

## Pinterest

# Soft 4Q but constructive on 3P deal(s) ramp and growing DR capabilities; Buy

Reiterate Rating: BUY | PO: 42.00 USD | Price: 40.72 USD

## Mixed 4Q with Rev miss but EBITDA & user beat

4Q Rev/EBITDA at \$981mn/\$365mn was mixed vs Street at \$990mn/\$358mn. 4Q rev. accelerated 1pt to +12% y/y but was below expectations as macro headwinds (in F&B category) impacted Dec. Gross margin at 82.3% beat Street at 81.6% and EBITDA benefitted from lower S&M and G&A. Global MAUs at 498mn (+16mn q/q) were nicely above Street at 488mn while ARPU at \$2.0 was slightly below. 1Q revenue guide of \$690-\$705mn (up 15-17% y/y) was slightly below Street at 17% but at midpoint suggests 4pts of acceleration as direct link spend and 3P deals start to ramp.

## New 3P partner (Google) + direct link progress to aid '24

Pinterest highlighted Amazon partnership is scaling well (1Q will be first Q of ramp) & announced Google as a new partner for intl. markets (we see \$1bn Intl rev opportunity relative to peers, see our note: [Prepping for Amazon deal ramp in 2024](#)). Pinterest also noted growing traction for DR solutions, Pinterest's revenue from advertisers who have adopted the company's DR tools increased from 3% in 1Q'23 to 23% in 4Q'23, and we see a strong runway ahead as recently launched direct links drive incremental spend.

## Marginally lowering 2025 revenue and EBITDA by 1%

We are marginally lowering our ests. to reflect lower ARPU, though 3P deals could provide 2H upside. Our opex estimates are virtually unchanged. For 2024, we lower revenues by 0.4% to \$3.6bn & EBITDA by 1% to \$928mn. For 2025, we lower revenues and EBITDA by 1% to \$4.2bn/\$1.2bn. Our '24 revenue estimates reflect \$175mn (~5% of revenue) 3P ads deal benefit and Google ramp could provide upside, while improving DAU growth could suggest site improvements are driving new shoppers to the site.

## Multiple tailwinds to aid growth & margins in '24; Buy

Meta's 1Q outlook set a high bar, and not the upside quarter we expected, but revenue drivers for 2024 are in place including: 1) Ongoing monetization uplift from 3P deals (Google deal starting sooner than expected, want to give benefits from these deals a few quarters to play out), 2) Growing advertiser adoption of DR capabilities that include better conversions through direct links, 3) Improving macro (and eventual recovery in home furnishing category) to aid growth & ad pricing. Given our view on acceleration and margin expansion, we see valuation as attractive vs history (at AH price of \$37, stock valued at 19x our '25 EBITDA, slightly below 20x historical average). Reiterate Buy.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.61	1.08	1.28	1.51	1.87
GAAP EPS	(0.12)	(0.05)	0.12	0.31	0.59
EPS Change (YoY)	-44.0%	77.0%	18.5%	18.0%	23.8%
Consensus EPS (Bloomberg)			1.20	1.58	1.88
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	66.8x	37.7x	31.8x	27.0x	21.8x
GAAP P/E	NM	NM	339.3x	131.4x	69.0x
EV / EBITDA*	61.0x	40.1x	29.0x	22.6x	17.8x
Free Cash Flow Yield*	1.6%	2.1%	2.9%	3.7%	4.7%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

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## Equity

### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	3,618.3	3,605.2
2025E Rev (m)	4,273.2	4,253.0
2026E Rev (m)	NA	4,975.6
2024E EPS	1.30	1.28
2025E EPS	1.53	1.51
2026E EPS	NA	1.87

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## Stock Data

Price	40.72 USD
Price Objective	42.00 USD
Date Established	11-Dec-2023
Investment Opinion	C-1-9
52-Week Range	20.60 USD - 41.60 USD
Mkt Val (mn) / Shares Out (mn)	28,302 USD / 695.0
Free Float	99.1%
Average Daily Value (mn)	398.88 USD
BofA Ticker / Exchange	PINS / NYS
Bloomberg / Reuters	PINS US / PINS.N
ROE (2024E)	27.9%
Net Dbt to Eqty (Dec-2023A)	-38.9%

