859

(2) See "Selected Financial Data—Non-GAAP Financial Measure" for more information and for a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA.

The following table sets forth our consolidated statements of operations data (as a percentage of revenue):

	Year Ended December 31,		
	2020	2019	2018
Revenue	100 %	100 %	100 %
Costs and expenses:			
Cost of revenue	27	31	32
Research and development	36	106	33
Sales and marketing	26	54	34
General and administrative	20	31	10
Total costs and expenses	108	222	110
Loss from operations	(8)	(122)	(10)
Interest income	1	3	2
Interest expense and other income (expense), net	—	—	—
Loss before provision for income taxes	(8)	(119)	(8)
Provision for income taxes	—	—	—
Net loss	(8)%	(119)%	(8)%

Years Ended December 31, 2020 and 2019

Revenue

	Year Ended December 31,		% change
	2020	2019	
Revenue	\$ 1,692,658	\$ 1,142,761	48 %

Revenue for the year ended December 31, 2020 increased by \$549.9 million compared to the year ended December 31, 2019. Revenue growth was driven by a 12% increase in ARPU supported by a 37% increase in MAUs. These resulted in a 27% increase in the number of advertisements served and a 17% increase in the price of advertisements.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, revenue based on our estimate of the geographic location of our users increased by 39% in the United States to \$1,424.5 million driven by a 27% increase in U.S. ARPU supported by an 11% increase in U.S. MAUs. International revenue increased by 129% to \$268.2 million driven by a 62% increase in international ARPU supported by a 46% increase in international MAUs.

Cost of Revenue

	Year Ended December 31,		% change
	2020	2019	
Cost of revenue	\$ 449,358	\$ 358,903	25 %
Percentage of revenue	27 %	31 %	

Cost of revenue for the year ended December 31, 2020 increased by \$90.5 million compared to the year ended December 31, 2019. The increase was primarily due to higher absolute hosting costs due to user growth offset by a \$23.9 million decrease in share-based compensation expense due to our IPO in 2019.

Research and Development

	Year Ended December 31,		% change
	2020	2019	
	<i>(in thousands)</i>		
Research and development	\$ 606,194	\$ 1,207,059	(50) %
Percentage of revenue	36 %	106 %	

Research and development for the year ended December 31, 2020 decreased by \$600.9 million compared to the year ended December 31, 2019. The decrease was primarily due to a \$648.5 million decrease in share-based compensation expense due to our IPO in 2019 offset by a 17% increase in average headcount, which drove higher personnel expenses, as well as higher consulting expenses.

Sales and Marketing

	Year Ended December 31,		% change
	2020	2019	
	<i>(in thousands)</i>		
Sales and marketing	\$ 442,807	\$ 611,590	(28) %
Percentage of revenue	26 %	54 %	

Sales and marketing for the year ended December 31, 2020 decreased by \$168.8 million compared to the year ended December 31, 2019. The decrease was primarily due to a \$203.7 million decrease in share-based compensation expense due to our IPO in 2019 and lower marketing expenses, offset by a 22% increase in average headcount, which drove higher personnel expenses.

General and Administrative

	Year Ended December 31,		% change
	2020	2019	
	<i>(in thousands)</i>		
General and administrative	\$ 336,803	\$ 354,075	(5) %
Percentage of revenue	20 %	31 %	

General and administrative for the year ended December 31, 2020 decreased by \$17.3 million compared to the year ended December 31, 2019. The decrease was primarily due to a \$180.7 million decrease in share-based compensation expense due to our IPO in 2019, offset by a one-time payment of \$89.5 million for the termination of a future lease contract, a \$22.5 million settlement with our former Chief Operating Officer, an increase in outside advisor and legal-related expenses, and a 14% increase in average headcount, which drove higher personnel expenses.

Other Income

	Year Ended December 31,		% change
	2020	2019	
	<i>(in thousands)</i>		
Interest income	\$ 16,119	\$ 30,164	(47) %
Interest expense and other income (expense)	(635)	(2,137)	70 %
Other income	<u>\$ 15,484</u>	<u>\$ 28,027</u>	<u>(45) %</u>

Other income for the year ended December 31, 2020 decreased by \$12.5 million compared to the year ended December 31, 2019. The decrease was primarily due to lower returns on our marketable securities as a result of lower interest rates.

Provision for Income Taxes

	Year Ended December 31,		% change
	2020	2019	
	(in thousands)		
Provision for income taxes	\$ 1,303	\$ 532	145 %

Provision for income taxes was primarily due to profits generated by our foreign subsidiaries.

Net Loss and Adjusted EBITDA

	Year Ended December 31,		% change
	2020	2019	
	(in thousands)		
Net loss	\$ (128,323)	\$ (1,361,371)	91 %
Adjusted EBITDA	\$ 305,004	\$ 16,706	1726 %

Net loss for the year ended December 31, 2020 was \$(128.3) million, as compared to \$(1,361.4) million for the year ended December 31, 2019. Adjusted EBITDA was \$305.0 million for the year ended December 31, 2020, as compared to \$16.7 million for the year ended December 31, 2019, due to the factors described above. See "Selected Financial Data—Non-GAAP Financial Measure" for more information and for a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA.

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated results of operations for each of the eight quarters in the period ended December 31, 2020. Our unaudited quarterly results of operations have been prepared on the same basis as our audited consolidated financial statements, and we believe they reflect all normal recurring adjustments necessary for the fair statement of our results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Our historical operating data may not be indicative of our future performance.

	Three Months Ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, (1)	Mar. 31, 2019
	(in thousands, except per share amounts)							
Revenue	\$ 705,617	\$ 442,616	\$ 272,485	\$ 271,940	\$ 399,898	\$ 279,703	\$ 261,249	\$ 201,911
Costs and expenses ⁽²⁾ :								
Cost of revenue	129,023	112,844	108,259	99,232	96,274	83,520	105,415	73,694
Research and development	163,710	160,187	136,593	145,704	165,033	167,703	801,879	72,444
Sales and marketing	120,766	118,531	86,483	117,027	127,537	110,740	296,919	76,394
General and administrative ⁽³⁾	86,969	148,087	45,680	56,067	54,241	51,450	224,179	24,205
Total costs and expenses	500,468	539,649	377,015	418,030	443,085	413,413	1,428,392	246,737
Income (loss) from operations	205,149	(97,033)	(104,530)	(146,090)	(43,187)	(133,710)	(1,167,143)	(44,826)
Interest income	1,854	2,896	4,218	7,151	8,141	9,837	8,127	4,059
Interest expense and other income (expense), net	1,509	(51)	(16)	(2,077)	(133)	(1,056)	(448)	(500)
Income (loss) before provision for income taxes	208,512	(94,188)	(100,328)	(141,016)	(35,179)	(124,929)	(1,159,464)	(41,267)
Provision for (benefit from) income taxes	671	32	420	180	539	(197)	37	153
Net income (loss)	\$ 207,841	\$ (94,220)	\$ (100,748)	\$ (141,196)	\$ (35,718)	\$ (124,732)	\$ (1,159,501)	\$ (41,420)
Net income (loss) per share attributable to common stockholders:	\$ 207,841	\$ (94,220)	\$ (100,748)	\$ (141,196)	\$ (35,718)	\$ (124,732)	\$ (1,159,501)	\$ (41,420)
Basic	\$ 0.34	\$ (0.16)	\$ (0.17)	\$ (0.25)	\$ (0.06)	\$ (0.23)	\$ (2.62)	\$ (0.33)
Diluted	\$ 0.30	\$ (0.16)	\$ (0.17)	\$ (0.25)	\$ (0.06)	\$ (0.23)	\$ (2.62)	\$ (0.33)
Adjusted EBITDA ⁽⁴⁾	\$ 299,182	\$ 93,042	\$ (33,900)	\$ (53,320)	\$ 77,308	\$ 3,871	\$ (26,037)	\$ (38,436)

(1) Upon pricing our IPO, the performance condition for RSUs granted under our 2009 Plan was deemed satisfied, and we recorded cumulative share-based compensation expense for those RSUs for which the service condition had been satisfied at that date. For the three months ended June 30, 2019, we recorded total share-based compensation expense of \$1,134.6 million.

(2) Includes share-based compensation expense as follows (in thousands):

	Three Months Ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
Cost of revenue	\$ 1,816	\$ 2,298	\$ 2,325	\$ 1,426	\$ 2,018	\$ 1,568	\$ 28,157	\$ 15
Research and development	62,097	61,357	46,358	48,906	73,030	83,539	709,996	626
Sales and marketing *	11,842	11,958	(2,074)	13,919	15,915	21,243	202,128	29
General and administrative	10,464	16,019	15,536	16,773	21,237	23,938	194,318	24
Total share-based compensation	\$ 86,219	\$ 91,632	\$ 62,145	\$ 81,024	\$ 112,200	\$ 130,288	\$ 1,134,599	\$ 694

* Share-based compensation expense was negative for the three months ended June 30, 2020 due to the reversal of previously recognized share-based compensation expense related to unvested RSUs forfeited by our former Chief Operating Officer.

