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# Pinterest

## Equity Research Division

**Target Price: 56,80\$**

**Current Price: 68,54\$**

*Downside Potential: 17,12%*

**Recommendation: SELL**

**Investment Horizon: 1 Year**

Vienna, 29<sup>th</sup> January 2021

# Team Overview

## Equity Research



**Viktoria  
Weissova**

**Head of  
Equity Research**

- Task Distribution
- Story Guideline



**Oliver  
Gschwandtner**

**Associate**

- Financial Analysis
- Valuation
- Strategy



**Lukas  
Likar**

**Analyst**

- Business Model
- Risks



**Michael  
Hacker**

**Analyst**

- Business Model
- Management



**Krisztina  
Jakubec**

**Analyst**

- Valuation
- Industry analysis
- Competitors analysis



▪ BSc. (WU) – 5<sup>th</sup> Sem.

▪ BSc. (WU)

• MSc. (WU) - 1<sup>st</sup> Sem.

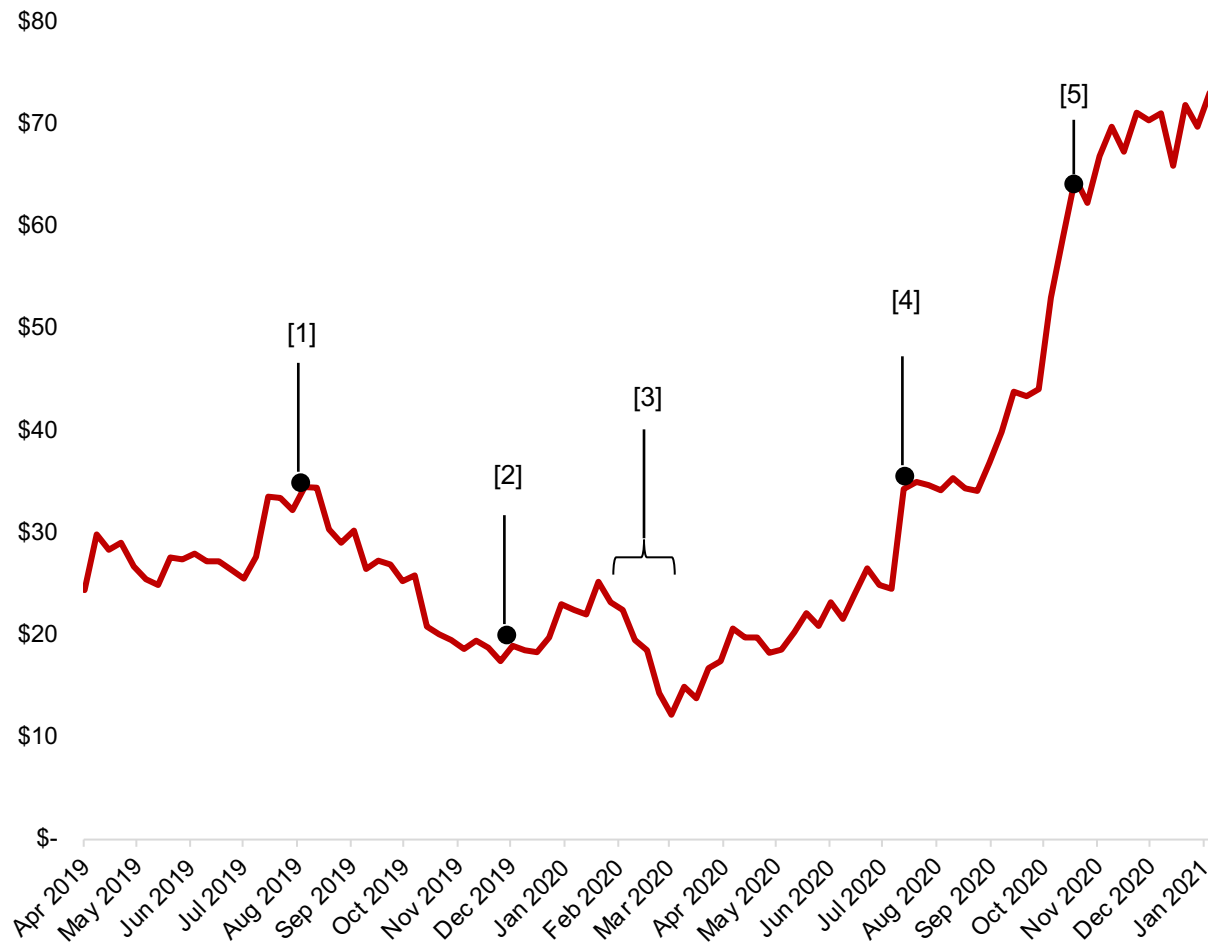
▪ LL.B.. (WU) – 1<sup>st</sup> Sem.

▪ MSc. (Uni W.) – 3<sup>rd</sup> Sem.

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# Share Price Performance

Pinterest stock has surged more than 270% over the year 2020



## Share price – Major Events

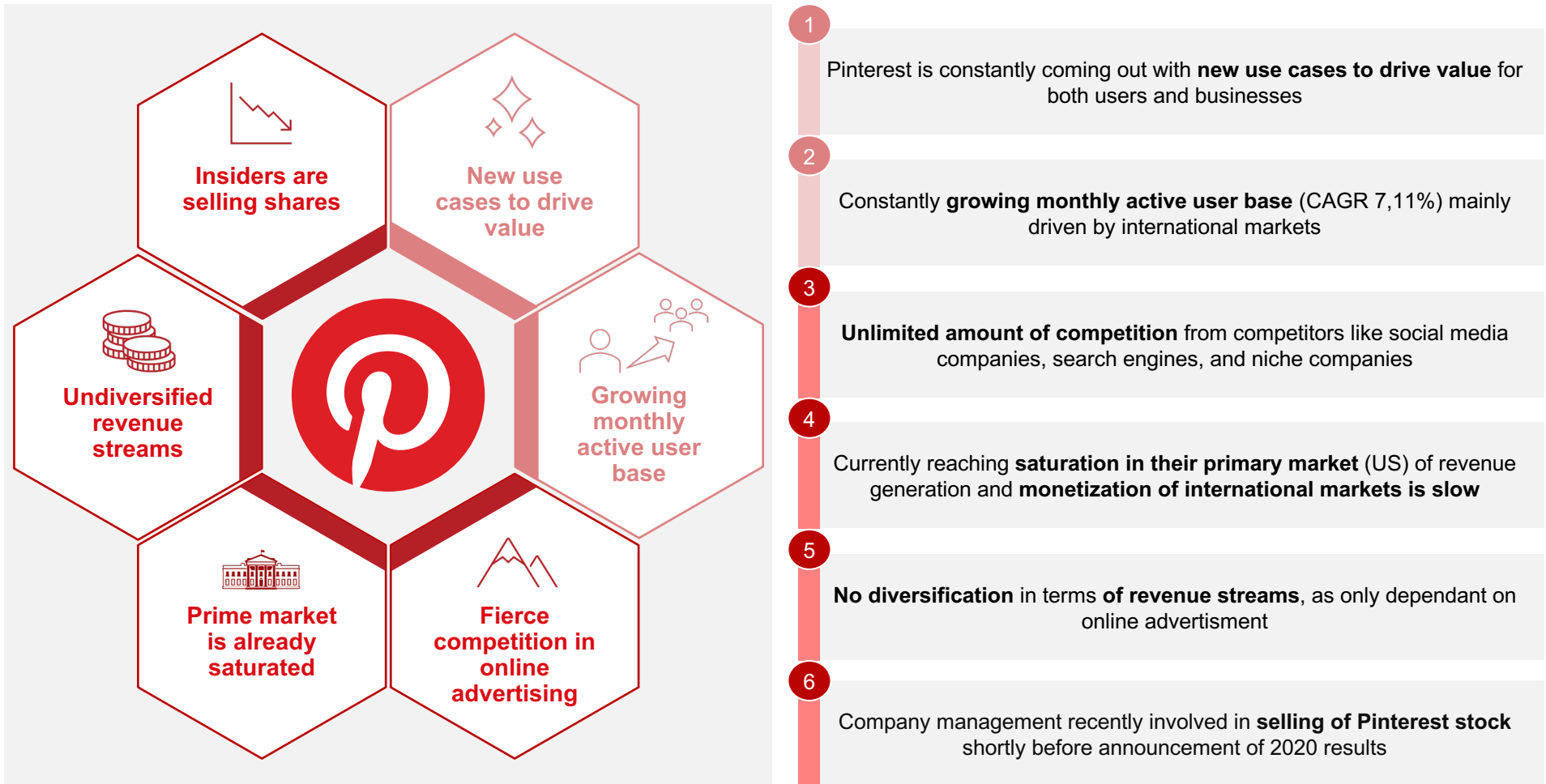
- [1] August 1, 2019 (+16%) reported a sharp rise in revenue and improved average revenue per user in the U.S. and abroad during its second quarter
- [2] November 1, 2019 (-17%) mixed third-quarter 2019 results - consensus estimates predicting a loss of \$0.04 per share on higher revenue of \$281 million
- [3] February - March 2020 (-52%) – COVID-19 scare of drop in revenue from advertising
- [4] July 31, 2020 (+36%) – Q2 earning report - revenue rose 4% year over year to \$272.5 million driven by a 39% year over year surge in the number of MAUs
- [5] October 28, 2020 (+30%) - Q3 revenue increased 58% year over year to \$442.6 million

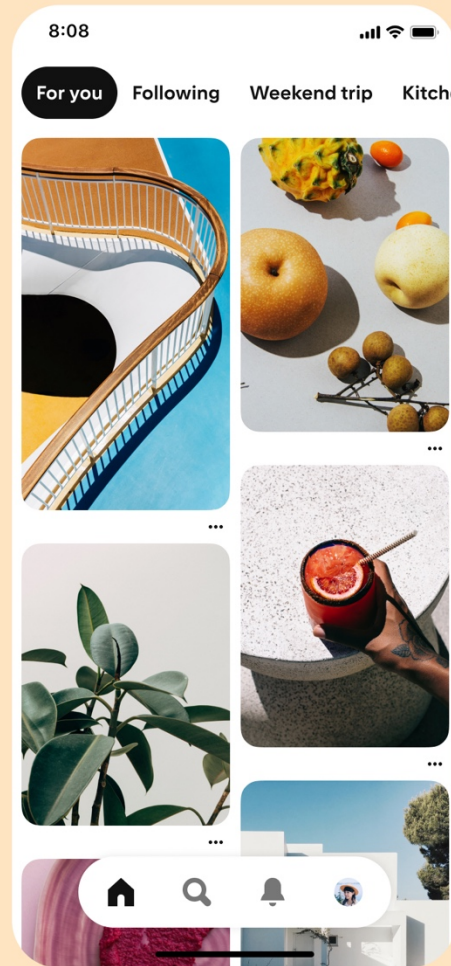
## Key Stats

- 52 Week Range: 10,10 - 76.88
- Volume: 17.567.338
- Market Cap: 39,791B
- Shares Outstanding: 510,86M
- Beta: 1,42

# Investment Thesis

Fierce competition and easily replicable business model makes Pinterest discouraging





## Business Overview

# Business Overview

Visual discovery platform still led by initial founders

## Business Description

- Pinterest is a San Francisco based visual discovery platform
- Founded in 2010 by Ben Silbermann, Even Sharp and Paul Sciarra
- Strong focus on the US market



IPO in 2019, Stock is up 200%



2,200 employees in total



Offices across the US, Europe, Brazil and Japan



450 million active users worldwide

## Financials

In millions \$US	2017	2018	2019	Q3 2020
Revenue	472,9	755,9	1.142,8	987,0
<i>% growth</i>		60%	51%	
COGS	178,7	241,6	359,1	320,0
<i>% margin</i>	37,8%	31,9%	31,4%	31,8%
Gross Profit	294,2	514,3	783,9	666,7
<i>% margin</i>	62,2%	68,0%	68,6%	68%
Leverage	19,4%	19,6%	10,7%	7,8%

## Management Team



### Ben Silbermann

- Founder and CEO
- Experience at Google



### Jon Kaplan

- Head of Sales since 2016
- Ex Twitter



### Todd Morgenfeld

- CFO since 2016
- Ex Twitter Executive



### Christine Flores

- General Counsel
- Ex Google M&A Lawyer



### Waleed Ojeil

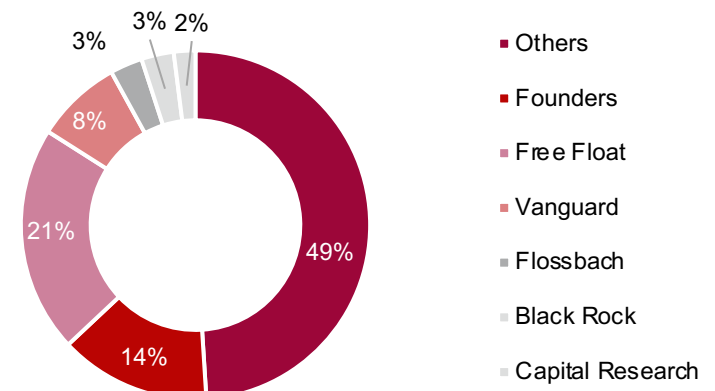
- Head of Engineering
- Joind in 2019
- Ex Google Engineer