**ESGMeter™** Medium

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".**

AI: Artificial Intelligence

ML: Machine Learning

DR: Direct response

CPG: Consumer packaged goods

SMB: Small and medium-sized business

ARPU: Average revenue per user

F&B: Food & Beverage

# iQprofile<sup>SM</sup> Pinterest

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	11.2%	9.7%	19.3%	20.6%	24.4%
Return on Equity	13.5%	23.5%	27.9%	29.6%	31.1%
Operating Margin	15.0%	21.5%	25.3%	27.6%	29.9%
Free Cash Flow	440	605	812	1,040	1,337

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	0.8x	0.9x	1.0x	1.0x
Asset Replacement Ratio	0.6x	0.4x	0.4x	0.5x	0.7x
Tax Rate	NM	285.1%	27.5%	32.1%	25.1%
Net Debt-to-Equity Ratio	-43.6%	-38.9%	-42.0%	-47.4%	-54.1%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,803	3,055	3,605	4,253	4,976
% Change	8.7%	9.0%	18.0%	18.0%	17.0%
Gross Profit	2,140	2,383	2,853	3,397	4,013
% Change	4.1%	11.4%	19.7%	19.1%	18.1%
EBITDA	441	671	928	1,192	1,509
% Change	-44.1%	51.9%	38.4%	28.4%	26.6%
Net Interest & Other Income	16	109	40	40	40
<b>Net Income (Adjusted)</b>	<b>426</b>	<b>749</b>	<b>904</b>	<b>1,088</b>	<b>1,371</b>
<b>% Change</b>	<b>-43.4%</b>	<b>75.8%</b>	<b>20.7%</b>	<b>20.4%</b>	<b>26.0%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(154)	(122)	85	226	431
Depreciation & Amortization	46	22	34	36	36
Change in Working Capital	36	(127)	(79)	(108)	(122)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	542	840	783	905	1,016
Capital Expenditure	(29)	(8)	(12)	(18)	(24)
<b>Free Cash Flow</b>	<b>440</b>	<b>605</b>	<b>812</b>	<b>1,040</b>	<b>1,337</b>
<b>% Change</b>	<b>-40.8%</b>	<b>37.4%</b>	<b>34.2%</b>	<b>28.2%</b>	<b>28.5%</b>
Share / Issue Repurchase	13	8	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,611	1,362	1,580	2,021	2,758
Trade Receivables	682	763	870	1,021	1,186
Other Current Assets	1,162	1,213	1,259	1,273	1,287
Property, Plant & Equipment	60	32	44	62	86
Other Non-Current Assets	348	224	208	192	176
<b>Total Assets</b>	<b>3,863</b>	<b>3,594</b>	<b>3,961</b>	<b>4,568</b>	<b>5,492</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	381	317	382	431	481
Long-Term Debt	179	161	153	145	137
Other Non-Current Liabilities	22	26	28	30	32
<b>Total Liabilities</b>	<b>581</b>	<b>504</b>	<b>563</b>	<b>606</b>	<b>650</b>
<b>Total Equity</b>	<b>3,282</b>	<b>3,091</b>	<b>3,398</b>	<b>3,962</b>	<b>4,843</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,863</b>	<b>3,594</b>	<b>3,961</b>	<b>4,568</b>	<b>5,492</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Interactive Media

## Company Description

Pinterest is an Internet media Web property with over 400 million users worldwide that perform over 2bn searches per month. The company provides online venue for personal photos, ideas, decorations, places to visit, recipes and other items. Advertisers use Promoted Pins to reach users across the full purchasing funnel. The company generates 80% of its revenue in the US but is expanding rapidly in international markets.

## Investment Rationale

We rate Pinterest Buy. It offers a differentiated user experience with content and advertising powered by its proprietary taste graph and a fundamental alignment between Pinner and advertiser objectives. We are constructive on long-term fundamentals given deepening engagement on the platform, potential to significantly increase ad loads with Amazon (and other) partnership, growing advertiser traction of company's lower funnel DR solutions, & strong focus on expense management (margin expansion).

