

## Pinterest

## Prepping for Amazon deal ramp in 2024

Maintain Rating: BUY | PO: 42.00 USD | Price: 35.92 USD

## Reviewing expectations for Amazon partnership

In April'23, Pinterest announced an ad partnership with Amazon, and after several quarters of testing and integration, the partnership's contribution to topline is expected to become "meaningful" in 1H'24. We believe Street expectations for deal contribution range from \$100mn to \$400mn. Assuming a 10% increase in US & Canada revenue, and 40% increase in int'l revenue, we estimate partnerships can contribute ~\$350mn in incremental net revenue over next few years, and for 2024 we estimate a \$175mn net revenue benefit to Pinterest from Amazon and a potential second partner in 2H'24.

## International market is biggest opportunity for deal revs

Pinterest has not built out its International sales presence to match its user base, resulting in a relative ARPU deficit vs peers. Assuming Pinterest can improve its US/Intl. ARPU ratio to peer levels, we estimate Pinterest can potentially unlock incremental revenue of ~\$900mn, which represents a ~30% increase vs 2023 revenue. If we assume '24 partnership incremental revenue comes in at 75% margin, then '24 EBITDA growth estimates for Pinterest look more conservative, with potential for upside (see page 8).

## Risks are lower ad conversion &amp; delayed integration

Some of the major risks that could potentially impact deal ramp include: 1) Lower conversion and advertiser ROI potentially due to mismatch between user expectations on Pinterest and the typical Amazon shopping journey, 2) Increased ad load could affect usage and engagement, 3) Higher CPMs and potentially lower ROI could affect ad spend by existing Pinterest advertisers, and 4) Delays due to technical challenges as integrating ad systems and maintaining auction integrity is a complex process.

## Favor Pinterest in SMID cap digital media sector in '24

With the prospect of lower interest rates favoring both higher beta stocks and a recovery in home furnishing sector, we see Pinterest as relatively better positioned in the online media group. Also, Amazon and other future 3P deals should drive growth acceleration and margin expansion in 2024/25, with upside potential if the rollout goes well. At ~\$36, Pinterest is trading at 19x 2025E EBITDA (vs historical 2-year-forward avg of 20x). We think Pinterest can see multiple expansion if growth is accelerating & Street has a positive multiple year margin outlook. Maintain Buy & \$42 PO (22x '25E EBITDA).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.09	0.61	1.08	1.30	1.53
GAAP EPS	0.47	(0.12)	(0.14)	0.12	0.33
EPS Change (YoY)	127.1%	-44.0%	77.0%	20.4%	17.7%
Consensus EPS (Bloomberg)			1.09	1.21	1.58
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	33.0x	58.9x	33.3x	27.6x	23.5x
GAAP P/E	76.4x	NM	NM	299.3x	108.8x
EV / EBITDA*	30.1x	50.9x	34.7x	24.9x	19.4x
Free Cash Flow Yield*	3.0%	1.8%	2.5%	3.3%	4.2%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 12.

08 January 2024

## Equity

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## Stock Data

Price	35.92 USD
Price Objective	42.00 USD
Date Established	11-Dec-2023
Investment Opinion	C-1-9
52-Week Range	20.60 USD - 38.24 USD
Mrkt Val (mn) / Shares Out (mn)	25,034 USD / 696.9
Free Float	99.1%
Average Daily Value (mn)	305.96 USD
BofA Ticker / Exchange	PINS / NYS
Bloomberg / Reuters	PINS US / PINS.N
ROE (2023E)	23.2%
Net Dbt to Eqty (Dec-2022A)	-43.6%
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](#)".

## Glossary

3P: Third Party  
ARPU: Average revenue per user  
Avg. Average  
CPM: Cost per mille  
Intl: International  
ROI: Return on Investment

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Timestamp: 08 January 2024 07:03AM EST

# iQprofile<sup>SM</sup> Pinterest

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	24.2%	11.2%	17.4%	17.5%	16.8%
Return on Equity	28.5%	13.5%	23.2%	25.2%	23.7%
Operating Margin	29.6%	15.0%	21.6%	25.5%	27.8%
Free Cash Flow	744	440	618	835	1,059