### Evan Sharp

- Co-Founder
- Chief Design and Creative Officer

## Shareholder Structure



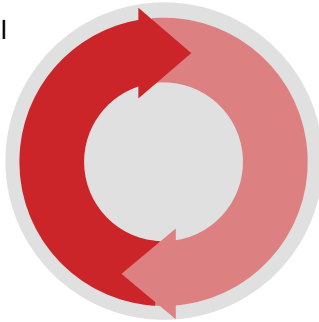
# Business Model

Pinterest involves Pinners and Advertisers while revenue only stem from advertisers

## Two key players for Pinterest operations

### Pinners

- Create „Pins“ – visual recommendations
- Use the service for free
- Share daily activities e.g. cooking ideas or wardrobe decisions



### Advertisers

- Advertise through promoted „Pins“ or promoted „Video Pins“ for free
- Can choose from different subscription types wardrobe decisions
- Services include targeting and measurement tools

## How advertisers are attracted to Pinterest



**Awareness:** Charged for every 1.000 impressions (CPM)



**Engagement:** Charged for every engagement (CPE)



**Website traffic:** Charged for clicks to a website (CPC)

## Value propositions for Pinners



### Visual Experience

Pinterest focuses on visual discovery and search



### Simple Personalization

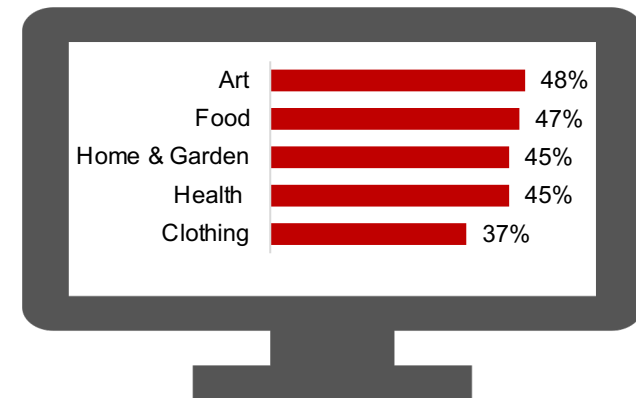
Customize a “pinboard” for user-specific content



### Empowering Environment

Engage with users and advertisers to get inspired

## Top categories of interest looked up on Pinterest



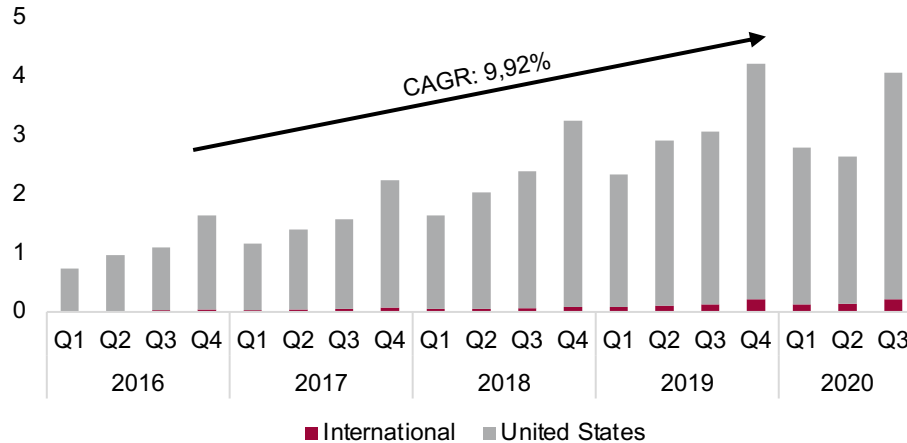
Survey with 2.500 US citizens, 18 years or older



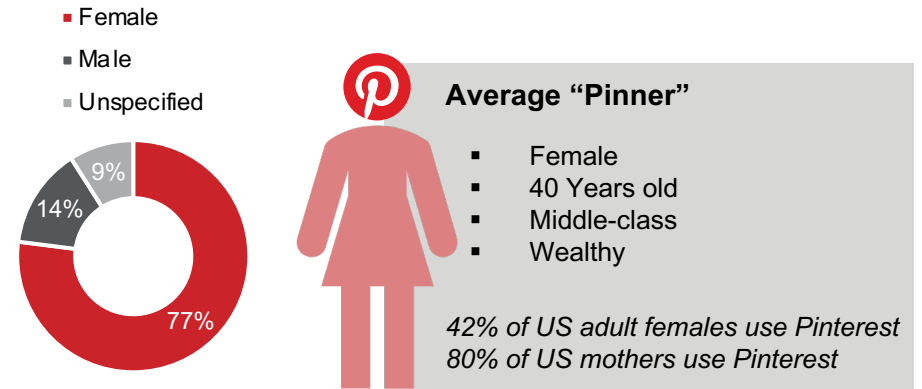
# Business Development

## Pinterest gains international ground – but fails to monetize the new customers

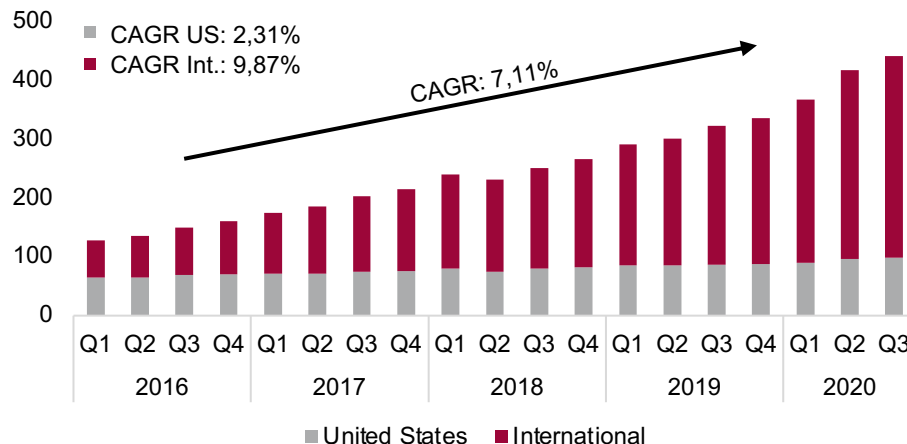
ARPU by region (average revenue by user) in \$US



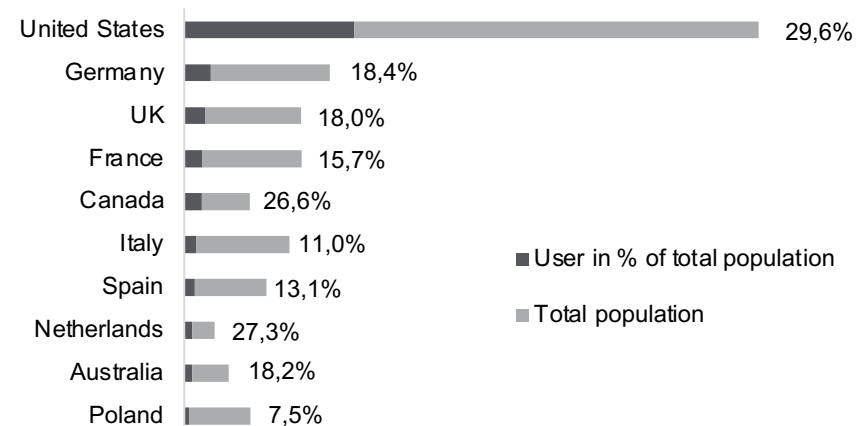
Audience – “Pinner”



MAU by region (monthly active users) in millions






Geographical distribution – Top 10 largest audiences

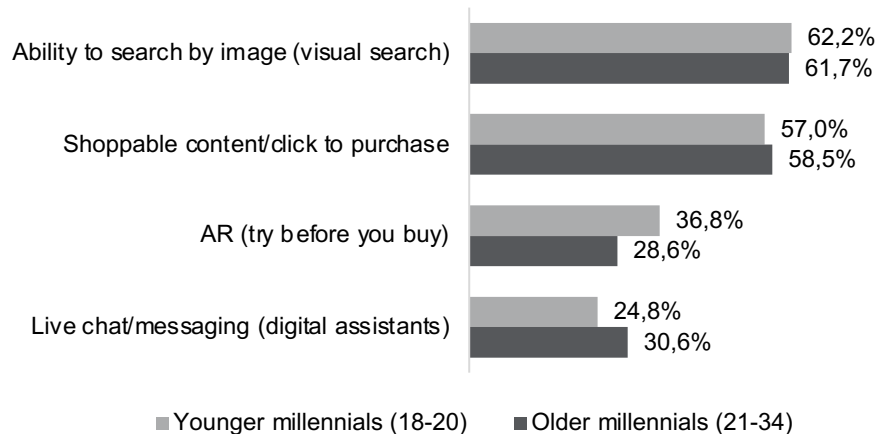


## Pinterest's strategy is in line with their audience's expectations

### Strategic priorities

- 
**Advertisement diversification**
  - Launch new features to
    - Share content
    - Display advertisements
- 
**Pinterest shopping**
  - Enable easy shopping from verified retailers
  - Convert Pinner engagement
- 
**Research & Development**
  - Acquisition of talent & advertisers
  - Implementation of measurement and creative tools

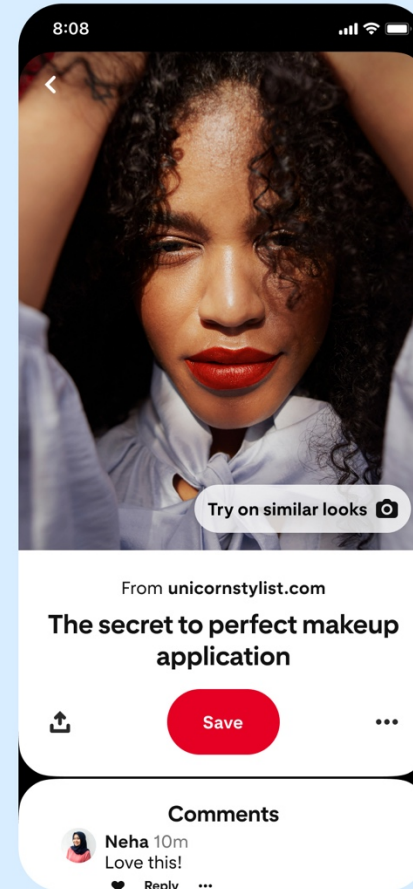
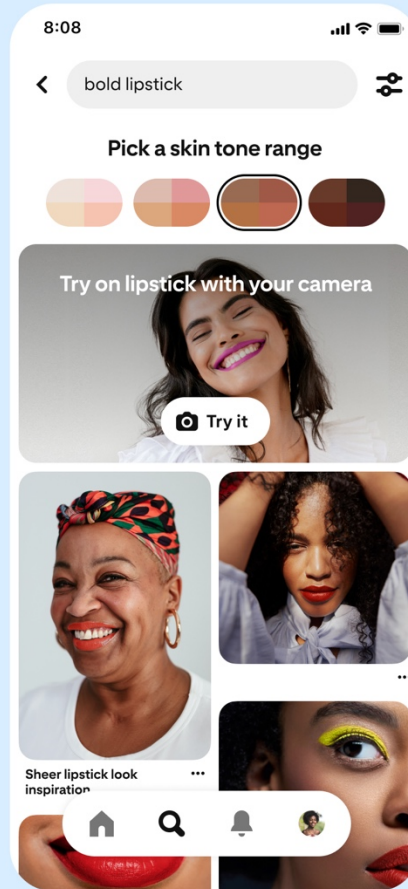
### Millennial search preferences for digital experience



### Advertising strategy

*Focused on building a stronger international advertising platform through an activity-based sales funnel*