- (3) In August 2020, we entered into an agreement to terminate a future lease contract which involved a one-time payment of \$89.5 million.
- (4) The following table presents a reconciliation of net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted EBITDA (in thousands):

	Three Months Ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
Reconciliation of Net Income (Loss) to Adjusted EBITDA								
Net Income (Loss)	\$ 207,841	\$ (94,220)	\$ (100,748)	\$ (141,196)	\$ (35,718)	\$ (124,732)	\$ (1,159,501)	\$ (41,420)
Depreciation and amortization	7,814	8,943	8,485	11,746	8,295	7,293	6,507	5,696
Share-based compensation	86,219	91,632	62,145	81,024	112,200	130,288	1,134,599	694
Interest income	(1,854)	(2,896)	(4,218)	(7,151)	(8,141)	(9,837)	(8,127)	(4,059)
Interest expense and other (income) expense, net	(1,509)	51	16	2,077	133	1,056	448	500
Provision for (benefit from) income taxes	671	32	420	180	539	(197)	37	153
Termination of future lease contract	—	89,500	—	—	—	—	—	—
Adjusted EBITDA	\$ 299,182	\$ 93,042	\$ (33,900)	\$ (53,320)	\$ 77,308	\$ 3,871	\$ (26,037)	\$ (38,436)

The following table sets forth the components of our unaudited quarterly consolidated statements of operations (as a percentage of revenue):

	Three Months Ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Costs and expenses:								
Cost of revenue	18	25	40	36	24	30	40	36
Research and development	23	36	50	54	41	60	307	36
Sales and marketing	17	27	32	43	32	40	114	38
General and administrative	12	33	17	21	14	18	86	12
Total costs and expenses	71	122	138	154	111	148	547	122
Income (loss) from operations	29	(22)	(38)	(54)	(11)	(48)	(447)	(22)
Interest income	—	1	2	3	2	4	3	2
Interest expense and other income (expense), net	—	—	—	(1)	—	—	—	—
Income (loss) before provision for income taxes	30	(21)	(37)	(52)	(9)	(45)	(444)	(20)
Provision for (benefit from) income taxes	—	—	—	—	—	—	—	—
Net Income (loss)	29 %	(21)%	(37)%	(52)%	(9)%	(45)%	(444)%	(21)%

Liquidity and Capital Resources

We have historically financed our operations primarily through sales of our stock and payments received from our customers. Our primary uses of cash are personnel-related costs and the cost of hosting our website and mobile application. As of December 31, 2020, we had \$1,760.3 million in cash, cash equivalents and marketable securities. Our cash equivalents and marketable securities are primarily invested in short-duration fixed income securities, including government and investment-grade corporate debt securities and money market funds. As of December 31, 2020, \$82.1 million of our cash and cash equivalents was held by our foreign subsidiaries.

In November 2018, we entered into a five-year \$500.0 million revolving credit facility with an accordion option which, if exercised, would allow us to increase the aggregate commitments by the greater of \$100.0 million and 10% of our consolidated total assets, provided we are able to secure additional lender commitments and satisfy certain other conditions. Interest on any borrowings under the revolving credit facility accrues at either LIBOR plus 1.50% or at an alternative base rate plus 0.50%, at our election, and we are required to pay an annual commitment fee that accrues at 0.15% per annum on the unused portion of the aggregate commitments under the revolving credit facility.

The revolving credit facility also allows us to issue letters of credit, which reduce the amount we can borrow. We are required to pay a fee that accrues at 1.50% per annum on the average aggregate daily maximum amount available to be drawn under any outstanding letters of credit.

The revolving credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict our ability to incur indebtedness, grant liens, make distributions to holders of our stock or the stock of our subsidiaries, make investments or engage in transactions with our affiliates. The revolving credit facility also contains two financial maintenance covenants: a consolidated total assets covenant and a minimum liquidity balance of \$350.0 million, which includes any available borrowing capacity. The obligations under the revolving credit facility are secured by liens on substantially all of our domestic assets, including certain domestic intellectual property assets. We are in compliance with all covenants and there were no amounts outstanding under this facility as of December 31, 2020.

On April 23, 2019, we closed our IPO in which we issued and sold 75,000,000 shares of Class A common stock at \$19.00 per share. We received net proceeds of \$1,368.0 million after deducting underwriting discounts and commissions and before deducting offering costs of \$9.8 million. We utilized a portion of the net proceeds from this offering to pay approximately \$302.7 million to satisfy the tax withholding and remittance obligations related to the settlement of RSUs.

On April 29, 2019, we issued and sold an additional 11,250,000 shares of Class A common stock at \$19.00 per share pursuant to the underwriters' option to purchase additional shares. We received additional net proceeds of \$205.2 million after deducting underwriting discounts and commissions.

We believe our existing cash, cash equivalents and marketable securities and amounts available under our revolving credit facility will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months, though we continue to monitor the effects of the COVID-19 pandemic on our working capital needs and may require additional capital resources in the future. In addition, the COVID-19 pandemic has caused disruption in the capital markets. It could make financing more difficult and/or expensive, and we may not be able to obtain such financing on terms acceptable to us or at all.

For the years ended December 31, 2020, 2019 and 2018, our net cash flows were as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net cash provided by (used in):			
Operating activities	\$ 28,826	\$ 657	\$ (60,369)
Investing activities	\$ (47,623)	\$ (586,501)	\$ 114,063
Financing activities	\$ 19,638	\$ 1,128,198	\$ (2,216)

Operating Activities

Cash flows from operating activities consist of our net loss adjusted for certain non-cash reconciling items, such as share-based compensation expense, depreciation and amortization, and changes in our operating assets and liabilities. Net cash provided by operating activities increased by \$28.2 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to a decrease in our net loss after adjusting for non-cash reconciling items offset by an increase in accounts receivable.

Investing Activities

Cash flows from investing activities consist of capital expenditures for improvements to new and existing office spaces. We also actively manage our operating cash and cash equivalent balances and invest excess cash in short-duration marketable securities, sales and maturities of which we use to fund our ongoing working capital requirements. Net cash used in investing activities decreased by \$538.9 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to increased proceeds from maturities of marketable securities.

Financing Activities

Cash flows from financing activities consist of net proceeds from our IPO, tax withholdings on release of RSUs and proceeds from the exercise of stock options. Net cash provided by financing activities decreased by \$1,108.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the net proceeds related to our IPO in 2019 offset by a decrease in tax withholdings on release of RSUs.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2020.

Contractual Obligations

The following table summarizes our contractual obligations and commitments as of December 31, 2020 (in thousands):

	Total	2021	2022-2023	2024-2025	Thereafter
Operating leases	\$ 231,006	\$ 52,472	\$ 56,783	\$ 24,242	\$ 97,509
Total	<u>\$ 231,006</u>	<u>\$ 52,472</u>	<u>\$ 56,783</u>	<u>\$ 24,242</u>	<u>\$ 97,509</u>

In March 2019, we entered into a lease for approximately 490,000 square feet of office space to be constructed near our current headquarters campus in San Francisco, California. In August 2020, we entered into an agreement to terminate the lease which involved a one-time payment of \$89.5 million. As a result of the termination, we eliminated potential future total minimum lease payments of approximately \$440.0 million.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. Preparing our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as related disclosures. Because these estimates and judgments may change from period to period, actual results could differ materially, which may negatively affect our financial condition or results of operations. We base our estimates and judgments on historical experience and various other assumptions that we consider reasonable, and we evaluate these estimates and judgments on an ongoing basis. We refer to such estimates and judgments, discussed further below, as critical accounting policies and estimates.

Some of our estimates may require increased judgment due to the significant volatility, uncertainty and economic disruption of the COVID-19 pandemic. We continue to monitor the effects of the COVID-19 pandemic, and our estimates and judgments may change materially as new events occur or additional information becomes available to us.

Refer to Note 1 to our consolidated financial statements for further information on our other significant accounting policies.

Revenue Recognition

We generate revenue by delivering ads on our website and mobile application. We recognize revenue only after transferring control of promised goods or services to customers, which occurs when a user clicks on an ad contracted on a CPC basis, views an ad contracted on a CPM basis or views a video ad contracted on a CPV basis. We typically bill customers on a CPC, CPM or CPV basis, and our payment terms vary by customer type and location. The term between billing and payment due dates is not significant.

We occasionally offer customers free ad inventory, and revenue is recognized only after satisfying our contractual performance obligations. When contracts with our customers contain multiple performance obligations, we allocate the overall transaction price, which is the amount of consideration to which we expect to be entitled in exchange for promised goods or services, to each of the distinct performance obligations based on their relative standalone selling prices. We generally determine standalone selling prices based on the effective price charged per contracted click, impression or view, and we do not disclose the value of unsatisfied performance obligations because the original expected duration of our contracts is generally less than one year.

Leases and Operating Lease Incremental Borrowing Rate

We lease office space under operating leases with expiration dates through 2033. We determine whether an arrangement constitutes a lease at inception and record lease liabilities and right-of-use assets on our consolidated balance sheets at lease commencement. We measure lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or our incremental borrowing rate, which is the estimated rate we would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. We estimate our incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to our own. We measure right-of-use assets based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs we incur and (iii) tenant incentives under the lease. We begin recognizing rent expense when the lessor makes the underlying asset available to us, we do not assume renewals or early terminations unless we are reasonably certain to exercise these options at commencement, and we do not allocate consideration between lease and non-lease components.