## Stock Data

Average Daily Volume 9,795,630

## Quarterly Earnings Estimates

	2023	2024
Q1	0.08A	0.11E
Q2	0.21A	0.24E
Q3	0.26A	0.32E
Q4	0.53A	0.61E

## 4Q Positives

- **4Q EBITDA beat:** 4Q EBITDA at \$365mn was above Street at \$358mn driven by lower-than-expected COGS, S&M and G&A expense. 4Q non-GAAP gross margin at 82.3% was above Street at 81.6% driven by efficiency projects to lower infrastructure costs.
- **4Q User beat:** Global MAUs at 498mn (+16mn q/q) were nicely above Street at 488mn. US MAUs increased 1mn q/q to 97mn, European MAUs increased 7mn q/q to 135mn, and RoW increased 8mn q/q to 266mn. Management noted higher than expected growth was driven by strength from Gen Z and mobile users. Pinterest also noted most recent user cohorts are significantly more engaged than cohorts from prior years.
- **Growing traction for DR solutions:** CEO highlighted growing traction of Pinterest's DR capabilities and noted advertisers are allocating a higher percentage of their performance budget to the platform. Pinterest revenue from advertisers who have adopted Pinterest's DR tools (mobile deep linking, API for conversions and direct links) increased from 3% in 1Q'23 to 13% in Sep'23 and to 23% in 4Q'23. Ramping 3P partnerships and growing percentage of high margin DR revenue has potential to drive growth/margin upside in 2024.
- **New 3P partnership:** Pinterest announced a new 3P ad partnership with Google. The new partnership will focus on helping Pinterest drive monetization in several unmonetized international markets by enabling the company to serve ads via Google Ad Manager. On the Amazon partnership, Pinterest highlighted that Amazon ads are live on search and related surfaces in the US and in 1Q, the company is testing Amazon ads on the home screen.
- **3P deals starting to ramp:** Management highlighted 3P deals were not a significant revenue contributor in 4Q but expects a more meaningful growth contribution in 1Q and ahead. Midpoint of 1Q outlook suggests 4pts of acceleration on 1pts difficult comp. and we would estimate 3P deals are driving 2 points of acceleration in guidance, with potential upside.
- **AI features aiding conversion:** In 4Q, Pinterest began testing generative AI based search guides, which helped the company improve understanding from broad queries and increased conversion by getting users to the point of action or purchase.
- **Lower q/q SBC:** In 4Q, SBC of \$163mn (17% of revenue) was slightly down q/q (vs \$172mn in 3Q, 23% of revenue); diluted share count was down 0.3% y/y (though up 1.2% q/q).

## 4Q Negatives

- **4Q Revenue miss:** 4Q revenue at \$981mn was below Street at \$990mn. 4Q revenue grew 12% y/y (11% ex-FX) accelerating 1pts q/q on 5pst easier comp. Management noted macro headwinds (specifically in food and beverage category) negatively impacted 4Q total growth by 1pts.
- **Below Street 1Q Revenue outlook:** For 1Q, Pinterest guided revenue growth of 15-17% y/y, slightly below Street estimates at 17% y/y at the midpoint. Midpoint of the guide suggests 4pts acceleration on 1pts easier y/y comp.
- **Continued pressure on CPMs:** In 4Q, average price of ads on Pinterest declined 16% y/y (vs down 12% y/y in 3Q) driven by higher ad loads and potentially growing competition. Total ad impressions delivered increased 33% y/y (vs up 26% in 3Q), which is faster than usage and is likely pressuring pricing. Pinterest sees the decline in pricing as driving better advertiser ROIs and good for the health of the advertising ecosystem.



- **Slightly higher 1Q Opex outlook:** Pinterest 1Q expenses guide of up 9-13% y/y, was slightly above Street estimates at up 10% y/y. Commentary on the call suggested less y/y opex leverage ahead after 1Q.

## Actual vs Expected Results

4Q Rev/EBITDA at \$981mn/\$365mn was mixed vs Street at \$990mn/\$358mn. 4Q revenue grew 12% y/y (11% ex-FX) accelerating 1pt q/q. Macro headwinds (specifically in F&B category) negatively impacted 4Q growth by 1pts. Gross margins at 82.3% was above Street at 81.6%. EBITDA benefitted from higher gross profit and lower S&M and G&A spend. Global MAUs at 498mn (+16mn q/q) were significantly above Street at 488mn. US MAUs increased 1mn q/q to 97mn, European MAUs increased 7mn q/q to 135mn, and RoW increased 8mn q/q to 266mn. ARPU was \$2.0 vs Street at \$2.04.

### Exhibit 1: Pinterest Actual vs BofA & Street Estimates

4Q'23 Revenue/EBITDA at \$981mn/\$365mn was mixed vs Street estimates at \$990mn/\$358mn.