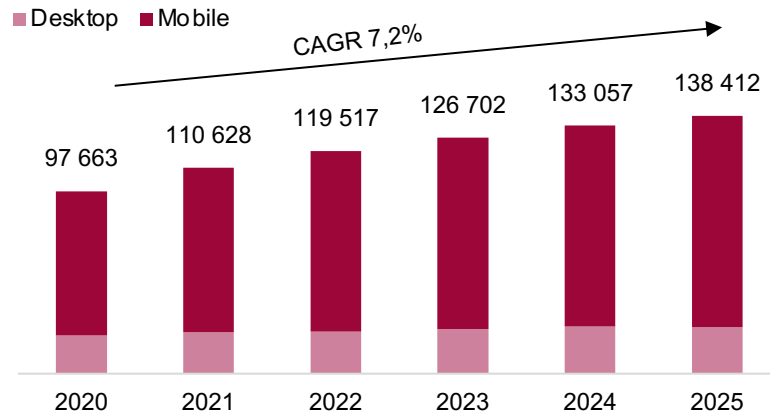


## Market & Industry Overview

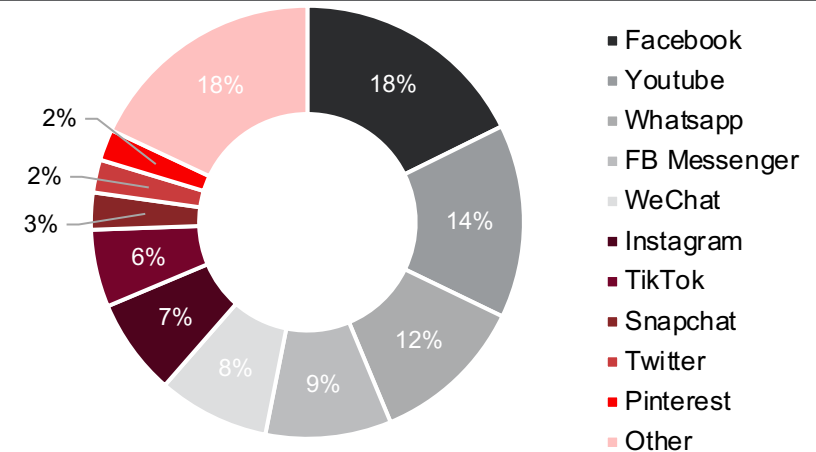
# Social Media Market

Despite high CAGR, social media advertising market is still small in Europe

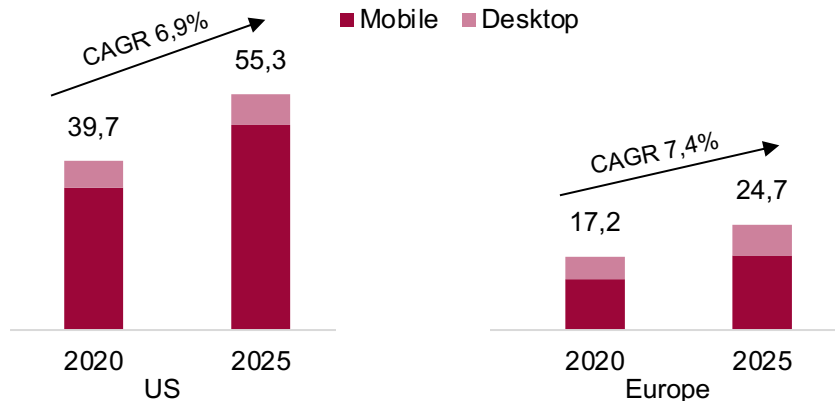
Social media advertising market growth in billion \$US



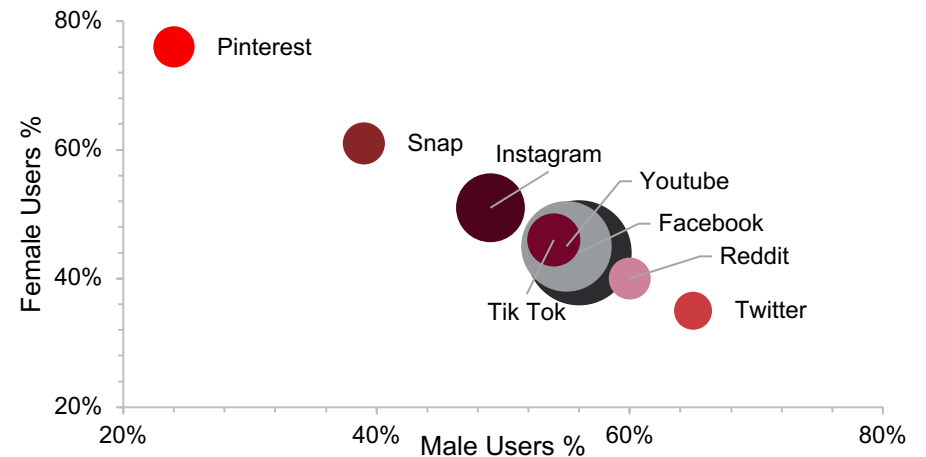
Market share of social media in terms of revenue from advertisement



Social media advertising market growth in billion \$US per region



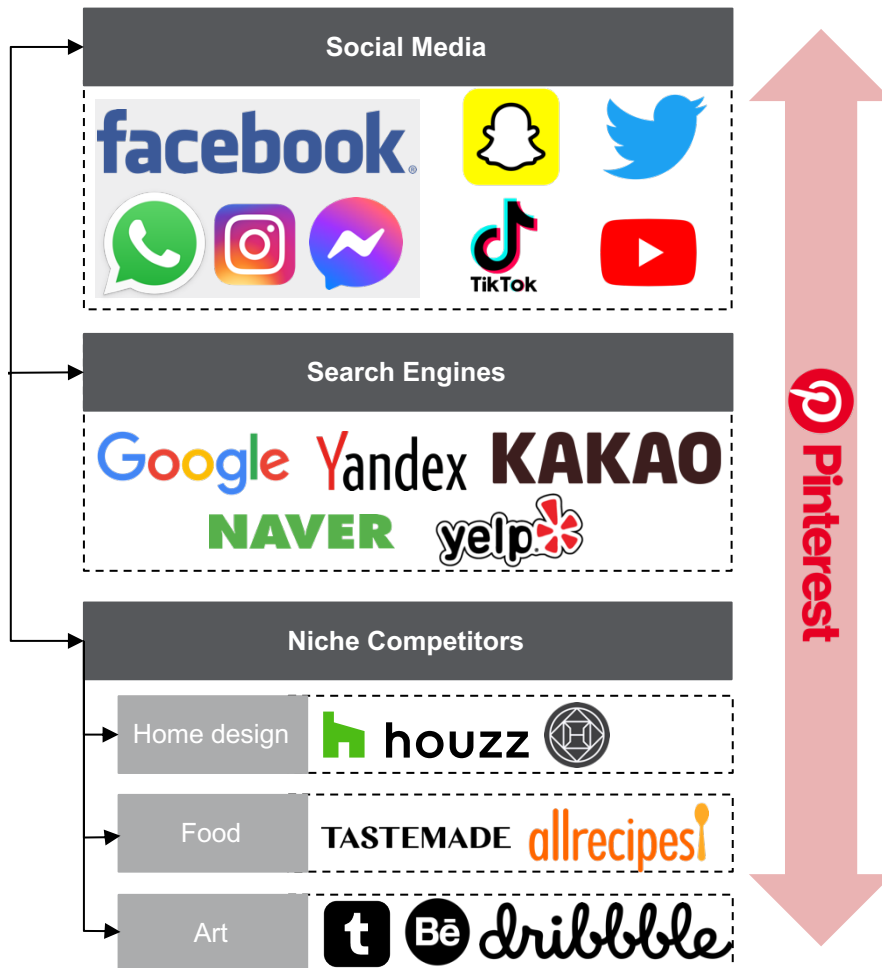
Analysis of social media companies in terms of users



# Peer Group Comparison

Targeting multiple segments but still facing fierce competition in each

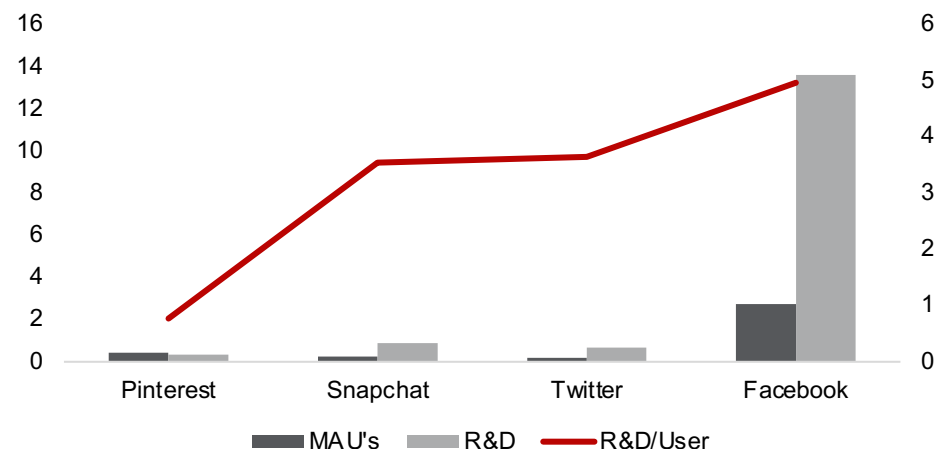
## Peer Group Segmentation



## Big players creating copycat version of Pinterest

<p><b>Google</b></p> <p><b>keen</b></p> <p>Curation tool to collect content, text and images from web to “keens”, Google version of boards</p>	<p><b>Public Instagram Collection</b></p> <p>Would allow users to organize their favourite, saved Instagram posts into groups and share them with others</p> <p><i>*Rumor</i></p>	<p><b>facebook</b></p> <p><b>HOBBI</b></p> <p>Photo and video sharing app designed for documenting your personal projects and hobbies</p> <p><i>*Shut down</i></p>
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## Pinterest has a high number of users (in millions) compared to its peers

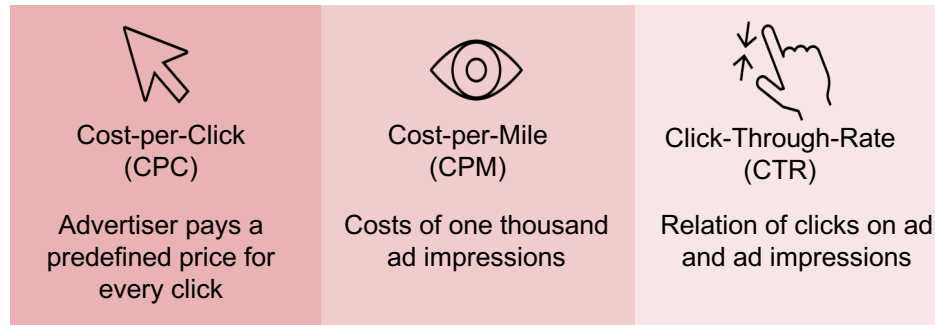


# Industry specific metrics in the social media industry

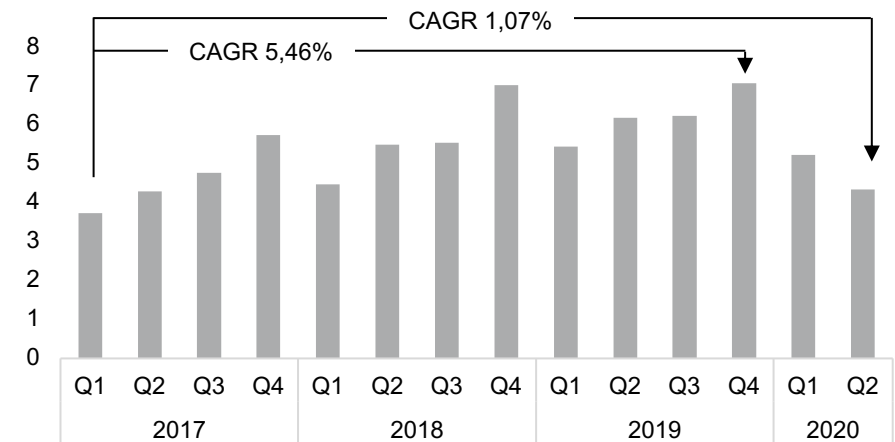
Decreasing metrics in the past quarters do not account for a promising market environment

## Explanation of industry specific metrics

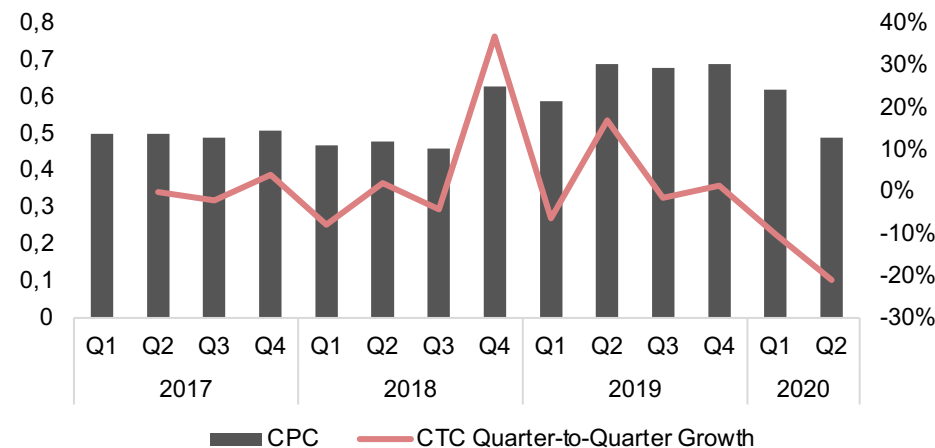
- All metrics are measuring the interaction of users with any content on diverse social media platforms
- This performance is tracked in different ways:



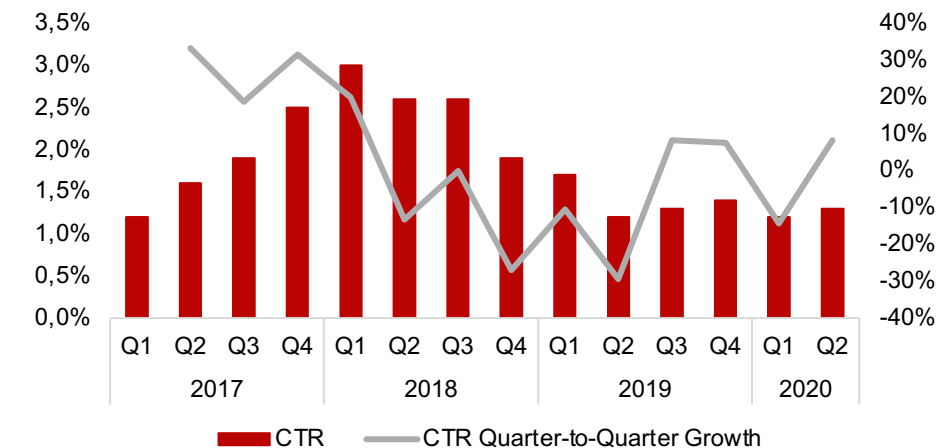
## Social media advertising Cost-per-Mile (CPM) in \$US