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.0x	1.1x	0.8x	0.9x	1.0x
Asset Replacement Ratio	0.3x	0.6x	0.3x	0.4x	0.5x
Tax Rate	1.8%	NM	NM	27.4%	31.3%
Net Debt-to-Equity Ratio	-39.8%	-43.6%	-40.2%	-51.9%	-60.5%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,578	2,803	3,062	3,618	4,273
% Change	52.3%	8.7%	9.3%	18.2%	18.1%
Gross Profit	2,056	2,140	2,389	2,861	3,412
% Change	64.3%	4.1%	11.6%	19.7%	19.3%
EBITDA	790	467	686	955	1,225
% Change	158.6%	-40.9%	46.9%	39.2%	28.3%
Net Interest & Other Income	(5)	16	94	40	40
<b>Net Income (Adjusted)</b>	<b>753</b>	<b>426</b>	<b>748</b>	<b>915</b>	<b>1,106</b>
<b>% Change</b>	<b>127.5%</b>	<b>-43.4%</b>	<b>75.6%</b>	<b>22.3%</b>	<b>20.9%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	326	(154)	(116)	87	238
Depreciation & Amortization	28	46	24	34	36
Change in Working Capital	(61)	36	(110)	(66)	(106)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	461	542	826	792	909
Capital Expenditure	(9)	(29)	(7)	(12)	(18)
<b>Free Cash Flow</b>	<b>744</b>	<b>440</b>	<b>618</b>	<b>835</b>	<b>1,059</b>
<b>% Change</b>	<b>NM</b>	<b>-40.8%</b>	<b>40.3%</b>	<b>35.2%</b>	<b>26.8%</b>
Share / Issue Repurchase	24	13	5	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)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,420	1,611	1,442	2,277	3,337
Trade Receivables	653	682	751	873	1,028
Other Current Assets	1,109	1,162	1,256	1,273	1,287
Property, Plant & Equipment	53	60	30	42	60
Other Non-Current Assets	302	348	234	218	202
<b>Total Assets</b>	<b>3,537</b>	<b>3,863</b>	<b>3,713</b>	<b>4,684</b>	<b>5,914</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	260	381	352	418	473
Long-Term Debt	209	179	169	161	153
Other Non-Current Liabilities	30	22	24	26	28
<b>Total Liabilities</b>	<b>498</b>	<b>581</b>	<b>545</b>	<b>605</b>	<b>654</b>
<b>Total Equity</b>	<b>3,039</b>	<b>3,282</b>	<b>3,168</b>	<b>4,079</b>	<b>5,261</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,537</b>	<b>3,863</b>	<b>3,713</b>	<b>4,684</b>	<b>5,914</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 12.

## 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 8382,840

## Quarterly Earnings Estimates

	2022	2023
Q1	0.10A	0.08A
Q2	0.11A	0.21A
Q3	0.11A	0.26A
Q4	0.29A	0.53E

## Go time for Amazon partnership

In April'23, Pinterest announced a third-party ad demand partnership with Amazon. Under the partnership, Amazon will place ads from its own inventory on Pinterest's platform, helping increase ad loads and taking a cut of the ad revenues (we estimate 25-30%). Merchants who buy Sponsored Ads on Amazon are automatically opted into these 3P ads, which enable merchants to reach wider audiences beyond Amazon.com while maintaining the same cost-per-click parameters and campaign objectives.

Management has not quantified the potential revenue contribution from Amazon and other 3P deals but has left open the opportunity for a "meaningful" contribution starting in early 2024. Other commentary during earnings calls, conferences and the Pinterest Analyst Day that has suggested a sizeable opportunity to increase monetization, and shaped our analysis, include:

- A partnership of this scale is a multi-quarter implementation with the most meaningful revenue impact likely being in **early 2024**.
- Over **50%** improvement in relevance on search and a **100%** improvement in relevance on related items in early tests of the integration.
- One of the most encouraging things we've seen as we're bringing on third-party demand with our Amazon ads partnership is the **strong improvement** in relevance.
- Opportunity to **unlock** ad budgets from Amazon merchants who largely are not advertising on Pinterest currently.
- As we look forward and think about how 3P could help with our business overall, **international** is definitely a place that we think third-party demand can be particularly helpful.
- We have built it (Amazon partnership infrastructure) in such a way that we think it sets us up well to expand to **additional partners** as we go into '24.
- As we see that it's (Amazon ads) contributing to more relevant shopping content, that further bolsters our view that we can take ad load **much** higher.
- Our ad load when they use it (Pinterest) in a commercial context can be a **multiple** of what it is today.

At the investor day in Sep'23, Pinterest noted that the first focus of the Amazon partnership was integration with US search and then expanding it to related pins by 4Q'23. In 2024, Pinterest plans to expand Amazon partnership internationally and explore additional partners. So, US will likely ramp first, then Intl in 2024.

### Exhibit 1: Timeline of ongoing testing and optimization with Amazon

In 2024, Pinterest plans to expand Amazon partnership internationally and explore additional 3P partners.