Recent Accounting Pronouncements

Refer to Note 1 to our consolidated financial statements for recent accounting pronouncements.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including changes in foreign currency exchange and interest rates, in the ordinary course of our business.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar, and the functional currency of our subsidiaries is either their local currency or the U.S. dollar, depending on the circumstances. While the majority of our revenue and operating expenses are denominated in U.S. dollars, we have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar. We have experienced and will continue to experience fluctuations in our net loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances denominated in currencies other than the functional currency of the subsidiaries in which they are recorded. To date, these fluctuations have not been material. We have not engaged in hedging activities relating to our foreign currency exchange risk, although we may do so in the future. We do not believe a 10% increase or decrease in the relative value of the U.S. dollar would have materially affected our consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018.

Interest Rate Risk

As of December 31, 2020, we held cash, cash equivalents and marketable securities of \$1,760.3 million. Our cash equivalents and marketable securities primarily consist of short-duration fixed income securities, including government and investment-grade corporate debt securities and money market funds, and our investment policy is meant to preserve capital and maintain liquidity. Changes in interest rates affect the interest income we earn on our cash, cash equivalents and marketable securities and the fair value of our cash equivalents and marketable securities. A hypothetical 100 basis point increase in interest rates would have decreased the market value of our cash equivalents and marketable securities by \$7.6 million and \$5.8 million as of December 31, 2020 and 2019, respectively.

Item 8. Financial Statements and Supplementary Data

PINTEREST, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations Data," which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Pinterest, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pinterest, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 4, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

Description of the Matter

As described in Note 1 to the consolidated financial statements, the Company generates substantially all of its revenues by delivering ads on the Pinterest website and mobile application. Revenue is recognized after transferring control of the promised goods or services to customers, which occurs when a user clicks on an ad contracted on a cost per click basis, views an ad contracted on a cost per thousand impressions basis or views a video ad contracted on a cost per view basis.

The Company's revenue recognition process utilizes complex proprietary systems and tools for the initiation, processing, delivery and recording of advertising transactions which includes a high volume of transactions. This process is dependent on the effective design and operation of multiple systems, processes, data sources and controls which require significant audit effort. Also, the identification and evaluation of non-standard terms and conditions requires incremental judgements to determine the distinct performance obligations and potential impact to the timing of revenue recognition.

How We Addressed the Matter in Our Audit

With the support of our information technology professionals, we identified and tested the relevant systems and tools used for the determination of initiation, processing, delivery of advertisements and recording of revenue, which included processes and controls related to access to the relevant systems and data, changes to the relevant systems and interfaces, and configuration of the relevant systems. We further obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls over the identification and evaluation of non-standard terms and conditions and the resulting impact on timing and amount of revenue recognition.

To test the Company's recognition of revenue, our audit procedures included, among others, testing the completeness and accuracy of the underlying data within the Company's revenue and billing systems, and comparing revenue recognized to accounts receivables and cash receipts. Additionally, we examined standard customer terms and conditions and we selected a sample of non-standard contractual arrangements to test that all distinct performance obligations were identified and to test the timing and amount of revenue recognition.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

San Francisco, California

February 4, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Pinterest, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Pinterest, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). In our opinion, Pinterest, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 4, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California

February 4, 2021

PINTEREST, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 669,230	\$ 649,666
Marketable securities	1,091,076	1,063,679
Accounts receivable, net of allowances of \$8,811 and \$2,851 as of December 31, 2020 and 2019, respectively	563,733	316,367
Prepaid expenses and other current assets	33,502	37,522
Total current assets	2,357,541	2,067,234
Property and equipment, net	69,375	91,992
Operating lease right-of-use assets	155,916	188,251
Goodwill and intangible assets, net	13,562	14,576
Restricted cash	9,110	25,339
Other assets	3,955	5,925
Total assets	\$ 2,609,459	\$ 2,393,317
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 49,491	\$ 34,334
Accrued expenses and other current liabilities	155,340	141,823
Total current liabilities	204,831	176,157
Operating lease liabilities	139,321	173,392
Other liabilities	22,936	20,063
Total liabilities	367,088	369,612
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.00001 par value, 6,666,667 shares authorized, 530,140 and 360,850 shares issued and outstanding as of December 31, 2020 and 2019, respectively; Class B common stock, \$0.00001 par value, 1,333,333 shares authorized, 96,232 and 209,054 shares issued and outstanding as of December 31, 2020 and 2019, respectively	6 4,574,934	6 4,229,778
Additional paid-in capital	2,480	647
Accumulated other comprehensive income	(2,335,049)	(2,206,726)
Accumulated deficit	2,242,371	2,023,705
Total stockholders' equity	\$ 2,609,459	\$ 2,393,317
Total liabilities and stockholders' equity		

The accompanying notes are an integral part of these consolidated financial statements.

PINTEREST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Revenue	\$ 1,692,658	\$ 1,142,761	\$ 755,932
Costs and expenses:			
Cost of revenue	449,358	358,903	241,584
Research and development	606,194	1,207,059	251,662
Sales and marketing	442,807	611,590	259,929
General and administrative	336,803	354,075	77,478
Total costs and expenses	<u>1,835,162</u>	<u>2,531,627</u>	<u>830,653</u>
Loss from operations	(142,504)	(1,388,866)	(74,721)
Interest income	16,119	30,164	13,152
Interest expense and other income (expense), net	(635)	(2,137)	(995)
Loss before provision for income taxes	(127,020)	(1,360,839)	(62,564)
Provision for income taxes	1,303	532	410
Net loss	<u>\$ (128,323)</u>	<u>\$ (1,361,371)</u>	<u>\$ (62,974)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.22)</u>	<u>\$ (3.24)</u>	<u>\$ (0.50)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>596,264</u>	<u>420,473</u>	<u>127,091</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINTEREST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (128,323)	\$ (1,361,371)	\$ (62,974)
Other comprehensive income (loss), net of taxes:			
Change in unrealized gain (loss) on available-for-sale marketable securities	1,670	2,057	(443)
Change in foreign currency translation adjustment	163	11	(212)
Comprehensive loss	<u>\$ (126,490)</u>	<u>\$ (1,359,303)</u>	<u>\$ (63,629)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINTEREST, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except per share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Stockholders' Equity (Deficit)		
	Shares	Amount	Shares	Amount	\$	1	\$	(766)	\$	(782,381)	\$
Balance as of December 31, 2017	308,373	\$ 1,465,399	126,771	\$ 1	\$ 236,682		\$ (766)	\$ (782,381)	\$ (546,464)		
Issuance of common stock for cash upon exercise of stock options, net	—	—	527	—	671		—	—	—	671	
Share-based compensation	—	—	—	—	14,859		—	—	—	14,859	
Other comprehensive loss	—	—	—	—	—		(655)	—	—	(655)	
Net loss	—	—	—	—	—		—	(62,974)	—	(62,974)	
Balance as of December 31, 2018	308,373	\$ 1,465,399	127,298	\$ 1	\$ 252,212		\$ (1,421)	\$ (845,355)	\$ (594,563)		
Release of restricted stock units	—	—	28,084	1	—		—	—	—	1	
Shares repurchased for tax withholdings on release of restricted stock units	—	—	—	—	(475,015)		—	—	—	(475,015)	
Conversion of redeemable convertible preferred stock and redeemable convertible preferred stock warrants to common stock in connection with initial public offering	(308,373)	(1,465,399)	308,622	3	1,470,074		—	—	—	1,470,077	
Issuance of common stock in connection with initial public offering net of underwriters' discounts and commissions and offering costs	—	—	86,250	1	1,563,382		—	—	—	1,563,383	
Issuance of common stock for cash upon exercise of stock options, net	—	—	19,650	—	41,344		—	—	—	41,344	
Share-based compensation	—	—	—	—	1,377,781		—	—	—	1,377,781	
Other comprehensive income	—	—	—	—	—		2,068	—	—	2,068	
Net loss	—	—	—	—	—		—	(1,361,371)	—	(1,361,371)	
Balance as of December 31, 2019	—	\$ —	569,904	\$ 6	\$ 4,229,778		\$ 647	\$ (2,206,726)	\$ 2,023,705		
Release of restricted stock units	—	—	19,890	—	—		—	—	—	—	
Shares repurchased for tax withholdings on release of restricted stock units	—	—	—	—	(56,894)		—	—	—	(56,894)	
Issuance of common stock for cash upon exercise of stock options, net	—	—	34,149	—	78,282		—	—	—	78,282	
Issuance of common stock related to charitable contributions	—	—	150	—	2,748		—	—	—	2,748	
Issuance of restricted stock awards, net	—	—	2,279	—	—		—	—	—	—	
Share-based compensation	—	—	—	—	321,020		—	—	—	321,020	
Other comprehensive income	—	—	—	—	—		1,833	—	—	1,833	
Net loss	—	—	—	—	—		—	(128,323)	—	(128,323)	
Balance as of December 31, 2020	—	\$ —	626,372	\$ 6	\$ 4,574,934		\$ 2,480	\$ (2,335,049)	\$ 2,242,371		

The accompanying notes are an integral part of these consolidated financial statements.