## Social media advertising Cost-per-Click (CPC) in \$US



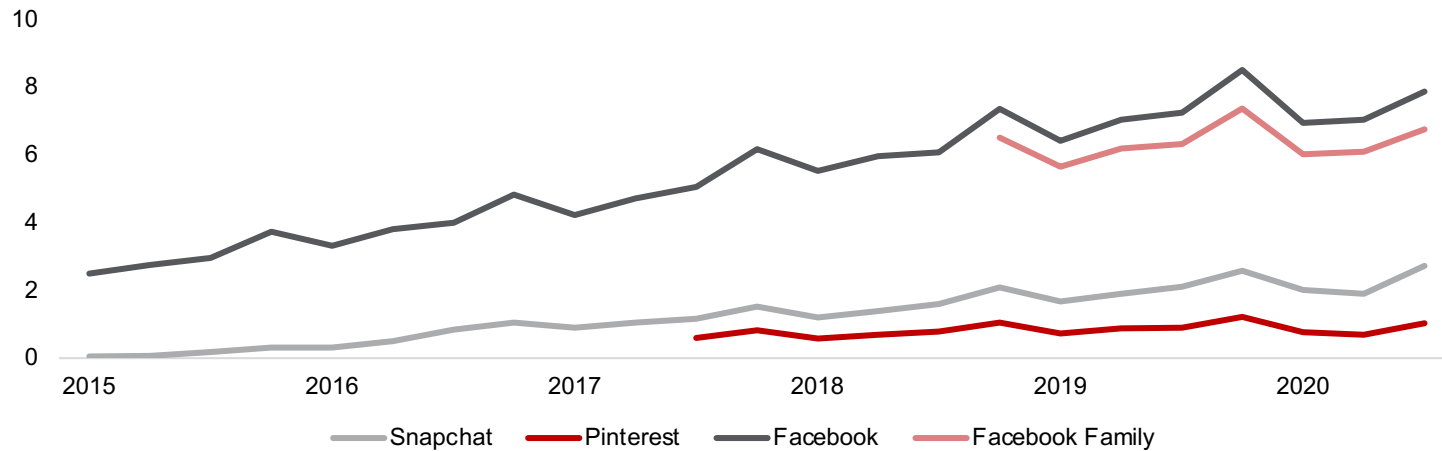
## Social media Clickthrough Rate (CTR) and growth



# Average Revenue Per User in the Social Media Industry

Besides phases of strong growth Pinterest can not properly catch up to its peers

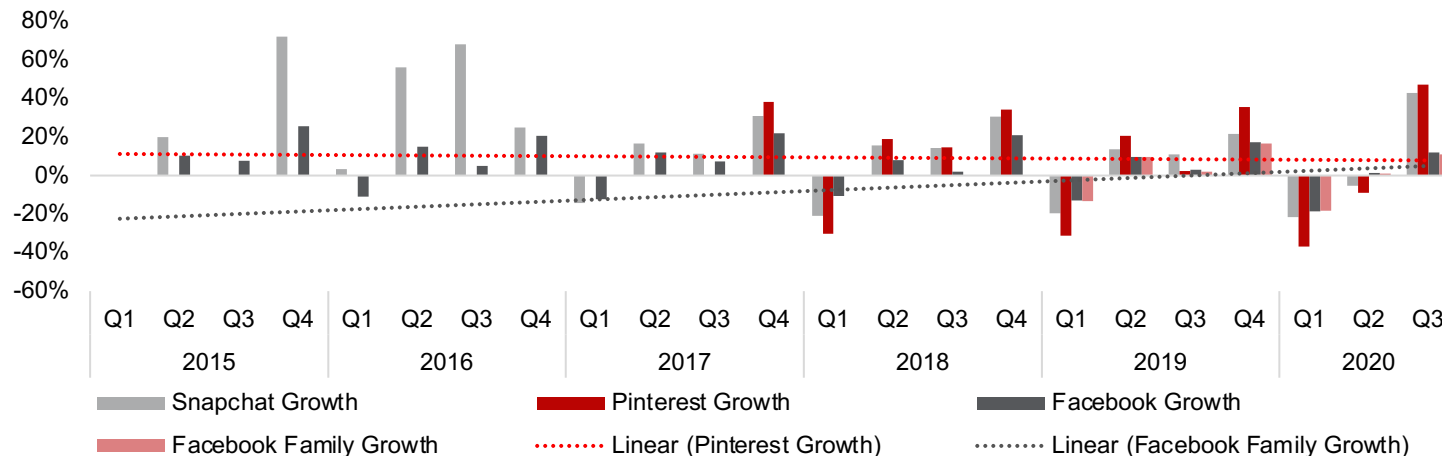
ARPU in the social media industry in \$US



Pinterest is not able to close the gap to its peers

Strong peer group offers various types of services

ARPU YoY growth for social media peers



Pinterest is facing a constant if not slightly negative ARPU growth

Facebook Family in turn has a strongly increasing ARPU

# Porter's Five Forces

Major issues in every area except bargaining power of users

- (-) Established competitors
- (-) Huge competition for binding advertisers to one platform
- (+) Unique business model -> first mover advantage

**Internal rivalry - HIGH**

**Threat of substitutes - HIGH**

- Replicable business model (-)
- Fast scalability and accessible market (-)
- Missing innovation to tie user (-)

**Bargaining power of users - MEDIUM**

- (-) Only relevant factor is content demanded
- (-) Low switching costs
- (+) Individual pinboard



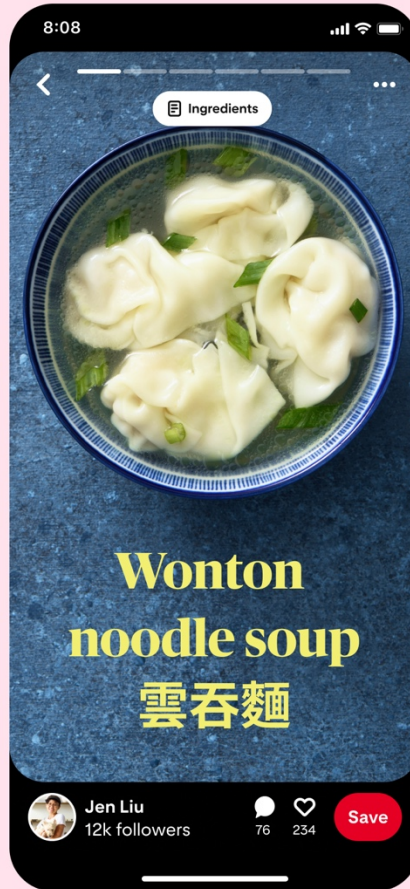
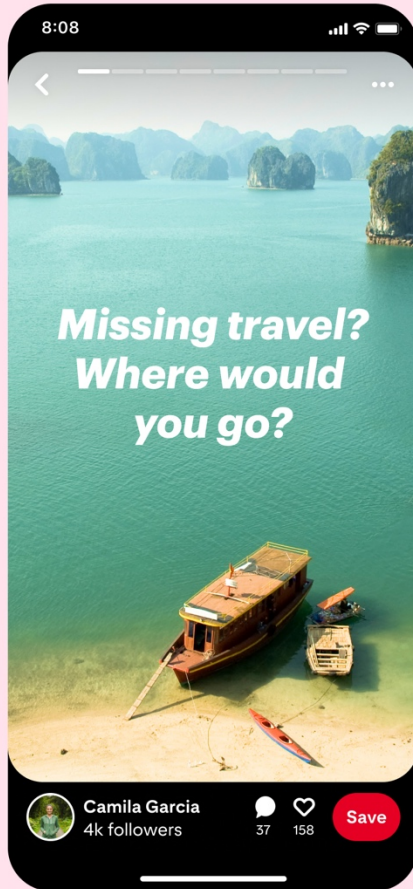
**Bargaining power of buyers - MEDIUM**

- Concentrated number of advertisers (-)
- Uncomplicated to switch to competitors (-)
- Risk of trend riding (promoting on the most popular platform at the moment) (-)
- Diverse pool of advertisers (+)

**Threat of new entrants - HIGH**

- (-) Low entry barrier
- (-) Entrants attracted by market growth
- (+) General oversaturation of social media sector



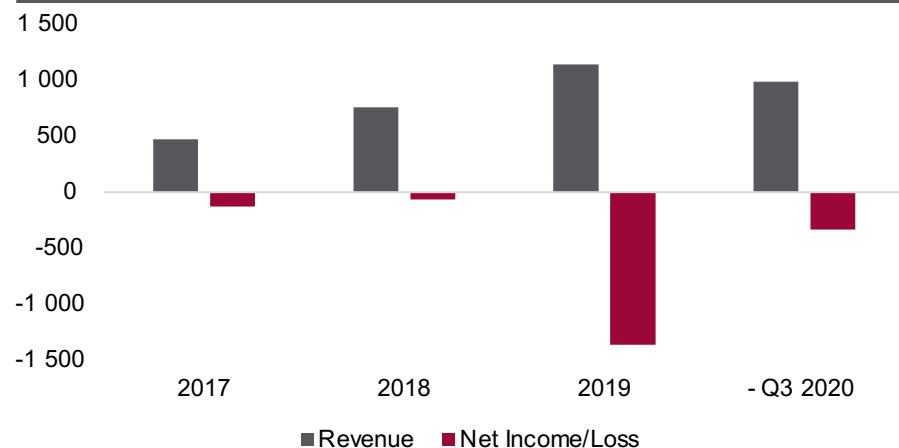


## Financial Analysis

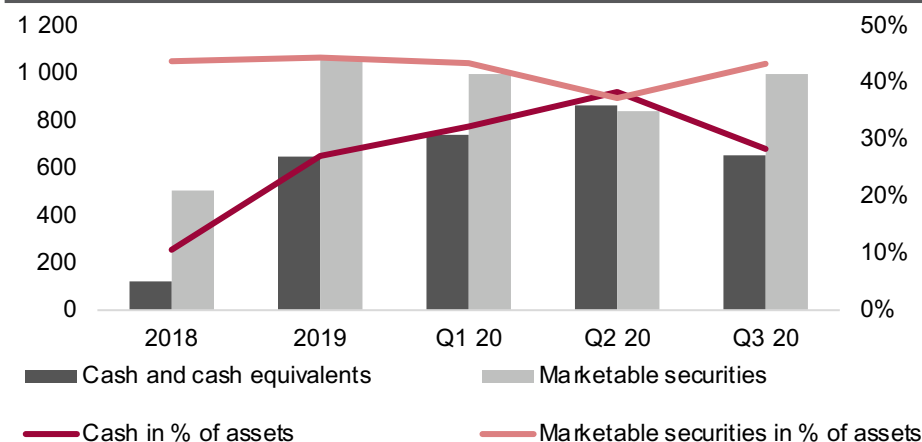
# Financial metrics at a glance

Unprofitable company with an inexplicable huge amount of cash on its balance sheet

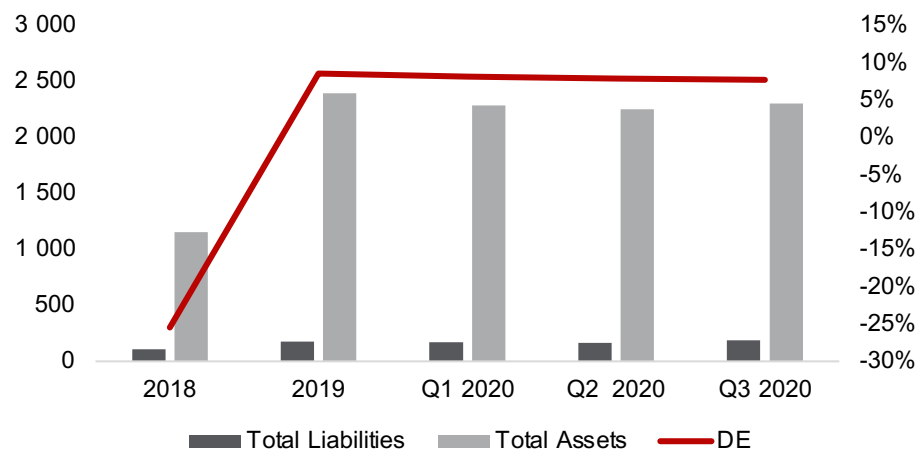
With growing revenue (in million \$US) still unprofitable