#### Scaling 3P demand

##### Ongoing testing and performance optimization with Amazon

Starting with  
Search in the US

Expanding to Related  
Pins in US

Additional partners +  
international

Now

Q4'23

2024+

Source: Pinterest Investor Presentation

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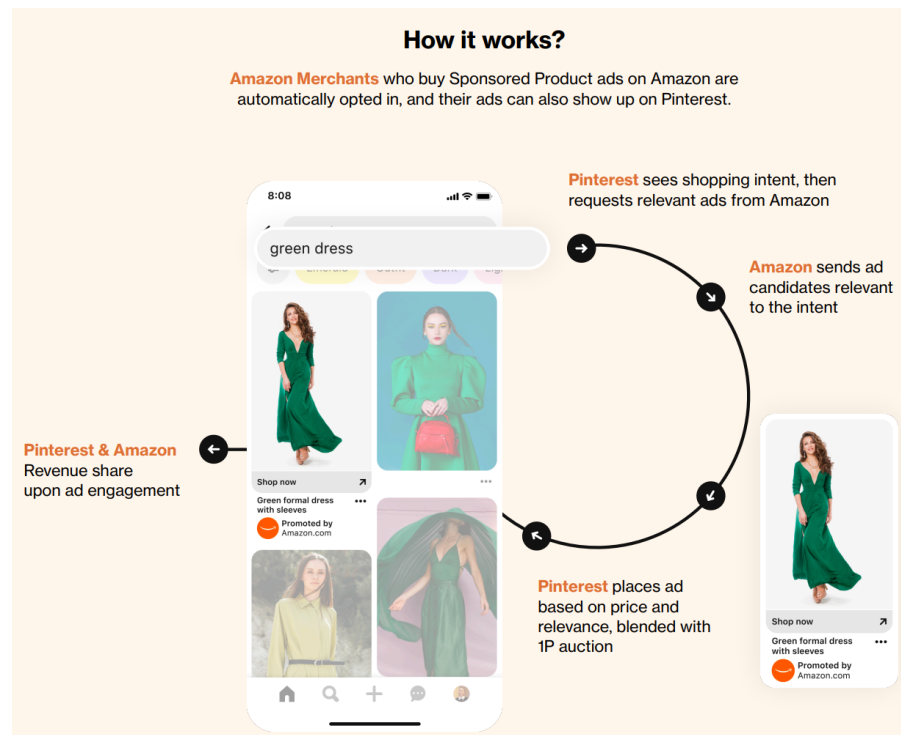


## How the partnerships works:

- 1) Pinterest sees shopping intent and requests relevant ads from Amazon,
- 2) Amazon sends over ads candidates relevant to the intent,
- 3) Pinterest blend the ads from Amazon to its 1P auction,
- 4) Most relevant ads are selected from the available auction candidates, and
- 5) Pinterest serves the ad and shares revenue with Amazon (Amazon and Pinterest have not disclosed the details of the revenue share).

### Exhibit 2: Demonstration of Amazon's ads shown on Pinterest

Pinterest now blends ads from Amazon's inventory to auction, and shares revenue to Amazon.



Source: Pinterest Investor Presentation

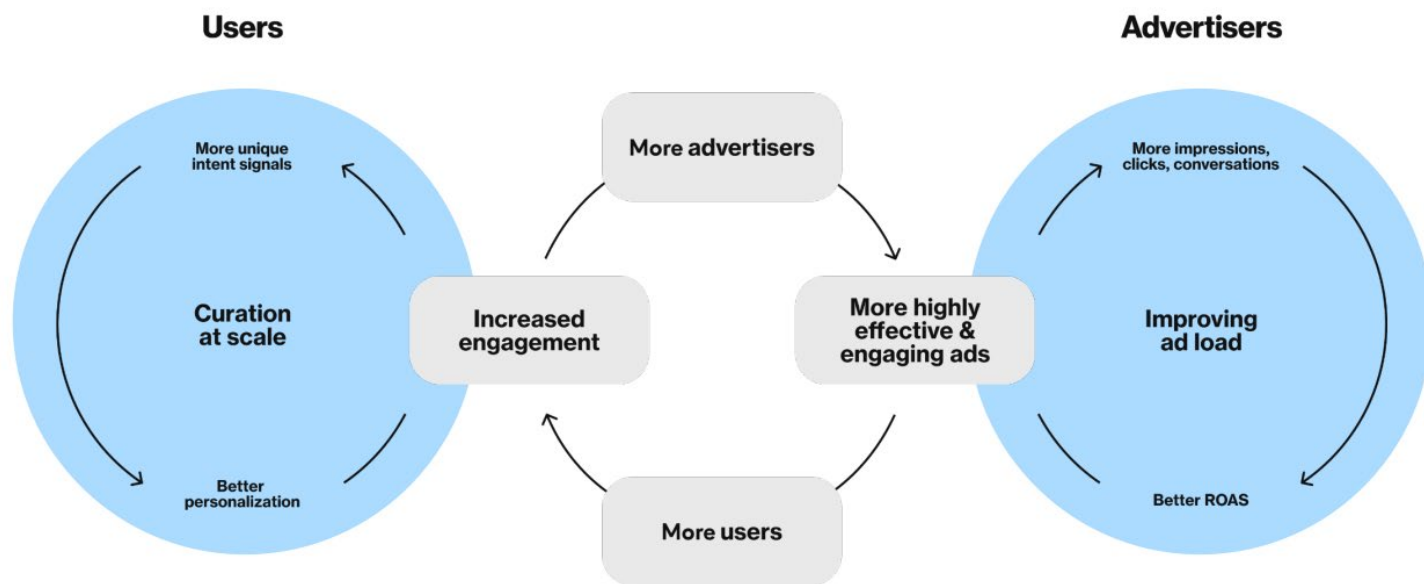
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### Potential contribution from the partnership