PINTEREST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2020	2019	2018
Operating activities			
Net loss	\$ (128,323)	\$ (1,361,371)	\$ (62,974)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	36,988	27,791	20,859
Share-based compensation	321,020	1,377,781	14,859
Other	11,080	(3,990)	1,027
Changes in assets and liabilities:			
Accounts receivable	(253,173)	(94,224)	(86,094)
Prepaid expenses and other assets	4,128	7,161	18,142
Operating lease right-of-use assets	41,898	32,378	18,492
Accounts payable	15,721	11,636	6,533
Accrued expenses and other liabilities	23,647	31,890	26,336
Operating lease liabilities	(44,160)	(28,395)	(17,549)
Net cash provided by (used in) operating activities	<u>28,826</u>	<u>657</u>	<u>(60,369)</u>
Investing activities			
Purchases of property and equipment and intangible assets	(17,401)	(33,783)	(22,194)
Purchases of marketable securities	(1,216,260)	(1,075,875)	(518,711)
Sales of marketable securities	265,422	162,198	94,381
Maturities of marketable securities	920,300	360,959	561,087
Other investing activities	316	—	(500)
Net cash provided by (used in) investing activities	<u>(47,623)</u>	<u>(586,501)</u>	<u>114,063</u>
Financing activities			
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	1,573,200	—
Proceeds from exercise of stock options, net	78,282	41,344	671
Shares repurchased for tax withholdings on release of restricted stock units	(56,894)	(475,015)	—
Fees paid for revolving credit facility	—	—	(2,552)
Payment of deferred offering costs and other financing activities	(1,750)	(11,331)	(335)
Net cash provided by (used in) financing activities	<u>19,638</u>	<u>1,128,198</u>	<u>(2,216)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	327	99	(157)
Net increase in cash, cash equivalents, and restricted cash	1,168	542,453	51,321
Cash, cash equivalents, and restricted cash, beginning of period	677,743	135,290	83,969
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 678,911</u>	<u>\$ 677,743</u>	<u>\$ 135,290</u>
Supplemental cash flow information			
Accrued property and equipment	\$ 820	\$ 4,772	\$ 1,884
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 15,089	\$ 76,387	\$ 11,416
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets			
Cash and cash equivalents	\$ 669,230	\$ 649,666	\$ 122,509
Restricted cash included in prepaid expenses and other current assets	571	2,738	1,057
Restricted cash	9,110	25,339	11,724
Total cash, cash equivalents, and restricted cash	<u>\$ 678,911</u>	<u>\$ 677,743</u>	<u>\$ 135,290</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Pinterest was incorporated in Delaware in 2008 and is headquartered in San Francisco, California. Pinterest is a visual discovery engine that people around the globe use to find the inspiration to create a life they love. We generate revenue by delivering ads on our website and mobile application.

Basis of Presentation and Consolidation

We prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). The consolidated financial statements include the accounts of Pinterest, Inc. and its wholly owned subsidiaries. We have eliminated all intercompany balances and transactions.

Reclassifications

We have reclassified certain amounts in prior periods to conform with current presentation.

Initial Public Offering

On April 23, 2019, we closed our initial public offering ("IPO") in which we issued and sold 75,000,000 shares of Class A common stock at \$19.00 per share. We received net proceeds of \$1,368.0 million after deducting underwriting discounts and commissions and before deducting offering costs of \$9.8 million. Immediately prior to the completion of our IPO, all shares of our outstanding redeemable convertible preferred stock and redeemable convertible preferred stock warrants converted into 308,621,636 shares of Class B common stock on a one-for-one basis, and immediately thereafter but still prior to the completion of our IPO, all of our outstanding common stock were reclassified into 456,213,756 shares of Class B common stock on a one-for-one basis.

On April 29, 2019, we issued and sold an additional 11,250,000 shares of Class A common stock at \$19.00 per share pursuant to the underwriters' option to purchase additional shares. We received additional net proceeds of \$205.2 million after deducting underwriting discounts and commissions.

Upon pricing our IPO, the performance condition for restricted stock units ("RSUs") granted under our 2009 Stock Plan (the "2009 Plan") was deemed satisfied, and we recorded cumulative share-based compensation expense for those RSUs for which the service condition had been satisfied at that date. For the years ended December 31, 2020, 2019 and 2018, we recorded total share-based compensation expense of \$321.0 million, \$1,377.8 million and \$14.9 million, respectively.

Use of Estimates

Preparing our consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect amounts reported in the consolidated financial statements and accompanying notes. We base these estimates and judgments on historical experience and various other assumptions that we consider reasonable. GAAP requires us to make estimates and assumptions in several areas, including the fair values of financial instruments, assets acquired and liabilities assumed through business combinations, common stock prior to our IPO, share-based awards, and contingencies as well as the collectability of our accounts receivable, the useful lives of our intangible assets and property and equipment, the incremental borrowing rate we use to determine our operating lease liabilities, and revenue recognition, among others. Actual results could differ materially from these estimates and judgments.

Some of our estimates may require increased judgment due to the significant volatility, uncertainty and economic disruption of the COVID-19 pandemic. We continue to monitor the effects of the COVID-19 pandemic, and our estimates and judgments may change materially as new events occur or additional information becomes available to us.

Segments

We operate as a single operating segment. Our chief operating decision maker is our Chief Executive Officer ("CEO"), who reviews financial information presented on a consolidated basis, accompanied by disaggregated information

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

about our revenue, for purposes of making operating decisions, assessing financial performance and allocating resources.

Revenue Recognition

We generate revenue by delivering ads on our website and mobile application. We recognize revenue only after transferring control of promised goods or services to customers, which occurs 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. We typically bill customers on a CPC, CPM or CPV basis, and our payment terms vary by customer type and location. The term between billing and payment due dates is not significant.

We occasionally offer customers free ad inventory, and revenue is recognized only after satisfying our contractual performance obligations. When contracts with our customers contain multiple performance obligations, we allocate the overall transaction price, which is the amount of consideration to which we expect to be entitled in exchange for promised goods or services, to each of the distinct performance obligations based on their relative standalone selling prices. We generally determine standalone selling prices based on the effective price charged per contracted click, impression or view, and we do not disclose the value of unsatisfied performance obligations because the original expected duration of our contracts is generally less than one year.

We record sales commissions in sales and marketing expense as incurred because we would amortize these over a period of less than one year.

Deferred revenue was not material as of December 31, 2020 and 2019.

Cost of Revenue

Cost of revenue consists primarily of expenses associated with the delivery of our service, including the cost of hosting our website and mobile application. Cost of revenue also includes personnel-related expense, including salaries, benefits and share-based compensation, for employees on our operations teams, payments associated with partner arrangements, credit card and other transaction processing fees, and allocated facilities and other supporting overhead costs.

Share-Based Compensation

RSUs granted under our 2009 Plan are subject to both a service condition, which is typically satisfied over four years, and a performance condition, which was deemed satisfied upon the pricing of our IPO. We did not record any share-based compensation expense for our RSUs prior to our IPO because the performance condition had not yet been satisfied. Upon pricing our IPO, we recorded cumulative share-based compensation expense using the accelerated attribution method for those RSUs granted under our 2009 Plan for which the service condition had been satisfied at that date. We will record the remaining unrecognized share-based compensation expense over the remainder of the requisite service period.

RSUs and restricted stock awards ("RSAs") granted under our 2019 Omnibus Incentive Plan (the "2019 Plan") are subject only to a service condition, which is typically satisfied over four years. We record share-based compensation expense for these RSUs and RSAs on a straight-line basis over the requisite service period.

We measure RSUs and RSAs based on the fair market value of our common stock on the grant date, and we account for forfeitures as they occur.

Income Taxes

We account for income taxes using the asset and liability method. We recognize deferred tax assets and liabilities for temporary differences between the financial reporting and tax bases of assets and liabilities using the enacted statutory tax rates in effect for the years in which we expect the differences to reverse. We establish valuation allowances to reduce deferred tax assets to the amounts we believe it is more likely than not we will be able to realize. We recognize tax benefits from uncertain tax positions when we believe it is more likely than not that the tax position is sustainable on examination by tax authorities based on its technical merits. We recognize taxes on Global Intangible Low-Taxed Income ("GILTI") as a current period expense when incurred.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising Expenses

We record advertising expenses as incurred and include these in sales and marketing in the consolidated statements of operations. Advertising expenses were \$30.3 million, \$55.0 million and \$19.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Marketable Securities

We invest in highly liquid corporate debt securities, U.S. treasury securities, asset-backed securities, U.S. government agency securities, money market funds and certificates of deposit. We classify marketable investments with stated maturities of ninety days or less from the date of purchase as cash equivalents and those with stated maturities greater than ninety days from the date of purchase as marketable securities.

We classify our marketable securities as available-for-sale investments in our current assets because they are available for use to support current operations. We carry our marketable investments at fair value and record unrealized gains or losses, net of taxes, in accumulated other comprehensive income (loss) in stockholders' equity (deficit). We determine realized gains and losses on the sale of marketable investments using a specific identification method and record these and any expected credit losses in interest expense and other income (expense), net.

Restricted Cash

Our restricted cash primarily consists of certificates of deposit underlying secured letters of credit issued in connection with our operating leases. Restrictions typically lapse at the end of the lease term, and we classify restricted cash as current or non-current based on the remaining term of the restriction.

Fair Value Measurements

We account for certain assets and liabilities at fair value, which is the amount we believe market participants would receive to sell an asset or pay to transfer a liability in an orderly transaction. We categorize these assets and liabilities into the three levels below based on the degree to which the inputs we use to measure their fair values are observable in active markets. We use the most observable inputs available to us when measuring fair value.