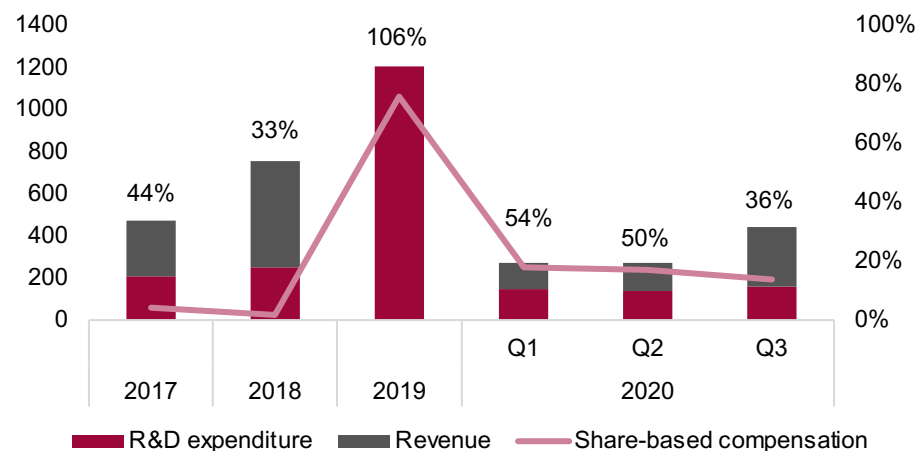
Extremely high amount of cash and cash equivalents (in million \$US)

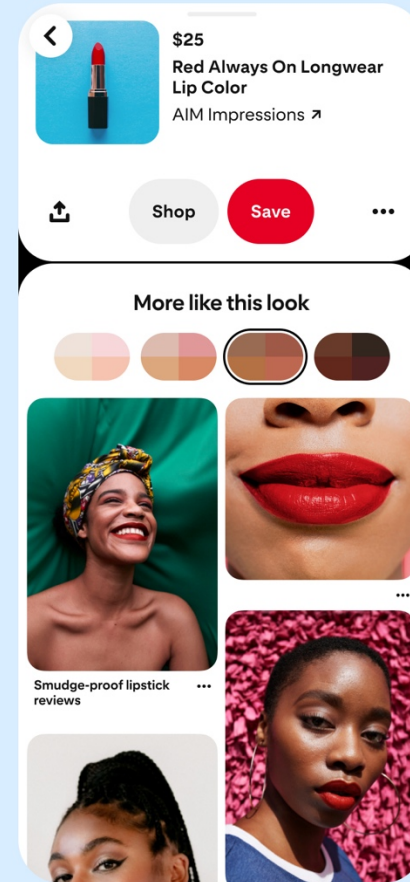
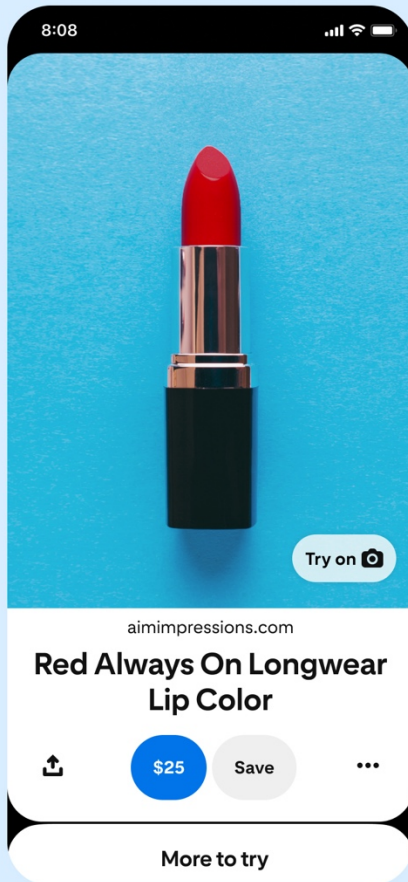


Stable financials (in million \$US) since its IPO



Share based compensation as a % of their R&D (in million \$US)



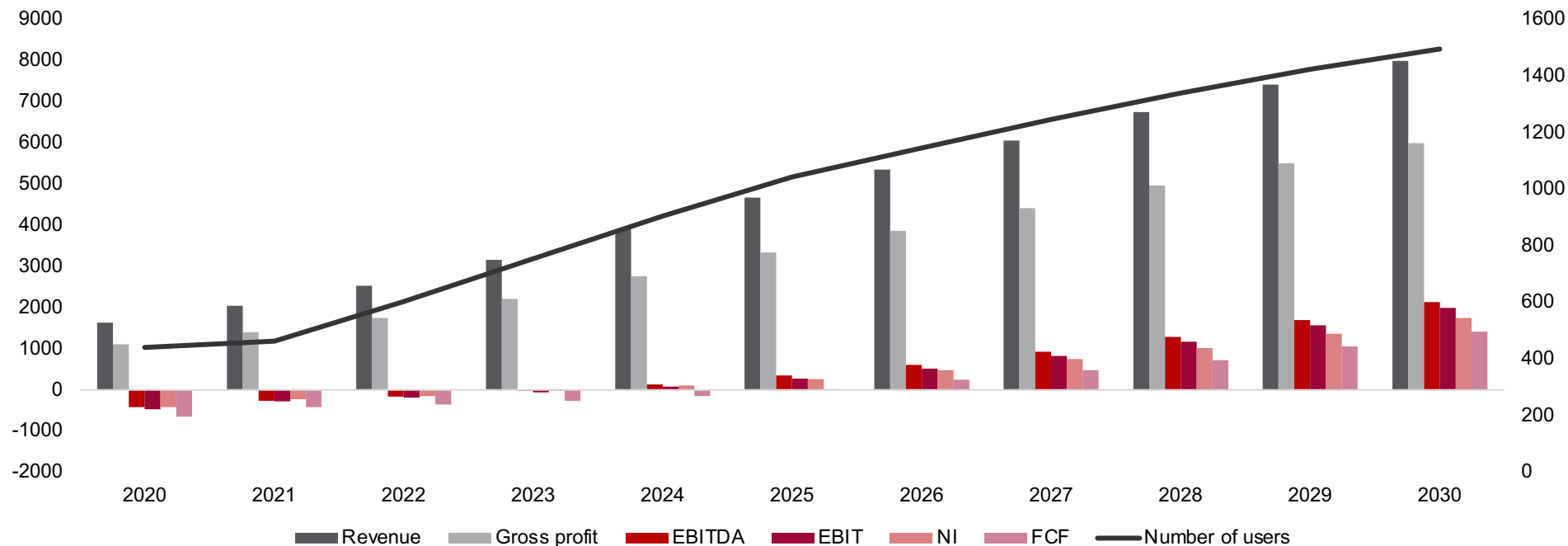


## Valuation

# DCF Analysis I

Optimistic operating assumptions leads to sell

Key forecasted financials in million \$US



## Operating assumptions

- Revenue CAGR '20 – '30 : 17,3%
- LT Gross Margins of 75% (7% improvement over 10 years)
- LT EBIT Margin of 25,0%
- LT SG&A and R&D expenses – 25% and 18% (industry average)

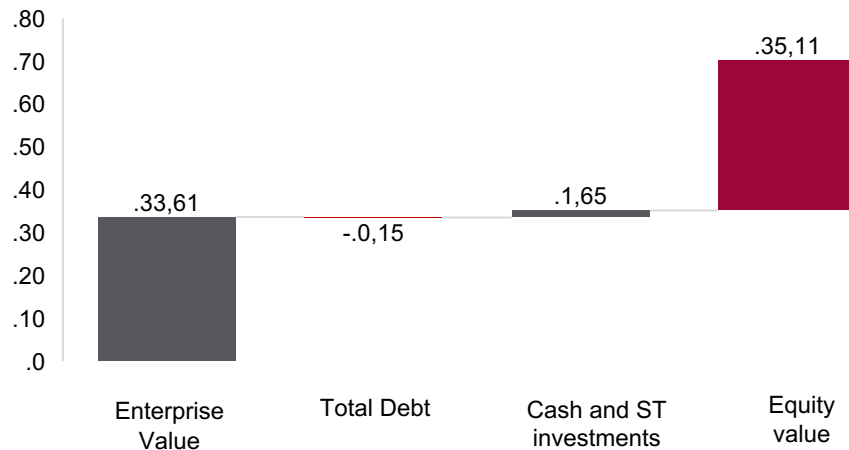
## Key top-line drivers

- Monthly active users CAGR 15,7% internationally and 2% in USA
- ARPU in 2030 0,91 USD (16% CAGR) internationally, 5,37 USD (3.5% CAGR) in USA driven by increase of users based on historical correlation

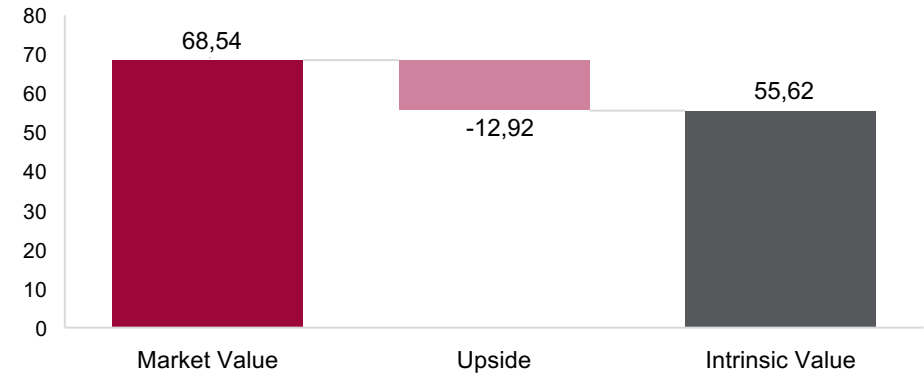
# DCF Analysis II

Variations in growth rate and WACC still imply overvaluation

## Equity Bridge



## Market Value vs. Intrinsic Value



## Sensitivity Analysis: Value Driver Formula

WACC	Growth rate				
	3,91%	4,11%	4,31%	4,41%	4,51%
6,37%	54,04	58,16	63,08	65,91	69,05
6,47%	51,61	55,36	59,79	62,33	65,13
6,57%	49,37	52,79	56,80	59,09	61,60
6,67%	47,29	50,41	54,07	56,14	58,39
6,77%	45,36	48,23	51,56	53,43	55,48

## Key Assumptions



### WACC (6,57%):

Cost of Debt: 4,8%, Cost of Equity: 5,6%, LT D/E ratio: 2,6%, Marginal Tax Rate: 21%



### Terminal value assumptions:

LT Sustainable Growth: 4,31% based on ROIC and Reinvestment Rate

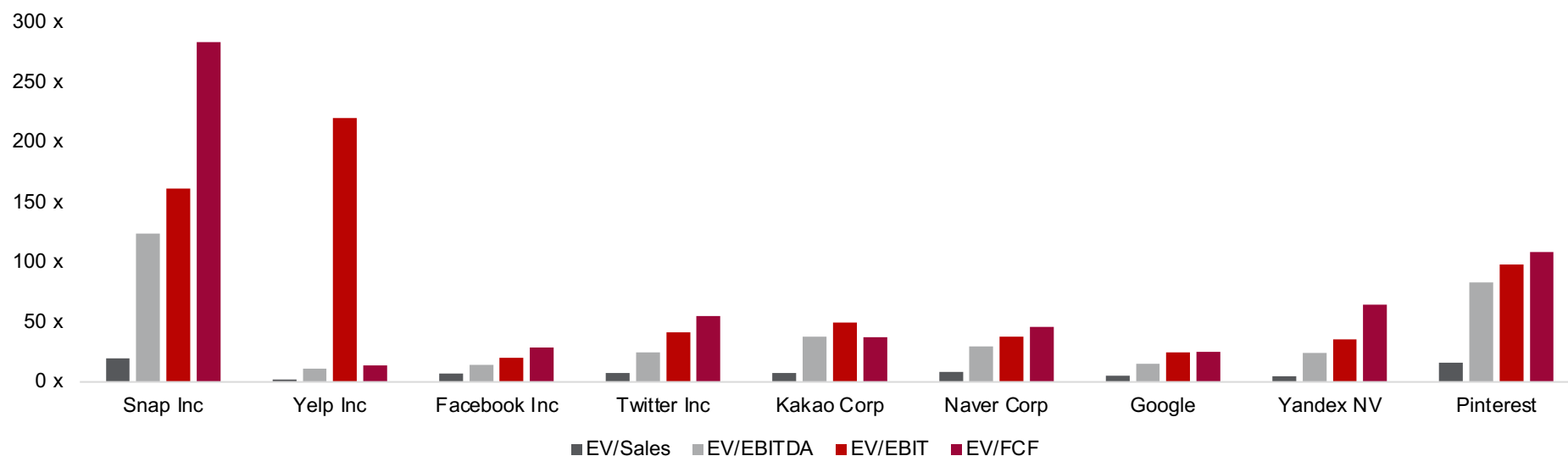


### Net Debt: 1,5 million USD

1,65 million of cash and ST investments, 0,15 million of total debt comprising of leases