Incremental ads in Pinterest's auction have the potential to 1) improve ad loads with more relevant paid content to show during user sessions, 2) increase ad click through rates by presenting more relevant ads, and 3) drive higher ad prices through a denser ad auction. According to the company, the result from early tests shows more than 50% improvement in relevance of 3P ads on Search, and more than 100% improvement in relevance on Related Pins. As the auction scales with additional partnerships there could be a positive flywheel effect.

**Exhibit 3: The flywheel effect of Pinterest**

Amazon helps Pinterest to unlock ads demand and increase auction density, which leads to better user experience.



Source: Pinterest Investor Presentation

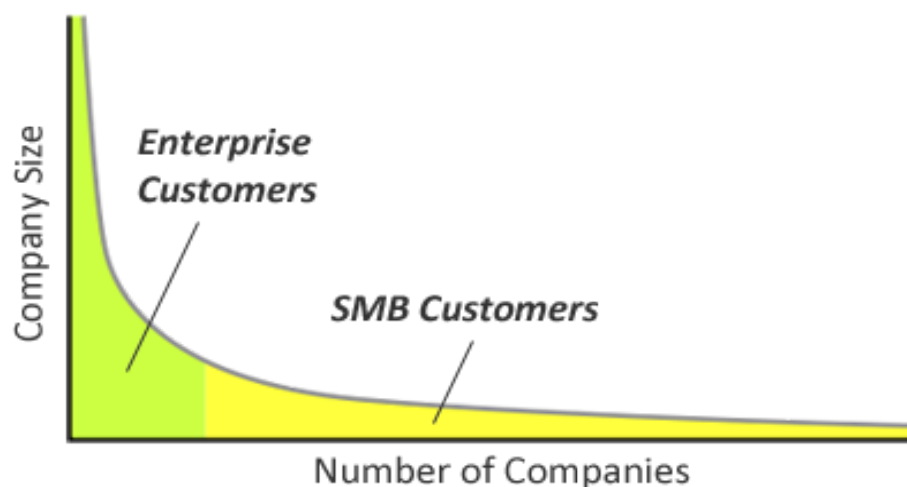
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**Deal substitutes and expedites long tail effect**

The "long tail" in digital advertising refers to the numerous small and medium-sized businesses (SMBs) that contribute a significant portion of ad revenue (approx. 37% of total US ad spend by SMB per Statista) but can be challenging to attract and manage individually. Through the Amazon partnership, Pinterest has likely expedited the process of accessing a long tail of advertisers that already exist on Amazon platform. Amazon has a vast pool of established sellers (2.3mn total active sellers on Amazon), expanding its potential advertiser base that we estimate is under 500k. Partnering with Amazon also reduces the need for individual outreach and onboarding, lowering the cost of acquiring new advertisers. Moreover, utilizing Amazon's user data and purchase history allows for more targeted ad delivery, potentially increasing ad relevance and conversion rates.

**Exhibit 4: Long Tail of Advertisers**

Through the Amazon partnership, Pinterest has likely expedited access to a long tail of advertisers.



Source: zeltser.com

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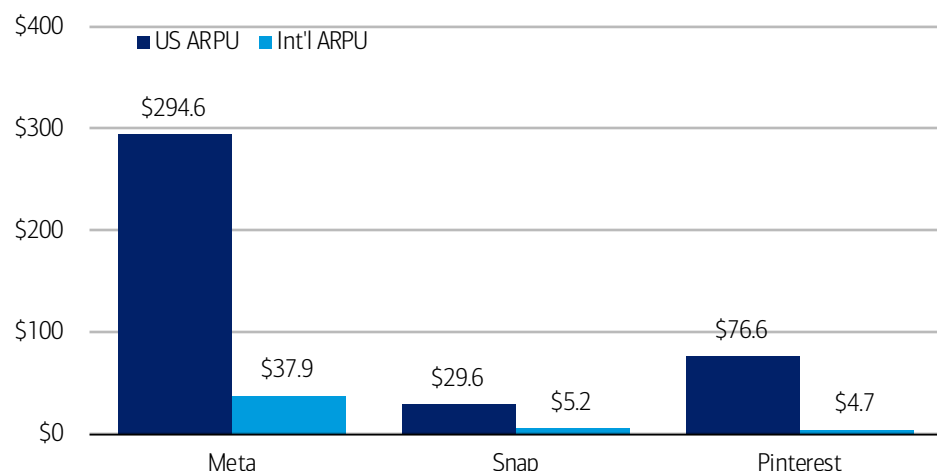
## International monetization gap easiest to quantify