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets
- Level 2: Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or inputs that are derived principally from or corroborated by observable market data or other means
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Accounts Receivable, Net of Allowances

We record accounts receivable at the original invoiced amount. We maintain an allowance for credit losses for any receivables we may be unable to collect. We estimate uncollectible receivables based on our receivables' age, our customers' credit quality and current economic conditions, among other factors that may affect our customers' ability to pay. We also maintain an allowance for sales credits, which we determine based on historical credits issued to customers. We include the allowances for credit losses and sales credits in accounts receivable, net in the consolidated balance sheets.

Property and Equipment

We carry property and equipment at cost less accumulated depreciation and calculate depreciation using the straight-line method over our assets' estimated useful lives, which are generally:

Property and Equipment	Useful Life
Computer and network equipment	3 years
Furniture and fixtures	4 years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases and Operating Lease Incremental Borrowing Rate

We lease office space under operating leases with expiration dates through 2033. We determine whether an arrangement constitutes a lease at inception and record lease liabilities and right-of-use assets on our consolidated balance sheets at lease commencement. We measure lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or our incremental borrowing rate, which is the estimated rate we would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. We estimate our incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to our own. We measure right-of-use assets based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs we incur and (iii) tenant incentives under the lease. We begin recognizing rent expense when the lessor makes the underlying asset available to us, we do not assume renewals or early terminations unless we are reasonably certain to exercise these options at commencement, and we do not allocate consideration between lease and non-lease components.

For short-term leases, we record rent expense in our consolidated statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

Business Combinations

We include the results of operations of businesses that we acquire in our consolidated financial statements beginning on their respective acquisition dates. We allocate the fair value of the purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values. When the fair value of the purchase consideration exceeds the fair values of the identifiable assets and liabilities acquired, we record the excess as goodwill.

Long-Lived Assets, Including Goodwill and Intangible Assets

We record definite-lived intangible assets at fair value less accumulated amortization. We calculate amortization using the straight-line method over the assets' estimated useful lives of up to ten years.

We review our property and equipment and intangible assets for impairment whenever events or circumstances indicate that an asset's carrying value may not be recoverable. We measure recoverability by comparing an asset's carrying value to the future undiscounted cash flows that we expect it to generate. If this test indicates that the asset's carrying value is not recoverable, we record an impairment charge to reduce the asset's carrying value to its fair value. We did not record material property and equipment or intangible asset impairments during the periods presented.

We review goodwill for impairment at least annually or more frequently if current circumstances or events indicate that the fair value of our single reporting unit may be less than its carrying value. We did not record any goodwill impairment during the periods presented.

Website Development Costs

We capitalize costs to develop our website and mobile application when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Due to the iterative process by which we perform upgrades and the relatively short duration of our development projects, development costs meeting our capitalization criteria were not material during the periods presented.

Loss Contingencies

We are involved in various lawsuits, claims and proceedings that arise in the ordinary course of business. We record a liability for these when we believe it is probable that we have incurred a loss and can reasonably estimate the loss. We regularly evaluate current information to determine whether we should adjust a recorded liability or record a new one.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency

The functional currency of our international subsidiaries is generally their local currency. We translate these subsidiaries' financial statements into U.S. dollars using month-end exchange rates for assets and liabilities and average exchange rates for revenue and costs and expenses. We record translation gains and losses in accumulated other comprehensive income (loss) in stockholders' equity (deficit). We record foreign exchange gains and losses in interest expense and other income (expense), net. Our net foreign exchange gains and losses were not material for the periods presented.

Concentration of Business Risk

We have an agreement with Amazon Web Services ("AWS") to provide the cloud computing infrastructure we use to host our website, mobile application and many of the internal tools we use to operate our business. We are currently required to maintain a substantial majority of our monthly usage of certain compute, storage, data transfer and other services on AWS. Any transition of the cloud services currently provided by AWS to another cloud services provider would be difficult to implement and would cause us to incur significant time and expense.

Concentration of Credit Risk

Financial instruments that may potentially expose us to concentrations of credit risk primarily consist of cash, cash equivalents, marketable securities and restricted cash. Our investment policy is meant to preserve capital and maintain liquidity. The policy limits our marketable investments to investment-grade securities and limits our credit exposure by limiting our concentration in any one corporate issuer or sector and by establishing a minimum credit rating for marketable investments we purchase. Although we deposit cash and marketable investments with multiple financial institutions, our deposits may exceed insurable limits.

No customer accounted for more than 10% of our revenue for the years ended December 31, 2020 and December 31, 2018. One customer accounted for 10% of our revenue for the year ended December 31, 2019.

Our accounts receivable are generally unsecured. We monitor our customers' credit quality on an ongoing basis and maintain reserves for estimated credit losses. Bad debt expense was not material for the years ended December 31, 2020, 2019 and 2018.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets not held at fair value. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. We adopted ASU 2016-13 as of January 1, 2020, using the modified retrospective method, and while the effects of adoption on our consolidated financial statements were not material, we continue to monitor the effects of the COVID-19 pandemic on expected credit losses.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles for income taxes. We elected to early adopt ASU 2019-12 effective as of January 1, 2020, and the effects of adoption on our consolidated financial statements were not material.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities consist of the following (in thousands):

	December 31, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	\$ 352,061	\$ —	\$ —	\$ 352,061
Money market funds	225,643	—	—	225,643
Commercial paper	48,530	2	—	48,532
U.S. treasury securities	39,997	1	—	39,998
Certificates of deposit	2,996	—	—	2,996
Total cash and cash equivalents	669,227	3	—	669,230
Marketable securities:				
Corporate bonds	452,723	1,782	(18)	454,487
U.S. treasury securities	202,795	260	(1)	203,054
Commercial paper	234,170	86	(3)	234,253
Certificates of deposit	134,828	57	(3)	134,882
Municipal securities	17,604	22	(7)	17,619
U.S. agency bonds	16,012	6	—	16,018
Non-U.S. government and supranational bonds	15,938	13	(1)	15,950
Asset-backed securities	14,752	61	—	14,813
Total marketable securities	1,088,822	2,287	(33)	1,091,076
Total	\$ 1,758,049	\$ 2,290	\$ (33)	\$ 1,760,306

	December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	\$ 323,194	\$ —	\$ —	\$ 323,194
Money market funds	214,413	—	—	214,413
Commercial paper	105,359	1	(6)	105,354
Corporate bonds	3,792	—	(1)	3,791
Certificates of deposit	2,914	—	—	2,914
Total cash and cash equivalents	649,672	1	(7)	649,666
Marketable securities:				
Corporate bonds	449,496	981	(44)	450,433
U.S. treasury securities	201,561	88	(9)	201,640
Commercial paper	196,304	31	(7)	196,328
Asset-backed securities	114,425	188	(14)	114,599
Certificates of deposit	100,647	38	(6)	100,679
Total marketable securities	1,062,433	1,326	(80)	1,063,679
Total	\$ 1,712,105	\$ 1,327	\$ (87)	\$ 1,713,345

Our allowance for credit losses for our marketable securities was not material as of December 31, 2020 and 2019. We continue to monitor the effects of the COVID-19 pandemic on expected credit losses.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of our marketable securities by contractual maturity is as follows (in thousands):

	December 31, 2020
Due in one year or less	\$ 787,395
Due after one to five years	303,681
Total	\$ 1,091,076

Net realized gains and losses from sales of available-for-sale securities were not material for any period presented.

3. Fair Value of Financial Instruments

The fair values of the financial instruments we measure at fair value on a recurring basis are as follows (in thousands):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 225,643	\$ —	\$ —	\$ 225,643
Commercial paper	—	48,532	—	48,532
U.S. treasury securities	39,998	—	—	39,998
Certificates of deposit	—	2,996	—	2,996
Marketable securities:				
Corporate bonds	—	454,487	—	454,487
Commercial paper	—	234,253	—	234,253
U.S. treasury securities	203,054	—	—	203,054
Certificates of deposit	—	134,882	—	134,882
Municipal securities	—	17,619	—	17,619
U.S. agency bonds	—	16,018	—	16,018
Non-U.S. government and supranational bonds	—	15,950	—	15,950
Asset-backed securities	—	14,813	—	14,813
Prepaid expenses and other current assets:				
Certificates of deposit	—	571	—	571
Restricted cash:				
Certificates of deposit	\$ —	\$ 9,110	\$ —	\$ 9,110

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 214,413	\$ —	\$ —	\$ 214,413
Commercial paper	—	105,354	—	105,354
Corporate bonds	—	3,791	—	3,791
Certificates of deposit	—	2,914	—	2,914
Marketable securities:				
Corporate bonds	—	450,433	—	450,433
U.S. treasury securities	201,640	—	—	201,640
Commercial paper	—	196,328	—	196,328
Asset-backed securities	—	114,599	—	114,599
Certificates of deposit	—	100,679	—	100,679
Prepaid expenses and other current assets:				
Certificates of deposit	—	2,738	—	2,738
Restricted cash:				
Certificates of deposit	\$ —	\$ 25,339	\$ —	\$ 25,339

We classify our marketable securities within Level 1 or Level 2 because we determine their fair values using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

4. Other Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	December 31,	
	2020	2019
Leasehold improvements	\$ 101,242	\$ 109,807
Furniture and fixtures	24,516	22,353
Computer and network equipment	27,230	22,963
Total property and equipment	152,988	155,123
Less: accumulated depreciation	(83,770)	(73,270)
Construction in progress	157	10,139
Property and equipment, net	<u>\$ 69,375</u>	<u>\$ 91,992</u>

Depreciation expense was \$36.0 million, \$26.3 million and \$20.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following (in thousands):

	December 31,	
	2020	2019
Accrued hosting expenses	\$ 39,233	\$ 27,322
Accrued compensation	33,215	26,574
Operating lease liabilities	43,633	46,527
Other accrued expenses	39,259	41,400
Accrued expenses and other current liabilities	<u>\$ 155,340</u>	<u>\$ 141,823</u>

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Goodwill and Intangible Assets, Net

Goodwill was unchanged during the years ended December 31, 2020 and 2019.