4Q'23 Actual vs Street					
(\$ in millions)	Actual	BofA Ests.	Street Ests.	Actual - BofA	Actual - Street
<b>Revenue</b>	<b>\$981</b>	<b>\$988</b>	<b>\$990</b>	<b>(\$7)</b>	<b>(\$8)</b>
Y/Y	11.9%	12.7%	12.8%	(0.8%)	(1.0%)
Q/Q	29%	30%	30%	(0.9%)	(1.1%)
<b>Cost of Revenue</b>	<b>174</b>	<b>175</b>	<b>181</b>	<b>-1</b>	<b>-7</b>
As a % of revenue	18%	18%	18%	(0%)	(1%)
<b>Gross Profit</b>	<b>808</b>	<b>813</b>	<b>808</b>	<b>-6</b>	<b>0</b>
Gross Margin	82%	82%	82%	0%	1%
R&D	161	158	160	3	1
As % of revenue	16%	16%	16%	0%	0%
S&M	215	217	223	-2	-7
As % of revenue	22%	22%	23%	(0%)	(1%)
G&A	70	71	72	-1	-2
As % of revenue	7%	7%	7%	(0%)	(0%)
Non-GAAP Operating Expenses	446	447	454	(0)	(8)
As % of revenue	45%	45%	46%	0%	(0%)
Y/Y	(12%)	(12%)	(11%)	(0%)	(2%)
<b>Non-GAAP OI</b>	<b>361</b>	<b>367</b>	<b>351</b>	<b>(5)</b>	<b>10</b>
Margin %	37%	37%	35%	(0%)	1%
<b>Non-GAAP EPS</b>	<b>\$0.53</b>	<b>\$0.53</b>	<b>\$0.51</b>	<b>(\$0.00)</b>	<b>\$0.02</b>
<b>EBITDA</b>	<b>365</b>	<b>371</b>	<b>358</b>	<b>(6)</b>	<b>7</b>
% Margin	37%	38%	36%	(0%)	1%
<b>Global MAU (mn)</b>	<b>498</b>	<b>490</b>	<b>488</b>	<b>8</b>	<b>10</b>
<b>Global ARPU (\$)</b>	<b>\$2.00</b>	<b>\$2.03</b>	<b>\$2.04</b>	<b>(\$0.03)</b>	<b>(\$0.04)</b>

Source: BofA Global Research estimates, Visible Alpha, company report

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## Outlook and estimate changes

Pinterest highlighted that Amazon partnership is scaling well (with more pronounced benefit in 1H'24) and announced Google as a new partner for international markets. For 1Q, Pinterest guided revenue growth of 15-17% y/y, slightly below Street estimates at 17% y/y. Midpoint of the guide suggests 4pts acceleration on 1pts tough y/y comp. Pinterest guided 1Q expenses up 9-13% y/y, slightly above Street at +10% y/y.

We are our marginally lowering our estimates to reflect slightly lower ARPU offset by higher user growth. Our opex estimates are virtually unchanged. For 1Q'24, we estimate revenue of \$699mn (up 16% y/y) and EBITDA of \$74mn. For 2024, we lower revenues by 0.4% to \$3.6bn and EBITDA by 1% to \$928mn. For 2025, we lower revenues by 1% to \$4.2bn and EBITDA by 1% to \$1.2bn. Our revenue estimates reflect \$175mn (~5% of revenue) 3P ads deal benefit in 2024 and Google ramp could provide upside.

### Exhibit 2: Pinterest Estimate Change

We are marginally lowering our 2024 revenue estimates, key for valuation, by 1% to \$4.2bn.