The potential Amazon deal contribution to Pinterest revenues is very hard to pinpoint and neither Pinterest or Amazon have quantified opportunity. We do know that Pinterest has trailed peers with International sales investment, management has indicated that ad loads could more than double on some surfaces and that US will ramp first, then International. On the 1Q'23 earnings call, CEO noted that “we are really under-monetized internationally, we're a fraction of the monetization that we could be internationally”. We think Street multi-year expectations for deal contribution could range from \$100-400mn, with possibly additional benefits from other partners.

As of 2023, we estimate that Pinterest had 0.9% share in US and Canada's advertising market, but just 0.4% and 0.1% share in Europe and ROW despite a large and growing audience. To help size the ARPU deficit compared to peers, and the Intl revenue opportunity, we analysis US vs. International ARPU of Meta and Snapchat vs Pinterest, and the data suggests Pinterest is monetizing International users at 50%+ deficit compared to peers.

### Exhibit 5: 2023E US and International ARPU (\$)

Pinterest's international ARPU trails Snap while US ARPU is ~2.5x.



Source: BofA Global Research estimates

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### Exhibit 6: Ratio between International ARPU and US ARPU

Pinterest's Int'l ARPU/US ARPU (DAUs) is at ~1/2 of Meta's ratio and 1/3 of Snap's.

2023E	Meta	Snap	Pinterest
US ARPU	\$295	\$30	\$76
Int'l ARPU	\$38	\$5	\$5
Int'l ARPU/US ARPU	0.13x	0.18x	0.06x

Source: BofA Global Research estimates. Pinterest DAU/MAU ratio estimated at 33%.

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Assuming Pinterest can improve international ARPU to similar level to its peers (~0.15x Intl/US ARPU ratio i.e., ~\$12 Int'l ARPU), and using 2023 International revenues of ~\$610mn as a base, the company can potentially unlock incremental revenue of ~\$900mn (which would represent a ~30% increase relative to Pinterest's total 2023 revenue). During the investor day, Pinterest management noted that it might seek additional 3P ad partnerships to monetize in the international market. We believe Pinterest is well positioned to capture monetization opportunity through Amazon and other 3P deals (Google seems a likely candidate, but Meta a possibility).

## Scenario Analysis

We ran a scenario analysis to estimate the potential contribution that 3P deals can add to Pinterest over a multi-year horizon. In our base case scenario, 3P deals can contribute

10% increase in US & Canada revenue (roughly \$240mn), and 40% increase in International markets (also roughly \$240mn). The incremental gross revenue in this scenario would be \$489mn. We assume Amazon and other partners will take 30% of revenue generated from ads shown in Pinterest, and the net incremental revenue for Pinterest would be \$342mn. (Amazon deal will take time to ramp, and other deals have not started, so we assume a smaller contribution in 2024.)

#### Exhibit 7: Scenario analysis for incremental partnership revenue contribution

Scenario analysis for \$489mn of gross revenue contribution, \$342mn net.

US + Canada Growth Contribution					
Int'l Growth Contribution	4%	7%	10%	13%	16%
10%	\$159	\$233	\$306	\$380	\$453
25%	\$251	\$324	\$398	\$471	\$545
40%	\$342	\$416	<b>\$489</b>	\$563	\$636
55%	\$434	\$507	\$581	\$654	\$728
70%	\$525	\$599	\$672	\$746	\$819

US + Canada Growth Contribution					
Int'l Growth Contribution	4%	7%	10%	13%	16%
10%	\$111	\$163	\$214	\$266	\$317
25%	\$175	\$227	\$278	\$330	\$381
40%	\$239	\$291	<b>\$342</b>	\$394	\$445
55%	\$303	\$355	\$406	\$458	\$510
70%	\$367	\$419	\$471	\$522	\$574