Intangible assets, net consists of the following (in thousands):

	December 31, 2020				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Weighted-Average Useful Life ⁽¹⁾
Acquired patents	\$ 9,037	\$ (2,380)	\$ 6,657		9.1 years
Acquired technology and other intangibles	4,385	(4,385)	—		1.5 years
Total intangible assets, net	<u>\$ 13,422</u>	<u>\$ (6,765)</u>	<u>\$ 6,657</u>		

	December 31, 2019				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Weighted-Average Useful Life ⁽¹⁾
Acquired patents	\$ 9,037	\$ (1,370)	\$ 7,667		9.1 years
Acquired technology and other intangibles	4,385	(4,381)	4		1.5 years
Total intangible assets, net	<u>\$ 13,422</u>	<u>\$ (5,751)</u>	<u>\$ 7,671</u>		

(1) Based on the weighted-average useful life established as of acquisition date.

Amortization expense was \$1.0 million, \$1.5 million and \$0.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. Estimated future amortization expense as of December 31, 2020, is as follows (in thousands):

	Intangible Asset Amortization
2021	\$ 1,009
2022	1,009
2023	1,009
2024	1,009
2025	999
Thereafter	1,622
Total	\$ 6,657

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Commitments and Contingencies

As of December 31, 2020, our non-cancelable contractual commitments, consisting of operating leases, are as follows (in thousands):

	Total Commitments
2021	\$ 52,472
2022	35,224
2023	21,559
2024	11,942
2025	12,300
Thereafter	97,509
Total	\$ 231,006

Operating Leases

In March 2019, we entered into a lease for approximately 490,000 square feet of office space to be constructed near our current headquarters campus in San Francisco, California. In August 2020, we entered into an agreement to terminate the lease which involved a one-time payment of \$89.5 million. As a result of the termination, we eliminated potential future total minimum lease payments of approximately \$440.0 million.

Legal Matters

We are involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, including those described below. While the results of legal matters are inherently uncertain, we do not believe there is a reasonable possibility that the ultimate resolution of these matters, either individually or in aggregate, will have a material adverse effect on our business, financial position, results of operations, or cash flows.

On November 23, 2020, Pinterest and our CEO and Chief Financial Officer were named as defendants in a putative securities class action filed in the U.S. District Court for the Northern District of California. The lawsuit alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and alleges that defendants made material false and misleading public statements about our revenue and user growth in 2019. The complaint seeks damages, litigation costs, and interest. We continue to evaluate these claims but do not believe this litigation will have a material impact on our financial position or results of operations.

In November and December 2020, certain of our executives and members of our board of directors were named as defendants in derivative lawsuits filed in the U.S. District Court for the Northern District of California. Pinterest was also named as a nominal defendant. The lawsuits purport to assert claims for breach of fiduciary duty in connection with allegations of gender and racial discrimination at Pinterest. In addition, the lawsuits purport to assert claims for waste, abuse of control, aiding and abetting breaches of fiduciary duties, unjust enrichment, and violations of Section 14(a) of the Exchange Act. The complaints seek declaratory and injunctive relief, corporate governance changes, monetary damages, interest, disgorgement, and fees and costs. We continue to evaluate these claims but do not believe this litigation will have a material impact on our financial position or results of operations.

Revolving Credit Facility

In November 2018, we entered into a five-year \$500.0 million revolving credit facility with an accordion option which, if exercised, would allow us to increase the aggregate commitments by the greater of \$100.0 million and 10% of our consolidated total assets, provided we are able to secure additional lender commitments and satisfy certain other conditions. Interest on any borrowings under the revolving credit facility accrues at either LIBOR plus 1.50% or at an alternative base rate plus 0.50%, at our election, and we are required to pay an annual commitment fee that accrues at 0.15% per annum on the unused portion of the aggregate commitments under the revolving credit facility.

PINTEREST, INC.
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The revolving credit facility also allows us to issue letters of credit, which reduce the amount we can borrow. We are required to pay a fee that accrues at 1.50% per annum on the average aggregate daily maximum amount available to be drawn under any outstanding letters of credit.

The revolving credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict our ability to incur indebtedness, grant liens, make distributions to holders of our stock or the stock of our subsidiaries, make investments or engage in transactions with our affiliates. The revolving credit facility also contains two financial maintenance covenants: a consolidated total assets covenant and a minimum liquidity balance of \$350.0 million, which includes any available borrowing capacity. The obligations under the revolving credit facility are secured by liens on substantially all of our domestic assets, including certain domestic intellectual property assets.

Our total borrowing capacity under the revolving credit facility is \$500.0 million as of December 31, 2020. We have not issued any letters of credit against the revolving credit facility and are in compliance with all covenants under the revolving credit facility as of December 31, 2020.

Letters of Credit

We had \$7.5 million and \$25.5 million of secured letters of credit outstanding as of December 31, 2020 and 2019, respectively. These primarily relate to our office space leases and are fully collateralized by certificates of deposit which we record in prepaid expenses and other current assets or restricted cash in our consolidated balance sheets based on the term of the remaining restriction.

7. Leases

We have entered into various non-cancelable office space operating leases with original lease periods expiring between 2021 and 2033. These do not contain material variable rent payments, residual value guarantees, covenants or other restrictions. Operating lease costs for the years ended December 31, 2020, 2019 and 2018, are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Lease cost:			
Operating lease cost	\$ 51,285	\$ 40,257	\$ 27,469
Short-term lease cost	3,933	3,456	2,765
Total	<u>\$ 55,218</u>	<u>\$ 43,713</u>	<u>\$ 30,234</u>

The weighted-average remaining term of our operating leases was 8.1 years and 8.1 years, and the weighted-average discount rate used to measure the present value of our operating lease liabilities was 4.8% and 4.6% as of December 31, 2020 and 2019, respectively.

Maturities of our operating lease liabilities, which do not include short-term leases, as of December 31, 2020, are as follows (in thousands):

	Operating Leases
2021	\$ 51,396
2022	35,224
2023	21,559
2024	11,942
2025	12,300
Thereafter	97,509
Total lease payments	229,930
Less imputed interest	(46,976)
Total operating lease liabilities	<u>\$ 182,954</u>

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash payments included in the measurement of our operating lease liabilities were \$54.3 million, \$38.4 million and \$26.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, we have not entered into any material leases that have not yet commenced.

8. Share-Based Compensation

Equity Incentive Plan

In June 2009, our board of directors adopted and approved our 2009 Plan, which provides for the issuance of stock options, RSAs and RSUs to qualified employees, directors and consultants. Stock options granted under our 2009 Stock Plan have a maximum life of 10 years and an exercise price not less than 100% of the fair market value of our common stock on the date of grant. RSUs granted under our 2009 Plan have a maximum life of seven years. No shares of our common stock were reserved for future issuance under our 2009 Plan as of December 31, 2020.

Our 2019 Plan became effective upon closing of our IPO and succeeds our 2009 Plan. Our 2019 Plan provides for the issuance of stock options, RSAs, RSUs and other equity- or cash-based awards to qualified employees, directors and consultants. Stock options granted under our 2019 Plan have a maximum life of 10 years and an exercise price not less than 100% of the fair market value of our common stock on the date of grant. 99,801,162 shares of our Class A common stock were reserved for future issuance under our 2019 Plan as of December 31, 2020.

The number of shares of our Class A common stock available for issuance under the 2019 Plan will be increased by the number of shares of our Class B common stock subject to awards outstanding under our 2009 Plan that would, but for the terms of the 2019 Plan, have returned to the share reserves of the 2009 Plan pursuant to the terms of such awards, including as the result of forfeiture, repurchase, expiration or retention by us in order to satisfy an award's exercise price or tax withholding obligations. In addition, the number of shares of our Class A common stock reserved for issuance under our 2019 Plan will automatically increase on the first day of each fiscal year through and including January 1, 2029, in an amount equal to 5% of the total number of shares of our Class A common stock and our Class B common stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by our board of directors.

Stock Option Activity

Stock option activity during the year ended December 31, 2020, was as follows (in thousands, except per share amounts):

	Stock Options Outstanding				Aggregate Intrinsic Value ⁽¹⁾
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	(in years)	
Outstanding as of December 31, 2019	56,966	\$ 2.25		3.5	\$ 933,299
Granted	1,130	22.35			
Exercised	(34,149)	2.29			
Outstanding as of December 31, 2020	23,947	\$ 3.15		2.9	\$ 1,502,604
Exercisable as of December 31, 2020	23,099	\$ 2.45		2.7	\$ 1,465,680

(1) We calculate intrinsic value based on the difference between the exercise price of in-the-money-stock options and the fair value of our common stock as of the respective balance sheet date.