(\$ in millions)	1Q'24 Estimates			2024 Estimates			2025 Estimates		
	New	Old	Change	New	Old	Change	New	Old	Change
<b>Revenue</b>	<b>\$699</b>	<b>\$697</b>	<b>\$2</b>	<b>\$3,605</b>	<b>\$3,618</b>	<b>(\$13)</b>	<b>\$4,253</b>	<b>\$4,273</b>	<b>(\$20)</b>
Y/Y	16%	16%	0%	18%	18%	(0%)	18%	18%	(0%)
Q/Q	(29%)	(29%)	0%						
<b>Cost of Revenue</b>	175	179	-4	752	758	-6	856	861	-6
As a % of revenue	25%	26%	(1%)	21%	21%	(0%)	20%	20%	(0%)
<b>Gross Profit</b>	524	518	6	2853	2861	-7	3397	3412	-14
Gross Margin	75%	74%	1%	79%	79%	0%	80%	80%	0%
R&D	170	167	3	726	726	0	835	836	-1
As % of revenue	24%	24%	0%	20%	20%	0%	20%	20%	0%
S&M	212	194	18	917	912	5	1049	1044	5
As % of revenue	30%	28%	3%	25%	25%	0%	25%	24%	0%
G&A	72	71	0	300	301	-1	342	343	-1
As % of revenue	10%	10%	0%	8%	8%	0%	8%	8%	0%
Non-GAAP Operating Expenses	453	432	21	1943	1940	4	2225	2222	3
As % of revenue	65%	62%	3%	54%	54%	0%	52%	52%	0%
Y/Y	10%	5%	5%	13%	12%		15%	15%	
<b>Non GAAP Operating Income (ex SBC)</b>	<b>70</b>	<b>85</b>	<b>(15)</b>	<b>910</b>	<b>921</b>	<b>(11)</b>	<b>1172</b>	<b>1189</b>	<b>(17)</b>
Operating Margin %	10%	12%	(2%)	25%	25%	(0%)	28%	28%	(0%)
<b>Non-GAAP EPS</b>	<b>\$0.11</b>	<b>\$0.13</b>	<b>(\$0.02)</b>	<b>\$1.28</b>	<b>\$1.30</b>	<b>(\$0.02)</b>	<b>\$1.51</b>	<b>\$1.53</b>	<b>(\$0.02)</b>
<b>EBITDA</b>	<b>\$74</b>	<b>\$89</b>	<b>(\$15)</b>	<b>\$928</b>	<b>\$939</b>	<b>(\$11)</b>	<b>\$1,192</b>	<b>\$1,209</b>	<b>(\$17)</b>
% Margin	11%	13%	(2%)	26%	26%	(0%)	28%	28%	(0%)
<b>Global MAU (mn)</b>	<b>512</b>	<b>512</b>	<b>0</b>	<b>540</b>	<b>529</b>	<b>11</b>	<b>576</b>	<b>565</b>	<b>11</b>
<b>Global ARPU (\$)</b>	<b>\$1.38</b>	<b>\$1.38</b>	<b>\$0.00</b>	<b>\$6.95</b>	<b>\$7.10</b>	<b>(\$0.16)</b>	<b>\$7.62</b>	<b>\$7.81</b>	<b>(\$0.19)</b>

Source: BofA Global Research Estimates

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## Price objective basis & risk

### Pinterest (PINS)

Our \$42 price objective is based on 6.0x 2024E EV/Revenue, within Pinterest's historical EV/Revenue valuation range and below its 8x 10-year average. Our valuation reflects a premium to peer group multiples given early stage of monetization and 30%+ margin opportunity.

Risks to our PO are: 1) US user growth below peers, 2) seemingly high ad loads, could limit 3rd party partner benefits, 3) heavy competition for both general usage and shopping activity, 4) high cost of AI infrastructure, and 5) multiple compression given high SBC expense.

## Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
<b>NEUTRAL</b>				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA

## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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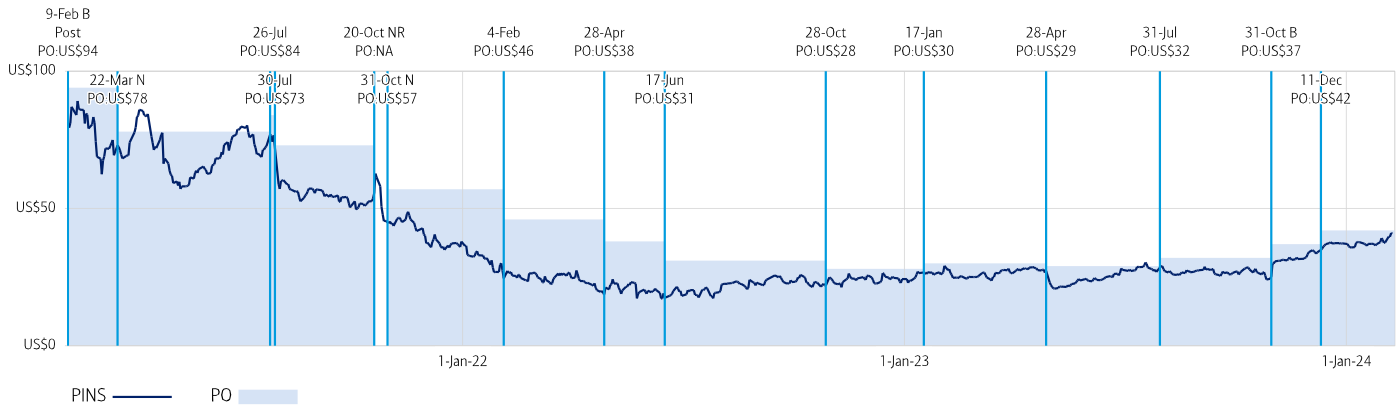
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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