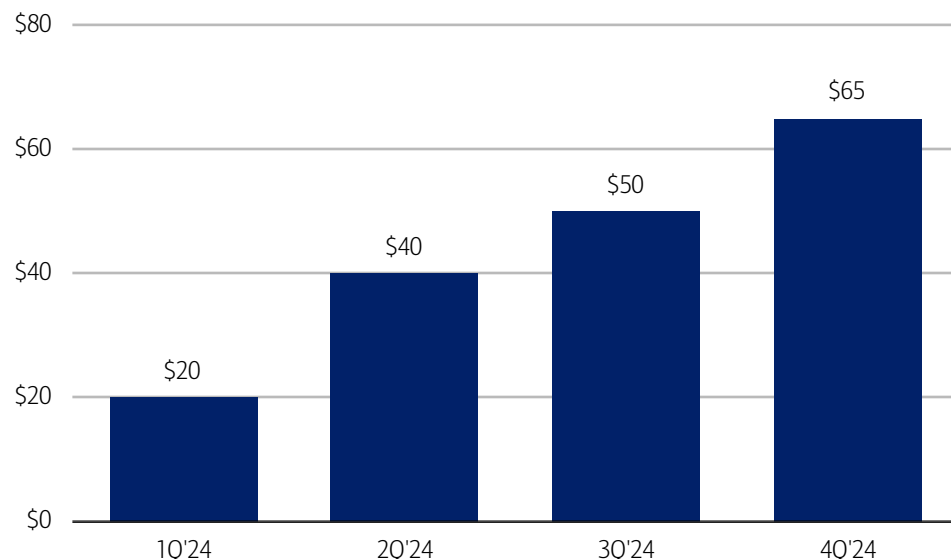
Source: BofA Global Research estimates

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These partnerships will ramp over time, and we expect 2-3 years to reach full potential. For 2024, we estimate the partnership to contribute total of \$175mn incremental revenue, with 2024 quarterly ramp as follows:

#### Exhibit 8: Estimated revenue from Amazon partnership (\$ mn)

We estimate Amazon partnership will contribute total of \$175mn incremental revenue in 2024.



Source: BofA Global Research estimates

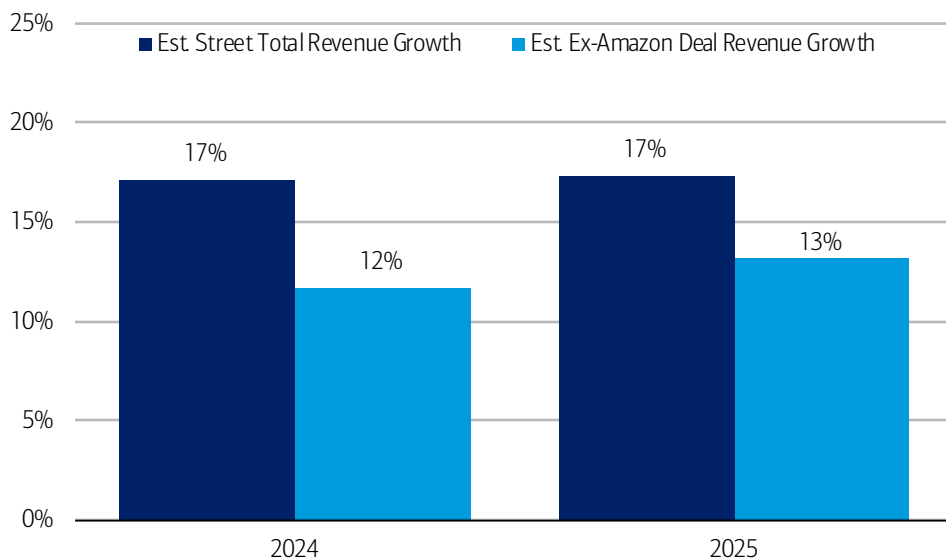
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The benefit to Pinterest financials will be both added revenue growth, and margins as we expect net incremental revenues to be high margin. Assuming a \$175mn net revenue contribution from partnerships in 2024 and another \$150mn incremental revenue contribution in 2025, Street estimates suggest that revenue growth ex-partnership

growth would be 12% in 2024, and 13% in 2025, which compares to around 13% expected in 4Q'23 (despite a still depressed home furnishings sector).

#### Exhibit 9: Estimated Pinterest Revenue Growth (%)

Revenue growth excluding our partnership rev. est. 12% in 2024, and 13% in 2025.