The total grant-date fair value of stock options vested during the years ended December 31, 2020, 2019 and 2018, was \$3.3 million, \$2.2 million and \$18.6 million, respectively. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018, was \$1,023.9 million, \$425.1 million and \$5.9 million, respectively.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock Unit and Restricted Stock Award Activity

RSU and RSA activity during the year ended December 31, 2020, was as follows (in thousands, except per share amounts):

	Restricted Stock Units Outstanding	
	Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2019		56,791 \$ 20.19
Granted		31,224 19.75
Released		(23,304) 19.57
Forfeited		(10,632) 18.89
Outstanding as of December 31, 2020		<u>54,079</u> <u>\$</u> <u>20.45</u>

Share-Based Compensation

Share-based compensation expense during the years ended December 31, 2020, 2019 and 2018, was as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 7,865	\$ 31,758	\$ 83
Research and development	218,718	867,191	13,155
Sales and marketing	35,645	239,315	784
General and administrative	58,792	239,517	837
Total share-based compensation	<u>\$ 321,020</u>	<u>\$ 1,377,781</u>	<u>\$ 14,859</u>

As of December 31, 2020, we had \$742.7 million of unrecognized share-based compensation expense, which we expect to recognize over a weighted-average period of 3.0 years.

9. Net Loss Per Share Attributable to Common Stockholders

We present net loss per share attributable to common stockholders using the two-class method required for multiple classes of common stock and participating securities. Holders of our Class A and Class B common stock have identical rights except with respect to voting, conversion and transfer rights and therefore share equally in our net losses. Prior to our IPO, we considered all series of our redeemable convertible preferred stock participating securities. We have not allocated net loss attributable to common stockholders to our redeemable convertible preferred stock because the holders of our redeemable convertible preferred stock are not contractually obligated to share in our losses.

We calculate basic net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share attributable to common stockholders gives effect to all potential shares of common stock, including common stock issuable upon conversion of our redeemable convertible preferred stock and redeemable convertible preferred stock warrants, stock options, RSAs, RSUs and common stock warrants to the extent these are dilutive.

We calculated basic and diluted net loss per share attributable to common stockholders as follows (in thousands, except per share amounts):

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,				
	2020		2019		2018
	Class A	Class B	Class A	Class B	Common
Numerator:					
Net loss attributable to common stockholders	\$ (96,499)	\$ (31,824)	\$ (459,412)	\$ (901,959)	\$ (62,974)
Denominator:					
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	448,392	147,872	141,894	278,579	127,091
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.22)	\$ (0.22)	\$ (3.24)	\$ (3.24)	\$ (0.50)

Basic net loss per share is the same as diluted net loss per share because we reported net losses for all periods presented. We excluded the following weighted-average potential shares of common stock from our calculation of diluted net loss per share attributable to common stockholders because these would be anti-dilutive (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Redeemable convertible preferred stock	—	95,469	308,373
Outstanding stock options	40,067	72,999	76,911
Unvested restricted stock units and restricted stock awards	63,603	69,800	68,795
Redeemable convertible preferred stock warrants	—	77	158
Common stock warrants	—	—	96
Total	103,670	238,345	454,333

10. Income Taxes

The components of loss before provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
United States	\$ 49,973	\$ (1,266,677)	\$ (31,641)
Foreign	(176,993)	(94,162)	(30,923)
Loss before provision for income taxes	\$ (127,020)	\$ (1,360,839)	\$ (62,564)

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Provision for income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ —	\$ —	\$ —
State	79	—	—
Foreign	691	1,677	500
Total current tax expense	770	1,677	500
Deferred:			
Federal	654	(555)	4
State	5	(76)	4
Foreign	(126)	(514)	(98)
Total deferred tax expense (benefit)	533	(1,145)	(90)
Provision for income taxes	\$ 1,303	\$ 532	\$ 410

The difference between income taxes computed at the statutory federal income tax rate and the provision for income taxes is attributable to the following (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Tax at U.S. statutory rate	\$ (26,674)	\$ (285,776)	\$ (13,138)
State income taxes, net of benefit	84	(77)	4
Foreign losses not benefited	37,716	20,932	6,891
Permanent book/tax differences	1,051	2,453	1,967
Legal settlement	2,290	—	—
Share-based compensation	(303,245)	(84,366)	(864)
Change in valuation allowance	352,410	422,315	15,952
Tax credits	(63,205)	(74,399)	(10,460)
Other	876	(550)	58
Provision for income taxes	\$ 1,303	\$ 532	\$ 410

The primary difference between our effective tax rate and the federal statutory rate is the full valuation allowance we have established on our federal, state and foreign net operating losses and credits.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 784,721	\$ 416,709
Research tax credits	269,658	167,489
Reserves, accruals, and other	18,106	15,960
Lease obligation	44,446	52,734
Share-based compensation	96,932	133,067
Total deferred tax assets	1,213,863	785,959
Less: valuation allowance	(1,176,910)	(737,003)
Deferred tax assets, net of valuation allowance	36,953	48,956
Deferred tax liabilities:		
Depreciation and amortization	(34,576)	(46,398)
Prepaid expenses	(1,523)	(1,862)
Total deferred tax liabilities	(36,099)	(48,260)
Net deferred tax assets	\$ 854	\$ 696

In December 2019, we completed an intra-entity asset transfer of certain of our intellectual property rights to an Irish subsidiary where our international business is headquartered. The transfer resulted in a step-up in the tax basis of the transferred intellectual property rights and a correlated increase in foreign deferred tax assets. As of December 31, 2020, we believe it is more likely than not that these additional foreign deferred tax assets will not be realized and, therefore, are offset by a full valuation allowance.

Due to our history of losses we believe it is more likely than not that our U.S. and Irish deferred tax assets will not be realized as of December 31, 2020. Accordingly, we have established a full valuation allowance on our U.S. and Irish deferred tax assets. Our valuation allowance increased by \$439.9 and \$520.1 million during the years ended December 31, 2020 and 2019, respectively, primarily due to U.S. federal and state tax losses and credits incurred during the period.

As of December 31, 2020, we had federal, California and other state net operating loss carryforwards of \$3,282.2 million, \$405.6 million and \$1214.9 million, respectively. If not utilized, these will begin to expire in 2028, 2028 and 2026, respectively. Utilization of our net operating loss carryforwards may be subject to annual limitations due to the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions. Our net operating loss carryforwards could expire before utilization if subject to annual limitations. As of December 31, 2020, we had \$37.9 million of Irish net operating loss carryforwards that can be carried forward indefinitely.

As of December 31, 2020, we had federal and California research and development credit carryforwards of \$241.6 million and \$181.7 million, respectively. If not utilized, our federal carryforwards will begin to expire in 2030. Our California carryforwards do not expire.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in gross unrecognized tax benefits were as follows (in thousands):

	Gross Unrecognized Tax Benefits
Balance as of December 31, 2018	\$ 38,550
Decreases for tax positions of prior years	(50)
Increases for tax positions of current year	90,685
Balance as of December 31, 2019	\$ 129,185
Increases for tax positions of prior years	886
Decreases for tax positions of prior years	(37,250)
Increases for tax positions of current year	47,339
Balance as of December 31, 2020	<u>\$ 140,160</u>

On June 7, 2019, a three-judge panel from the U.S. Court of Appeals for the Ninth Circuit overturned the U.S. Tax Court's decision in Altera Corp. v. Commissioner and upheld the portion of the Treasury regulations under Section 482 of the Internal Revenue Code that requires related parties in a cost-sharing arrangement to share expenses related to share-based compensation. As a result of this decision, our gross unrecognized tax benefits increased to reflect the impact of including share-based compensation in cost-sharing arrangements. On July 22, 2019, the taxpayer filed a petition for a rehearing before the full Ninth Circuit, and the request was denied on November 12, 2019. On February 10, 2020, the taxpayer filed a petition to appeal the decision to the Supreme Court and on June 22, 2020, the Supreme Court denied the petition. As a result of the Supreme Court's action, our U.S. deferred tax asset related to net operating losses was reduced by \$24.4 million and we no longer consider this to be an uncertain tax position. There is no impact on our effective tax rate for the year ended December 31, 2020, due to our full valuation allowance against our deferred tax assets.

Recognizing the \$140.2 million of gross unrecognized tax benefits we had as of December 31, 2020 would not affect our effective tax rate as their recognition would be offset by the reversal of related deferred tax assets, which are subject to a full valuation allowance. We do not expect our gross unrecognized tax benefits to change significantly within the next 12 months. We recognize interest and penalties related to uncertain tax positions in provision for income taxes. Accrued interest and penalties are not material as of December 31, 2020 and 2019.

We are subject to taxation in the U.S. and various other state and foreign jurisdictions. As we have net operating loss carryforwards for U.S. federal and state jurisdictions, the statute of limitations is open for all tax years. For material foreign jurisdictions, the tax years open to examination include the years 2015 and forward. The Internal Revenue Service has started an examination of our U.S. consolidated federal income tax return for calendar year 2018. We believe that we have adequately reserved for any adjustments to the provision for income taxes or other tax items that may ultimately result from these examinations.