# Comparable Company Analysis

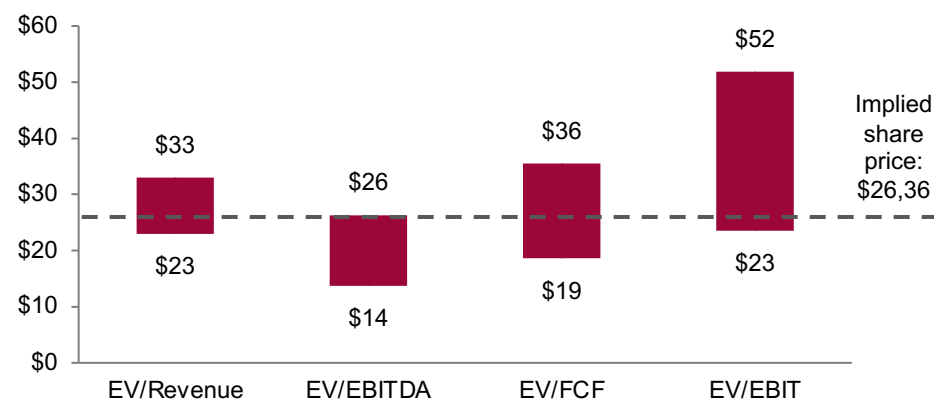
Various multiples are in line with the sell recommendation



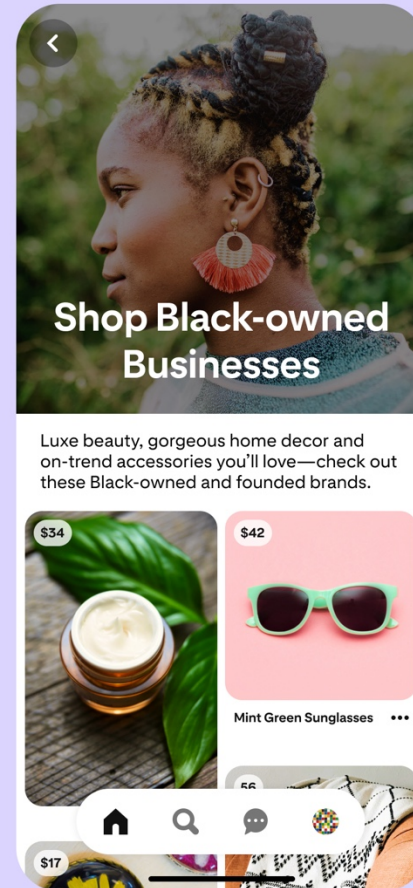
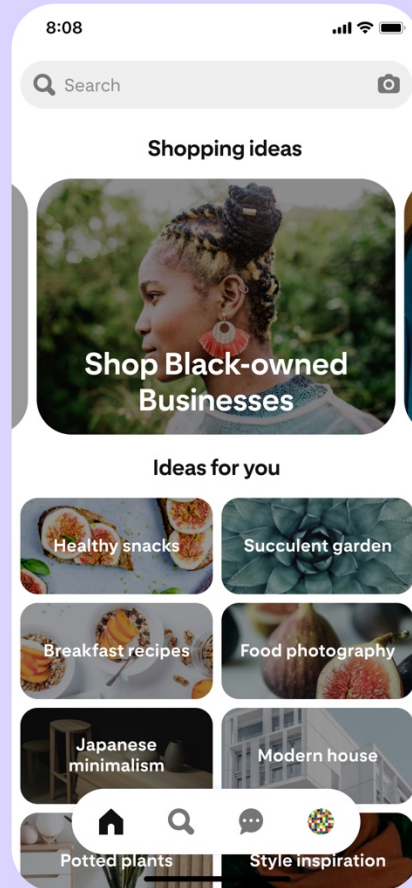
## CCA Summary

Valuation Statistics:	EV/Sales	EV/EBITDA	EV/FCF	EV/EBIT
Snap Inc	19,8x	123,6x	283,5x	161,6x
Yelp Inc	2,1x	11,2x	14,0x	220,4x
Facebook Inc	7,0x	14,2x	28,9x	20,3x
Twitter Inc	7,6x	24,6x	55,1x	41,2x
Kakao Corp	7,2x	37,9x	37,5x	49,8x
Naver Corp	8,4x	29,4x	45,7x	37,9x
Google	5,4x	14,9x	25,0x	24,6x
Yandex NV	4,8x	24,1x	64,5x	35,6x
<b>Median</b>	<b>7,1x</b>	<b>24,3x</b>	<b>41,6x</b>	<b>39,6x</b>
Pinterest Inc	16,0x	82,9x	108,6x	98,0x

## Football Field Chart



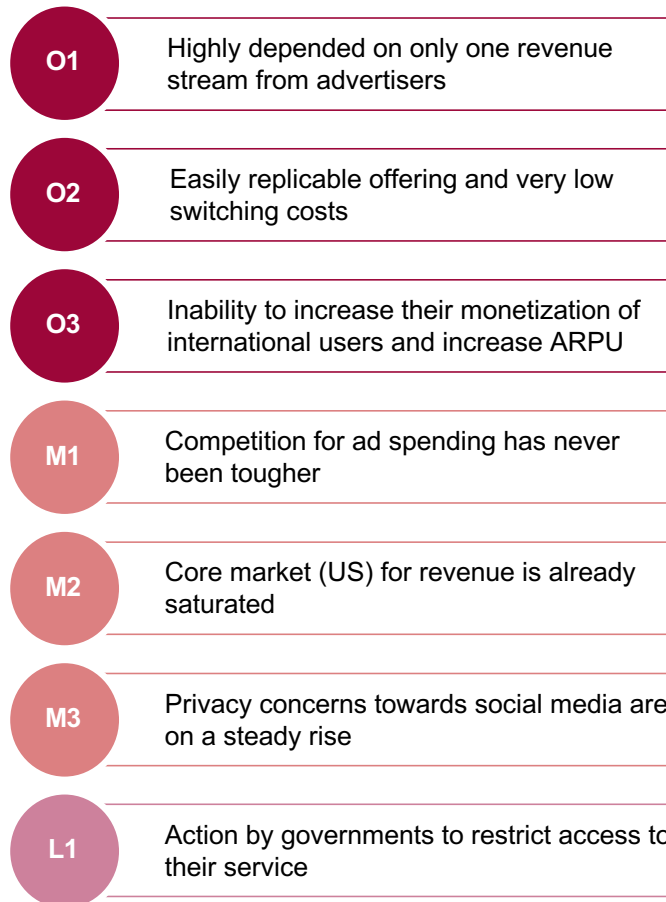




## Risk Analysis

# Risk Analysis

Operational risk factors may affect the company's future strategy







Operations (O) – Market (M) – Legislation (L)

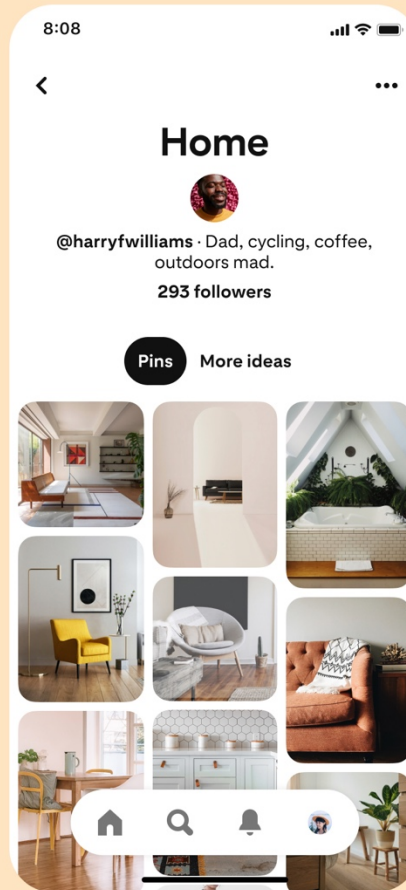




# Catalysts

Next earnings call is potentially a large catalyst if expectations are not met

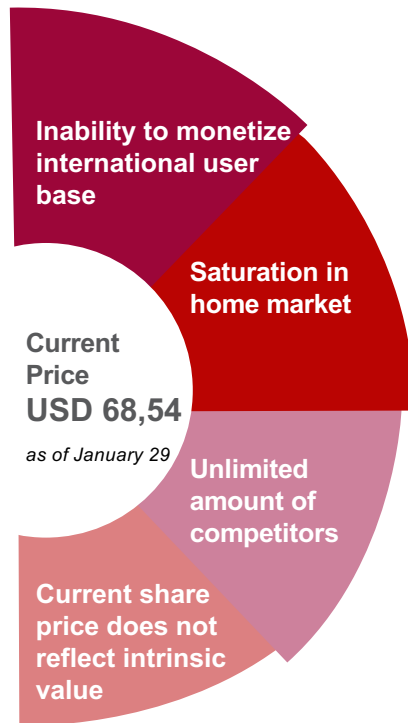
Catalyst	Type	Influenced factor	Estimated impact on share price
Failure to meet analysts' expectations in Q4 2020	Hard	Financials/Stock Price	The magnitude of the drop is contingent on the degree of fulfillment of market expectation 
Future EU Data Protection laws	Soft	Future revenue generation in the EU	Legislative barriers can decelerate penetration to the international market creating even more obstacles in monetization of international users 
Stricter regulations in the US	Hard	Data Protection	Biden administration is likely to review section 230 (liability of tech companies) and push liability requirements for data breaches 
Further Covid-19 Situation	Soft	Revenue Generation	Due to increased liquidity needs advertisers might be more redundant to increase budget for marketing, which will affect short to long-term revenue generation stream of Pinterest. 



## Conclusion

# Conclusion

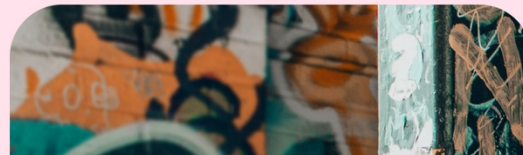
At the current stage Pinterest is overvalued both in terms of intrinsic and relative value







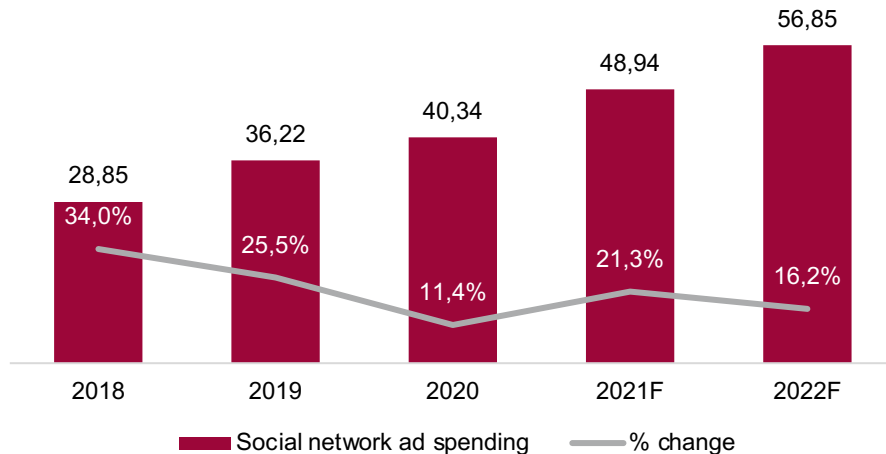
## Appendix



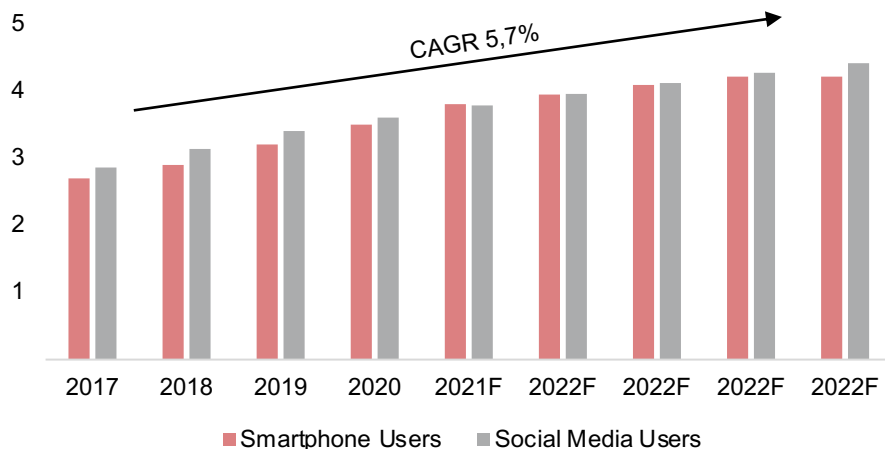
# Appendix: Industry Overview II

Social Media usage and ad spending will increase boosted by several factors

US social network ad spending in billions (2018-2022)



Smartphone and social media user in billions (2017-2025)



Market Growth Drivers



## Increasing number of smartphone users

Smartphone usage and social media growth is correlated and therefore set to increase over the next years



## Internet penetration is rising

Esp. emerging markets are confronted with a steady rise in internet penetration (in 2005 – 17% globally, in 2019 – 54%)



## COVID related digitalization boom

E-commerce and online advertising have been boosted by the COVID pandemic and skipped years of organic growth



## Social commerce will continue to expand

Social commerce is on its way to become a mainstream retail channel on par with websites and offline stores



## Adoption of AI

AI already is a fundamental part of social media and its influence is further growing