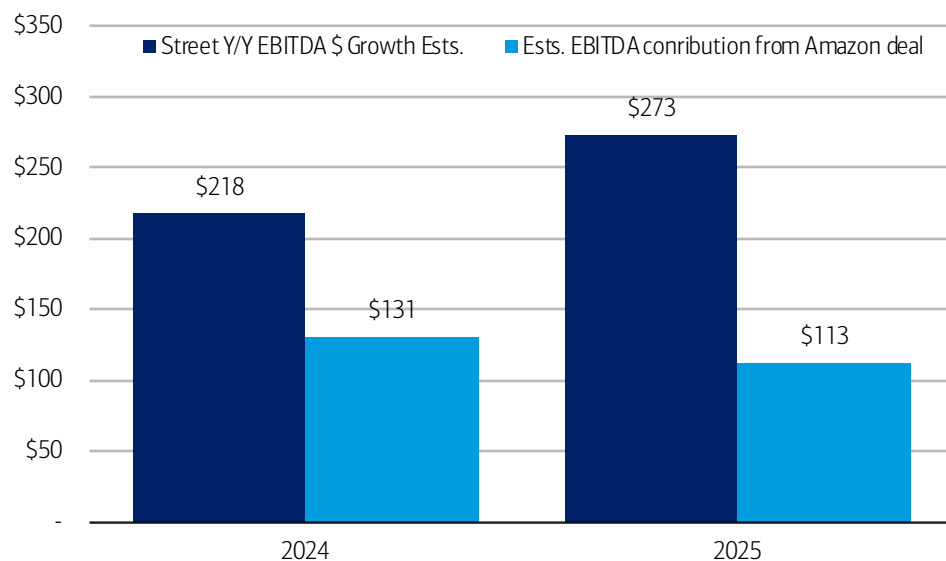
Source: Visible Alpha, BofA Global Research estimates

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We expect incremental revenue from 3P partnerships at high margins. If we assume the incremental net revenue comes in at 75% margin, then Street EBITDA growth estimates for Pinterest look more conservative. In 2024, the Amazon deal could drive ~60% of the EBTDA dollar growth (\$131mn out of \$218mn) in street models, and 40% in 2025 (\$113mn out of \$273mn).

#### Exhibit 10: Pinterest Y/Y EBITDA Growth Estimates (\$ mn)

In 2024, Amazon deal could contribute 60% of Pinterest EBTDA dollar growth.



Source: Visible Alpha, BofA Global Research estimates

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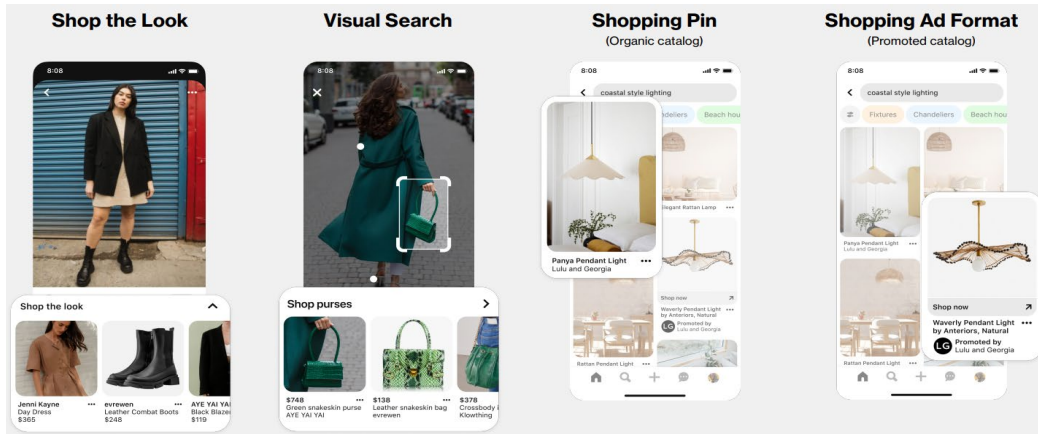


## Popular categories & candidates for deals

According to Pinterest Trends, the most popular categories for Pinterest include fashion, food & drinks, beauty, home decor, wedding planning, and travel. Users rely on Pinterest for idea inspirations, recipe collections, fashion and beauty trends, home decorations, etc. According to company internal data, more than 50% of users think of Pinterest as a place to shop, and 96% of searches are unbranded (implies that the users have rough ideas on what items they seek to find, but don't know what exactly the item is).

### Exhibit 12: The shopping experience on Pinterest

More than 50% of users think of Pinterest as a place to shop, and 96% of searches are unbranded.