We have not recognized deferred taxes for the difference between the financial reporting basis and the tax basis of our investment in our foreign subsidiaries because we have the ability and intent to maintain our investments for the foreseeable future.

PINTEREST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Geographical Information

Revenue disaggregated by geography based on our customers' billing addresses is as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
United States	\$ 1,404,282	\$ 1,010,186	\$ 697,170
International ⁽¹⁾	288,376	132,575	58,762
Total revenue	\$ 1,692,658	\$ 1,142,761	\$ 755,932

(1) No individual country other than the United States exceeded 10% of our total revenue for any period presented.

Property and equipment, net and operating lease right-of-use assets by geography is as follows (in thousands):

	December 31,	
	2020	2019
United States	\$ 213,831	\$ 266,763
International ⁽¹⁾	11,460	13,480
Total property and equipment, net and operating lease right-of-use assets	\$ 225,291	\$ 280,243

(1) No individual country other than the United States exceeded 10% of our total property and equipment, net and operating lease right-of-use assets for any period presented.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (CEO) and chief financial officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2020, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2020 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Further, while the majority of our employees are working remotely, we have not experienced any material impact in our internal control over financial reporting as a result of the COVID-19 pandemic. We continue to monitor for and assess any effects the COVID-19 pandemic may have on the design or operating effectiveness of our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the sections titled “Proposal 1 - Election of Directors” and “Other Matters” that will be included in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (SEC) within 120 days of December 31, 2020.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the section titled “Proposal 3 – Advisory Non-Binding Vote on our Named Executive Officers’ Compensation” that will be included in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the section titled “Other Matters” that will be included in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the sections titled “Proposal 1 – Election of Directors” and “Other Matters” that will be included in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the sections titled “Proposal 2 – Ratification of Selection of Independent Auditor” that will be included in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements are filed as part of this Annual Report on Form 10-K under "Item 8. Financial Statements and Supplementary Data."

2. Financial Statement Schedules

The financial statement schedules are omitted because they are either not applicable or the information required is presented in the financial statements and notes thereto under "Item 8. Financial Statements and Supplementary Data."

3. Exhibits

The exhibits listed in the following Exhibit Index are filed, furnished, or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Company.	8-K	001-38872	3.2	April 23, 2019	
3.2	Amended and Restated Bylaws of the Company.	8-K	001-38872	3.3	April 23, 2019	
4.1	Amended and Restated Investor Rights Agreement among the Company and certain holders of its capital stock, dated as of June 2, 2017.	S-1	333-230458	4.2	March 22, 2019	
4.2	Description of our Common Stock.	10-K	001-38872	4.2	February 7, 2020	
10.1	Form of Indemnification Agreement between the Company and each of its directors and executive officers.	S-1/A	333-230458	10.1	April 8, 2019	
10.2+	Form of Executive Severance & Change in Control Agreement.	S-1/A	333-230458	10.14	April 8, 2019	
10.3	Revolving Credit Agreement, by and among the Company, the Guarantors and JP Morgan Chase Bank, N.A., as administrative agent, dated as of November 15, 2018.	S-1	333-230458	10.2	March 22, 2019	
10.4+	Employment Agreement by and between Cold Brew Labs Inc. and Benjamin Silbermann, dated as of July 14, 2009.	S-1/A	333-230458	10.3	March 29, 2019	
10.5+	Confidential Information and Invention Assignment Agreement by and between Cold Brew Labs Inc. and Benjamin Silbermann, dated as of October 28, 2008.	S-1/A	333-230458	10.4	March 29, 2019	
10.6+	Offer Letter and Confidential Agreement and Invention Assignment Agreement by and between the Company and Todd Morgenfeld, dated as of September 19, 2016.	S-1/A	333-230458	10.5	March 29, 2019	
10.7+	Pinterest, Inc. 2009 Stock Plan, as amended.	S-1	333-230458	10.7	March 22, 2019	
10.8+	Pinterest, Inc. 2009 Stock Plan Notice of Stock Option Grant and Stock Option Agreement by and between the Company and Benjamin Silbermann, dated as of April 25, 2013.	S-1	333-230458	10.8	March 22, 2019	

10.9+	Form of Pinterest, Inc. 2009 Stock Plan Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement	S-1	333-230458	10.9	March 22, 2019
10.10+	Acceleration Addendum to Pinterest, Inc. 2009 Stock Plan Restricted Stock Unit Grant Notice and Agreement by and between the Company and Todd Morgenfeld, dated as of December 20, 2017.	S-1	333-230458	10.10	March 22, 2019
10.11+	Pinterest, Inc. 2019 Omnibus Incentive Plan.	S-1/A	333-230458	10.11	March 29, 2019
10.12+	Form of Pinterest, Inc. 2019 Omnibus Incentive Plan Restricted Stock Unit Grant Notice and Agreement.	S-1/A	333-230458	10.12	April 8, 2019
10.13+	Form of Pinterest, Inc. 2019 Omnibus Incentive Plan Restricted Stock Grant Notice and Agreement.	10-K	001-38872	10.14	February 7, 2020
10.14+	Form of Pinterest, Inc. 2019 Omnibus Incentive Plan Stock Option Grant Notice and Agreement.	10-K	001-38872	10.15	February 7, 2020
10.15+	Non-Employee Director Compensation Policy.	S-1/A	333-230458	10.13	April 8, 2019
10.16+	Form of Executive Severance & Change in Control Agreement.	S-1/A	333-230458	10.14	April 8, 2019
10.17+	Pinterest, Inc. 2009 Stock Plan Notice of Stock Option Grant and Stock Option Agreement.	S-8	333-230999	4.3	April 23, 2019
21.1	List of Subsidiaries of Pinterest, Inc.				X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				X
24.1	Power of Attorney.				X
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(a) and 15d-14(a).				X
32.1	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X
	+ Indicates a management contract or compensatory plan				

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

PINTEREST, INC.

Date: February 4, 2021

By: /s/ Todd Morgenfeld
Todd Morgenfeld
Chief Financial Officer and Head of Business Operations
(*Principal Financial Officer*)

POWER OF ATTORNEY

The undersigned directors and officers of Pinterest, Inc. hereby constitute and appoint Benjamin Silbermann, Todd Morgenfeld and Christine Flores, and each of them, any of whom may act without joinder of the other, the individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the person and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Benjamin Silbermann</u> Benjamin Silbermann	Chairman, Co-Founder, President and Chief Executive Officer (Principal Executive Officer)	February 4, 2021
<u>/s/ Jeffrey Jordan</u> Jeffrey Jordan	Director	February 4, 2021
<u>/s/ Leslie J. Kilgore</u> Leslie J. Kilgore	Director	February 4, 2021
<u>/s/ Jeremy S. Levine</u> Jeremy S. Levine	Director	February 4, 2021
<u>/s/ Evan Sharp</u> Evan Sharp	Director	February 4, 2021

Name	Title	Date
/s/ Michelle Wilson Michelle Wilson	Director	February 4, 2021
/s/ Fredric G. Reynolds Fredric G. Reynolds	Director	February 4, 2021
/s/ Gokul Rajaram Gokul Rajaram	Director	February 4, 2021
/s/ Andrea Wishom Andrea Wishom	Director	February 4, 2021
/s/ Salaam Coleman Smith Salaam Coleman Smith	Director	February 4, 2021
/s/ Todd Morgenfeld Todd Morgenfeld	Chief Financial Officer and Head of Business Operations <i>(Principal Financial Officer)</i>	February 4, 2021
/s/ Tse Li (Lily) Yang Tse Li (Lily) Yang	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	February 4, 2021

Subsidiaries of the Company

The following is a list of subsidiaries of Pinterest, Inc., omitting subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2020:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Pinterest Europe Limited	Ireland

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-236301) pertaining to the 2019 Omnibus Incentive Plan of Pinterest, Inc.

(2) Registration Statement (Form S-8 No. 333-230999) pertaining to the 2009 Stock Plan and the 2019 Omnibus Incentive Plan of Pinterest, Inc.

of our reports dated February 4, 2021, with respect to the consolidated financial statements of Pinterest, Inc., and the effectiveness of internal control over financial reporting of Pinterest, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

San Francisco, California

February 4, 2021

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Benjamin Silbermann, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pinterest, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

PINTEREST, INC.

Date: February 4, 2021

By: /s/ Benjamin Silbermann
 Benjamin Silbermann
 Co-Founder, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Todd Morgenfeld, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pinterest, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

PINTEREST, INC.

Date: February 4, 2021

By: /s/ Todd Morgenfeld
 Todd Morgenfeld
 Chief Financial Officer and Head of Business Operations
(Principal Financial Officer)

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Benjamin Silbermann, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Pinterest, Inc. for the fiscal year ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pinterest, Inc.

I, Todd Morgenfeld, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Pinterest, Inc. for the fiscal year ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pinterest, Inc.

PINTEREST, INC.

Date: February 4, 2021

By: /s/ Benjamin Silbermann
Benjamin Silbermann
Co-Founder, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 4, 2021

By: /s/ Todd Morgenfeld
Todd Morgenfeld
Chief Financial Officer and Head of Business Operations
(Principal Financial Officer)

The foregoing certifications are furnished and are not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and are not deemed to be incorporated by reference into any filing of Pinterest, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Pinterest, Inc. specifically incorporates them by reference.