## Trends in cloud computing

Cloud provides the ability to outsource operational IT work to another company



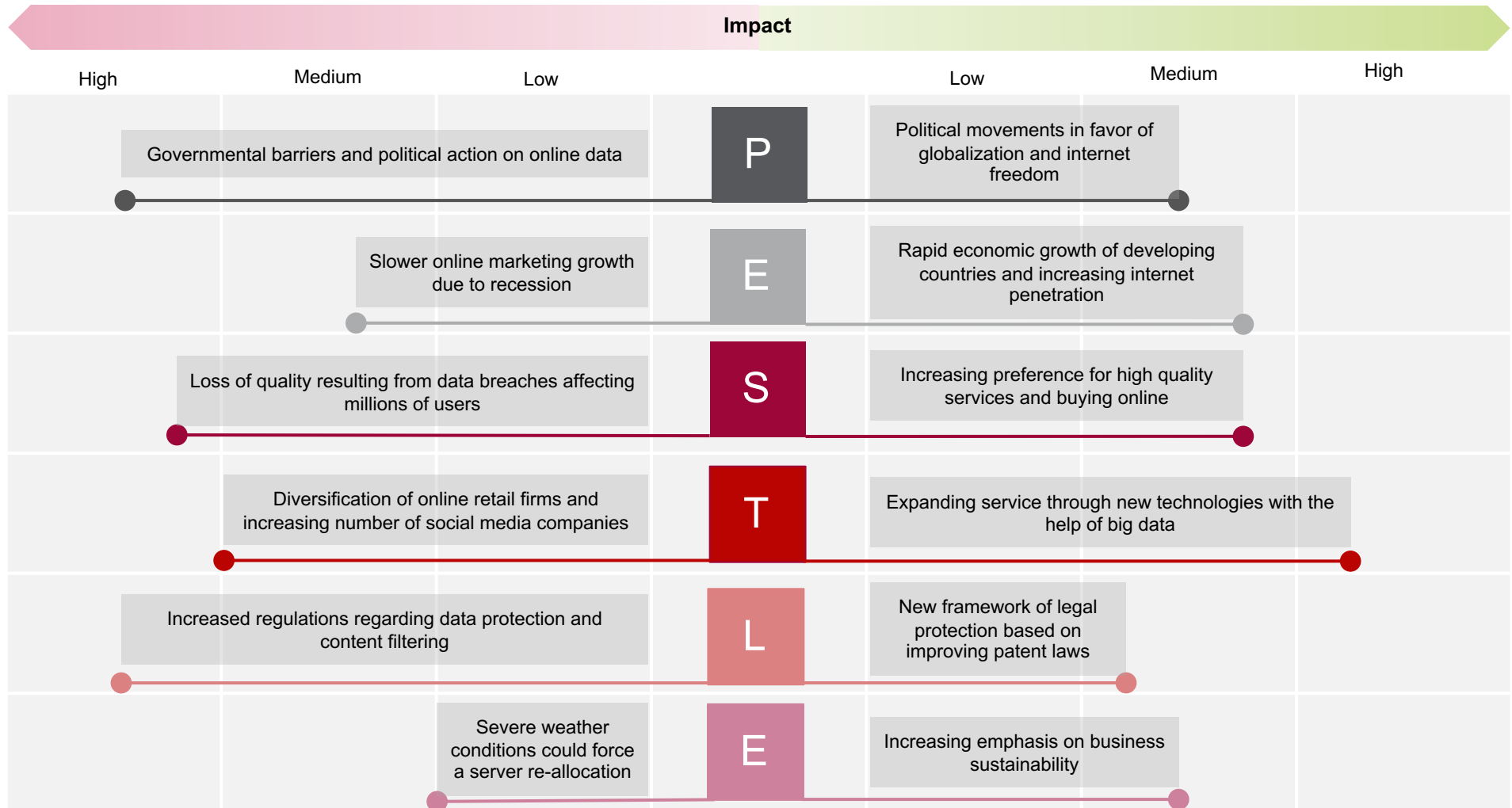
# Appendix: Social Media Platform Features

Pinterest has less features than most competitors

	Direct Messages	Live Video	Photo Filters	Stories	Public Follower Count	AR/Lenses	TikTok-like video feed	User numbers in millions
Instagram	✓	✓	✓	✓	✓	✓	✓	1.000
Facebook	✓	✓	✓	✓	✓	✓		2.449
Snapchat	✓	✓	✓	✓		✓	✓	250
Twitter	✓	✓	✓	✓	✓			340
LinkedIn	✓	✓	✓	✓	✓			500
Skype	✓	✓	✓	✓		✓		300
TikTok	✓		✓		✓	✓	✓	800
WhatsApp	✓	✓	✓	✓				1.600
Youtube		✓		✓	✓		✓	2.000
Pinterest	✓		✓		✓	✓		450
Reddit	✓				✓			430
Twitch	✓	✓						140

# Appendix: Pestle Analysis

External factors may threaten Pinterest's future performance if left out of sight



• Source: Team Analysis

# Appendix: Valuation I

## DCF-Valuation

### DCF Valuation

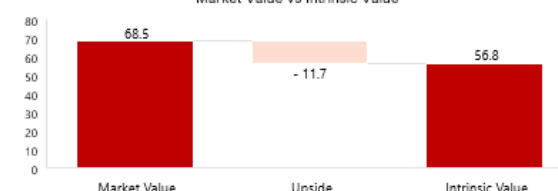
#### Assumptions

Tax Rate	21%
Discount Rate	6.57%
Perpetual Growth Rate	4.31%
Current Price	68.5
Shares Outstanding	618,100.0
Net debt	- 1,499,000.0

#### Free Cash Flows



#### Market Value vs Intrinsic Value



Discounted Cash Flow	Q4 20 Forecast	FY21 Forecast	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast	FY29 Forecast	FY30 Forecast	Exit
Date												
Time Periods	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	
EBIT	(115,500.83)	(275,386.58)	(190,154.98)	(59,975.45)	83,570.77	278,102.04	522,755.15	822,103.69	1,173,772.03	1,570,236.14	1,998,431.35	
Tax rate	0%	0%	0%	0%	17%	17%	17%	17%	21%	21%	21%	
NOPAT	(115,501)	(275,387)	(190,155)	(59,975)	69,531	231,381	434,932	683,990	927,280	1,240,487	1,578,761	
Plus: D&A	10,738	17,396	25,929	37,701	51,615	67,588	85,148	104,050	108,413	122,334	133,706	
Less: Capex	10,314	54,690	65,185	77,961	91,930	104,935	114,410	122,804	129,536	134,053	135,893	
Less: Changes in NWC	47,634	108,414	127,875	160,106	182,791	182,482	156,739	186,539	185,731	176,576	158,262	
FCF	(162,711)	(421,095)	(357,286)	(260,343)	(153,575)	11,551	248,931	478,697	720,426	1,052,191	1,418,311	
Terminal												62,562,168
DFCF (perpetual)	(160,142)	(388,877)	(309,595)	(211,675)	(117,163)	8,269	167,201	301,695	426,031	583,839	738,441	32,572,852

#### Intrinsic Value (perpetual)

Enterprise Value	33,610,876
Less: Net Debt	(1,499,000)
Equity Value	35,109,876

Equity Value/Share 56.80

Downside/Upside potential -17.12%

#### WACC

	3.91%	4.11%	4.31%	4.41%	4.51%
6.37%	54.04	58.16	63.08	65.91	69.05
6.47%	51.61	55.36	59.79	62.33	65.13
6.57%	49.37	52.79	56.80	59.09	61.60
6.67%	47.29	50.41	54.07	56.14	58.39
6.77%	45.36	48.23	51.56	53.43	55.48

#### Rate of Return

Target Price Upside/Downside -17.12%

#### Market Value vs Intrinsic Value

Market Value	68.54
Upside	(11.74)
Intrinsic Value	56.80



# Appendix: Valuation I

## WACC & Sensitivity Analysis

Intrinsic Value (perpetual)	
Enterprise Value	33,610,876
Less: Net Debt	(1,499,000)
Equity Value	35,109,876

Equity Value/Share 56.80

Downside/Upside potential -17.12%

Sustainable growth	
Invested capital	3,724,723
ROIC	42.38%
Net Reinvestment	160,449
Reinvestment rate	10.163%
Sustainable growth rate	4.31%

WACC	
Total Debt	150,162
Market Cap	45,168,600
D/(D+E)	2.6%
Cost of debt pre tax	4.8%
Cost of debt after tax	3.8%
Risk free	1%
ERP	4.7%
Beta levered	1.18
Cost of equity	6.65%
Tax rate	21%
WACC	6.57%

\*Long-term D/E (industry average)

\*10 year US bond

\*marginal US tax rate

WACC	Growth rate				
	3.91%	4.11%	4.31%	4.41%	4.51%
6.37%	54.04	58.16	63.08	65.91	69.05
6.47%	51.61	55.36	59.79	62.33	65.13
6.57%	49.37	52.79	56.80	59.09	61.60
6.67%	47.29	50.41	54.07	56.14	58.39
6.77%	45.36	48.23	51.56	53.43	55.48

Rate of Return	
Target Price Upside/Downsid	-17.12%

Market Value vs Intrinsic Value	
Market Value	68.54
Upside	(11.74)
Intrinsic Value	56.80

# Appendix: Valuation I

## Revenue Forecast

### Revenue Forecast

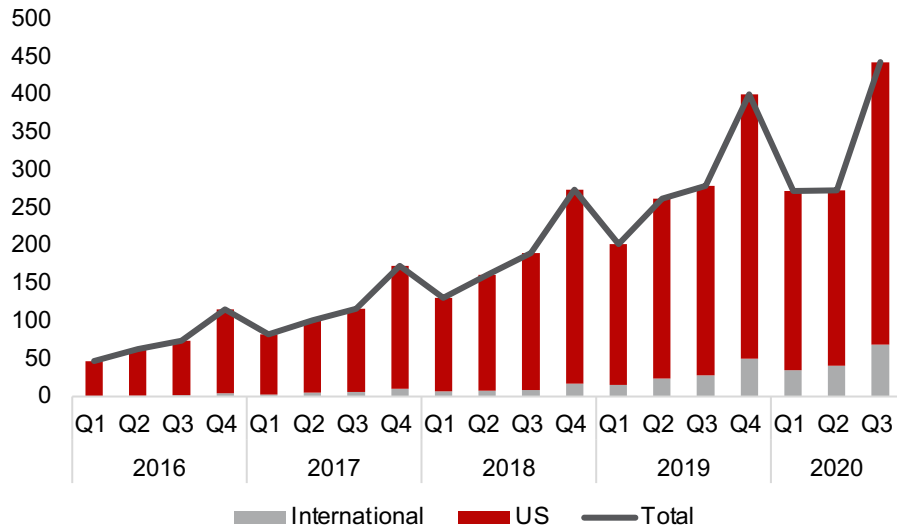
\$ in thousand	FY17 Actual	FY18 Actual	FY19 Actual	FY2020 Actual
Revenues	472	756	1,143	988
y-o-y growth %		60%	51%	
Number of use	139	184.0	247.0	343.0
		32%	34%	39%
Number of use	76	82.0	88.0	98.0
		8%	7%	11%
ARPU Internati	0.070	0.092	0.202	0.201
		32%	119%	-1%
ARPU US	2.170	3.134	3.977	3.816
		44%	27%	-4%
Revenue Int	24.00	41.00	117.00	145.00
		71%	185%	
Revenue US	448.00	715.00	1,026.00	843.00
		60%	43%	

FY2020 Q4 Forecast	FY2020 Forecast	FY2021 Forecast	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast	FY29 Forecast	FY30 Forecast
650	1,638	2,040	2,534	3,165	3,905	4,674	5,356	6,058	6,754	7,410	7,994
	43%	25%	24%	25%	23%	20%	15%	13%	11%	10%	8%
		464	603	755	906	1,042	1,147	1,247	1,340	1,424	1,495
		35.2%	30%	25%	20%	15%	10%	8.8%	7.5%	6.3%	5%
		100.94	103.77	106.41	108.86	111.09	113.31	115.3	117.03	118.49	119.67
		3%	2.80%	2.55%	2.30%	2.05%	2.0%	1.8%	1.5%	1.3%	1%
		0.26	0.35	0.44	0.54	0.62	0.69	0.75	0.81	0.86	0.91
			34%	27%	22%	16%	11%	9%	8%	6%	5%
		3.86	4.09	4.30	4.50	4.68	4.86	5.02	5.16	5.28	5.37
		6%	5%	5%	4%	4%	3%	3%	3%	2%	2%
		480.65	836.96	1333.78	1945.76	2594.57	3153.98	3743.91	4339.31	4909.97	5422.73
		74%	59%	46%	33%	22%	19%	16%	13%	10%	
		1559	1697	1831	1959	2079	2202	2314	2414	2500	2571
			9%	8%	7%	6%	6%	5%	4%	4%	3%