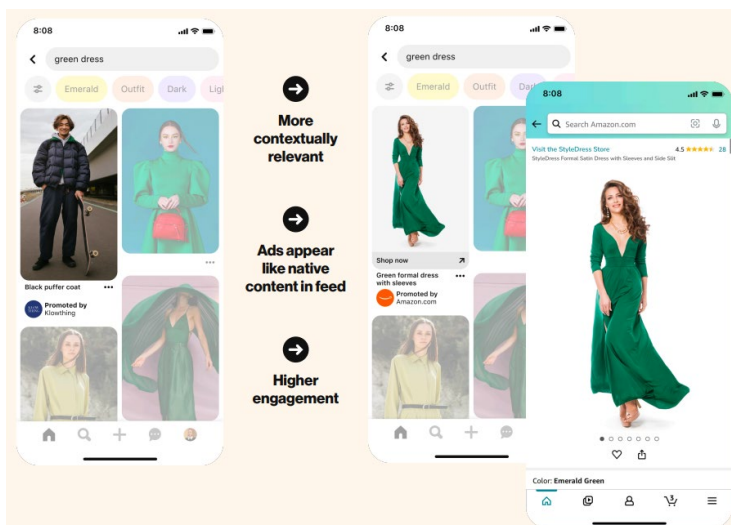
Source: Pinterest Website

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As Pinterest is a major hub for fashion and beauty inspiration, the site has opportunity to promote Amazon's vast offerings in apparel, jewelry, cosmetics, and personal ad categories. A large percentage of users on Pinterest also browse home decor, furniture and appliances and often have strong purchase intent. Amazon's extensive selection in these categories could seamlessly convert Pinterest inspiration into Amazon transactions. Other content rich verticals such as DIY and Crafts can feature Amazon ads and offer convenient purchase options as Pinterest users plan their projects.

### Exhibit 13: Popular categories on Pinterest for early Amazon integration

Pinterest should be well suited to promote Amazon's vast offerings in apparel, jewelry and cosmetics.



Source: Pinterest Investor Presentation

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## Risk to Amazon deal ramp

**Lower ad conversion on Pinterest:** While Pinterest users often demonstrate a high level of shopping intent, risk is lower conversion for Amazon ads leading to lower ROI and less than expected impact from the deal. Pinterest is often used for inspiration, discovery, and planning. Users may be in the early stages of the purchasing process, exploring ideas rather than actively seeking immediate purchases. If Amazon automatically extends sponsored product ads to Pinterest, and these ads convert at a lower rate, then Amazon advertisers could push back on ROIs for their Amazon ad spend. This could cause Amazon to reduce the scope of the partnership.

**Delays due to technical challenges:** Integrating ad systems and platforms can be a highly complex process. Ensuring seamless compatibility, data sharing, and a unified user experience requires thorough planning and execution, likely the reason for extended ramp-up period for the deal. Technical challenges, such as difference in API integrations, and backend systems, can contribute to delays in the integration process and a lower-than-expected revenue contribution in 1H'24.

**Higher ad load affects user experience:** If the integration of Amazon ads disrupts the platform's user experience or does not align with user expectations, it could affect usage and engagement on the Pinterest platform. Also, US will ramp first (which already has higher ad loads), while International may take longer to scale.

**Higher CPMs could affect ad spend by existing advertisers:** Denser ad auction and increased competition could elevate CPMs on Pinterest platform, which could lead to lower ROI and potentially lower ad spend by existing Pinterest advertisers.

**Advertiser overlap:** Amazon advertisers already on Pinterest may prefer to run their own campaigns on Pinterest, and not have their ads shown as part of the partnership.

**High Street Expectations:** Street may already high expectations for the Amazon deal contribution (above consensus estimates) given positive indications on the opportunity from Pinterest management.

## 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
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	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
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
<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
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
<b>UNDERPERFORM</b>				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern



## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, 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

**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

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**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**

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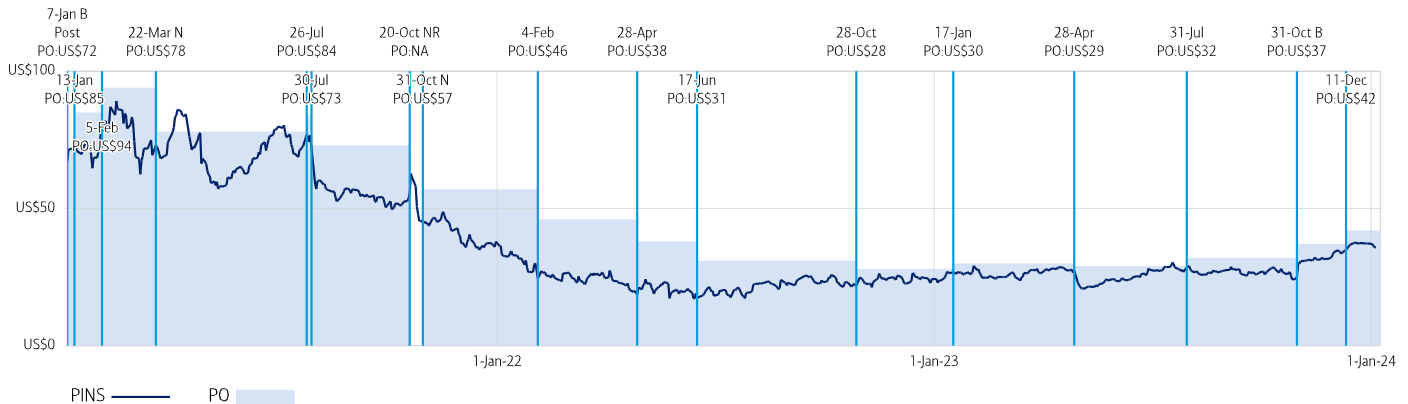
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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