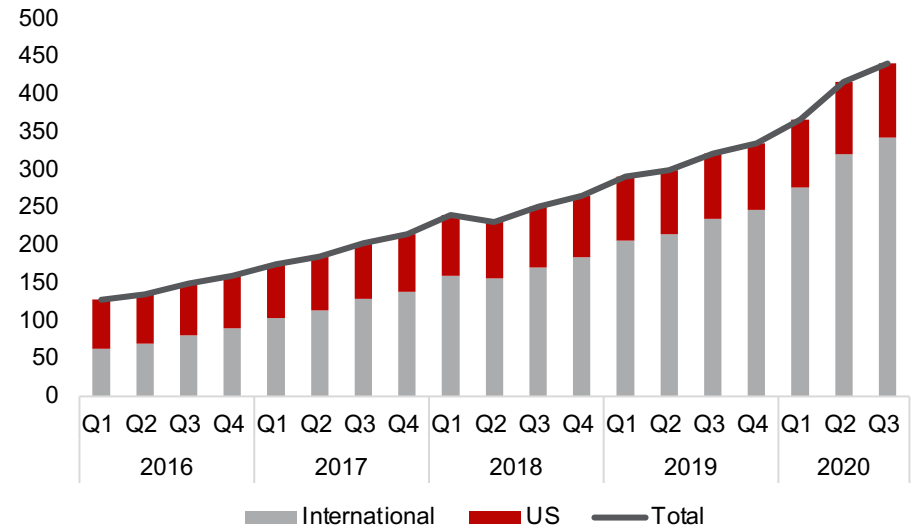
# Appendix: Valuation I

## Overview of Drivers: Revenue, MAU's, ARPU

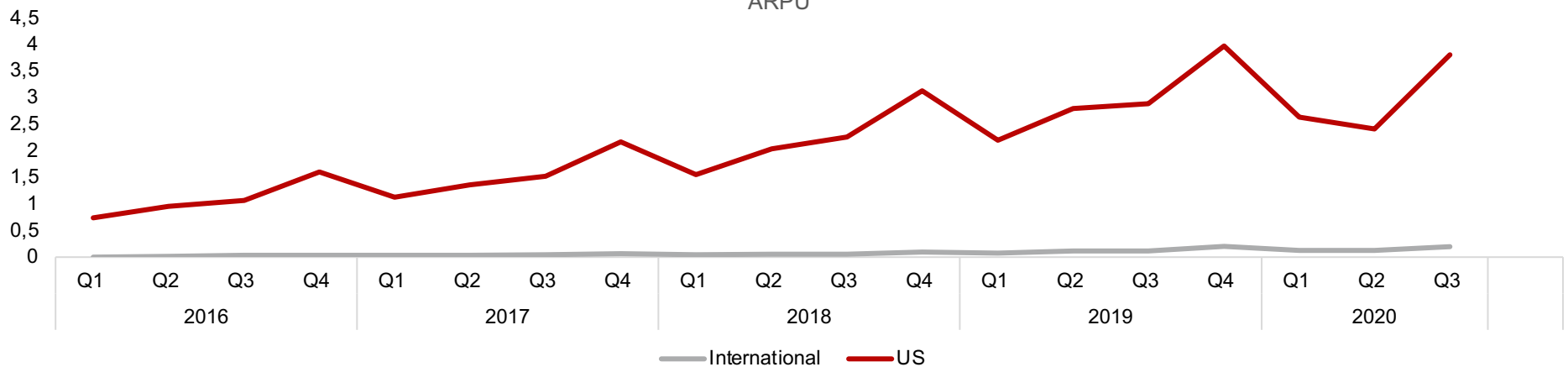
Revenue in million \$US



MAU in million



ARPU



# Appendix: Valuation I

## Beta Calculation

### Unlevering Equity Beta

	Equity Beta	Tax Rate	Total debt	Market cap	Debt/Equity	Asset Beta
Snap Inc	1.3	21%	1,978,300	72,934,552,524	0.003%	1.30
Yelp Inc	1.8	18%	209,700	2,653,499,787	0.008%	1.80
Facebook Inc	1.26	12%	10,654,000	775,134,367,486	0.001%	1.26
Twitter Inc	0.74	21%	4,348,600	38,327,896,790	0.011%	0.74
Kakao Corp	1.06	42%	484,577,000	40,533,915,084,000	0.001%	1.06
Naver Corp	0.9	54%	1,610,754,300	58,313,505,225,000	0.003%	0.90
Google	1.0	13%	27,542,000	1,234,287,729,654	0.002%	1.00
Yandex NV	1.38	51%	99,890,000	22,411,649,684	0.446%	1.38
Average	1.18	28%			0.005%	1.18
Median	1.16	21%			0.003%	1.16

### Unlevering Equity Beta

			Equity Beta
Pinterest Inc	21%	2.6%	1.1818

# Appendix: Three Statement Model

## P&L Forecast

P&L															
	FY17	FY18	FY19	Q4 20	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
\$ in thousands	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Revenue</b>	<b>472,852</b>	<b>755,932</b>	<b>1,142,761</b>	<b>649,767</b>	<b>1,636,808</b>	<b>2,039,772</b>	<b>2,534,252</b>	<b>3,165,103</b>	<b>3,905,065</b>	<b>4,673,944</b>	<b>5,356,076</b>	<b>6,058,230</b>	<b>6,753,571</b>	<b>7,410,266</b>	<b>7,993,725</b>
Growth %		53.87%	51.17%		43%	25%	24%	25%	23%	20%	15%	13%	11%	10%	8%
<b>Costs and expenses:</b>															
Cost of revenue	(178,664)	(241,584)	(358,903)	(206,894)	(527,229)	(642,318)	(779,755)	(951,036)	(1,145,218)	(1,337,000)	(1,493,505)	(1,645,611)	(1,785,790)	(1,906,000)	(1,998,431)
% of Revenue	38%	32%	29%	32%	32%	31%	31%	30%	29%	29%	28%	27%	26%	26%	25%
<b>Gross Profit</b>	<b>294,188</b>	<b>514,348</b>	<b>783,858</b>	<b>442,873</b>	<b>1,109,579</b>	<b>1,397,453</b>	<b>1,754,497</b>	<b>2,214,067</b>	<b>2,759,847</b>	<b>3,336,944</b>	<b>3,862,571</b>	<b>4,412,619</b>	<b>4,967,781</b>	<b>5,504,266</b>	<b>5,995,294</b>
Gross Profit Margin	62%	68%	69%	68%	68%	69%	69%	70%	71%	71%	72%	73%	74%	74%	75%
Research and development	(207,973)	(251,662)	(1,207,059)	(188,183)	(630,667)	(568,392)	(678,401)	(812,581)	(959,747)	(1,097,480)	(1,198,939)	(1,289,705)	(1,363,703)	(1,415,076)	(1,438,871)
% of Revenue	44%	33%	31%	29%	39%	28%	27%	26%	25%	23%	22%	21%	20%	19%	18%
Sales and marketing	(162,514)	(259,929)	(611,590)												
% of Revenue	34.4%	34.4%	33%												
General and administrative	(61,635)	(77,478)	(354,075)												
% of Revenue	13%	10%	10%												
Selling, General and Administrative	(224,149)	(337,407)	(965,665)	(291,924)	(863,799)	(875,771)	(1,037,573)	(1,232,784)	(1,443,175)	(1,634,186)	(1,765,952)	(1,876,734)	(1,957,556)	(2,000,235)	(1,998,431)
% of Revenue	47%	45%	85%	45%	53%	43%	41%	39%	37%	35%	33%	31%	29%	27%	25%
Share-based Compensation				(78,267)	(78,267)	(228,678)	(228,678)	(228,678)	(273,355)	(327,176)	(374,925)	(424,076)	(472,750)	(518,719)	(553,561)
% of Revenue				-12%	-5%	-11%	-9%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%
<b>Total costs and expenses</b>	<b>(610,786)</b>	<b>(830,653)</b>	<b>(2,531,627)</b>	<b>(765,268)</b>	<b>(2,099,962)</b>	<b>(2,315,158)</b>	<b>(2,724,407)</b>	<b>(3,225,078)</b>	<b>(3,821,494)</b>	<b>(4,395,842)</b>	<b>(4,833,320)</b>	<b>(5,236,127)</b>	<b>(5,579,799)</b>	<b>(5,840,030)</b>	<b>(5,995,294)</b>
% of Revenue	129%	110%	222%	118%	128%	114%	108%	102%	96%	94%	90%	86%	83%	79%	75%
<b>EBIT</b>	<b>(137,934)</b>	<b>(74,721)</b>	<b>(1,388,866)</b>	<b>-115,501</b>	<b>-463,154</b>	<b>-275,387</b>	<b>-190,155</b>	<b>-59,975</b>	<b>83,571</b>	<b>278,102</b>	<b>522,755</b>	<b>822,104</b>	<b>1,173,772</b>	<b>1,570,236</b>	<b>1,998,431</b>
EBIT Margin in %					-28%	-14%	-8%	-2%	2%	6%	10%	14%	17%	21%	25%
Interest income	8,313	13,152	30,164	14,249	56,333	48,887	44,858	43,071	44,775	51,664	65,458	88,900	122,301	166,099	223,498
Interest expense and other income (expense)	(112)	(995)	(2,137)	(2,026)	(8,103)	(5,414)	(3,223)	(1,585)	(18,460)	(16,155)	(13,736)	(11,318)	(8,900)	(7,143)	(5,387)
<b>EBT</b>	<b>(129,733)</b>	<b>(62,564)</b>	<b>(1,360,839)</b>	<b>-103,278</b>	<b>-414,264</b>	<b>-231,914</b>	<b>-148,520</b>	<b>-18,489</b>	<b>109,886</b>	<b>313,612</b>	<b>574,476</b>	<b>899,686</b>	<b>1,287,174</b>	<b>1,723,192</b>	<b>2,216,543</b>
Provision for income taxes	311	410	532	-	-	-	-	-	-	52,687	96,512	151,147	270,306	363,130	465,474
<b>Net Income/loss</b>	<b>(130,044)</b>	<b>(62,974)</b>	<b>(1,361,371)</b>	<b>-103,278</b>	<b>-414,264</b>	<b>-231,914</b>	<b>-148,520</b>	<b>-18,489</b>	<b>109,886</b>	<b>260,925</b>	<b>477,964</b>	<b>748,539</b>	<b>1,016,867</b>	<b>1,366,062</b>	<b>1,751,069</b>

# Appendix: Valuation II

## Comparable Companies Analysis

Valuation Statistics:				EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/FCF	EV/FCF	EV/EBIT	EV/EBIT
Company				LTM	NTM	LTM	NTM	LTM	NTM	LTM	NTM
Snap Inc				33.3x	19.8x	-76.9x	123.6x	-456.1x	283.5x	-70.6x	161.6x
Yelp Inc				2.3x	2.1x	110.5x	11.2x	21.5x	14.0x	-64.9x	220.4x
Facebook Inc				9.5x	7.0x	21.2x	14.2x	33.5x	28.9x	26.0x	20.3x
Twitter Inc				9.9x	7.6x	83.1x	24.6x	368.0x	55.1x	-471.2x	41.2x
Kakao Corp				10.4x	7.2x	62.2x	37.9x	46.9x	37.5x	101.5x	49.8x
Naver Corp				8.3x	8.4x	40.1x	29.4x	113.8x	45.7x	52.6x	37.9x
Google				6.8x	5.4x	24.5x	14.9x	31.7x	25.0x	33.8x	24.6x
Yandex NV				8.0x	4.8x	41.8x	24.1x	-122.1x	64.5x	89.9x	35.6x
Pinterest Inc				27.6x	16.0x	-145.2x	82.9x			-127.2x	98.0x
Minimum				2.3x	2.1x	-76.9x	11.2x	-456.1x	14.0x	-471.2x	20.3x
25th Percentile				7.7x	5.2x	23.6x	14.7x	-14.4x	27.9x	-66.3x	32.9x
Average				7.88x	7.8x	38.3x	35.0x	4.6x	69.3x	-37.9x	73.9x
Median				8.86x	7.1x	41.0x	24.3x	32.6x	41.6x	29.9x	39.6x
75th Percentile				10.0x	7.8x	67.4x	31.5x	63.6x	57.5x	61.9x	77.7x
Maximum				33.3x	19.8x	110.5x	123.6x	368.0x	283.5x	101.5x	220.4x
Pinterest Inc				1,386,939,000.0	2,398,716,736.7	(263,871,000.0)	462,259,609.2	42,549,928.3	352,994,210.0	(301,340,000.0)	391,026,505.8
Shares Outstanding	618070411	Equity Value:	25th Percentile	12,345,398,234	14,195,177,678		8,478,462,511	1,049,526,884	11,506,350,618		14,523,592,746
			Average	12,590,692,765	20,344,233,589		17,834,941,194	1,860,501,551	26,115,997,242		30,569,009,781
			Median	13,957,117,782	18,756,871,134		12,912,436,499	3,050,113,121	16,354,318,596		17,133,904,751
			75th Percentile	15,594,410,481	20,370,357,943		16,239,390,586	4,370,857,719	21,953,671,032		32,052,816,615
Share price:			25th Percentile	20.0	23.0		13.7	1.7	18.6		23.5
			Average	20.4	32.9		28.9	3.0	42.3		49.5
			Median	22.6	30.3		20.9	4.9	26.5		27.7
			75th Percentile	25.2	33.0		26.3	7.1	35.5		51.9
Implied share price				26.36							

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