



CONNECTING PEOPLE TO
THE CONTENT THEY LOVE

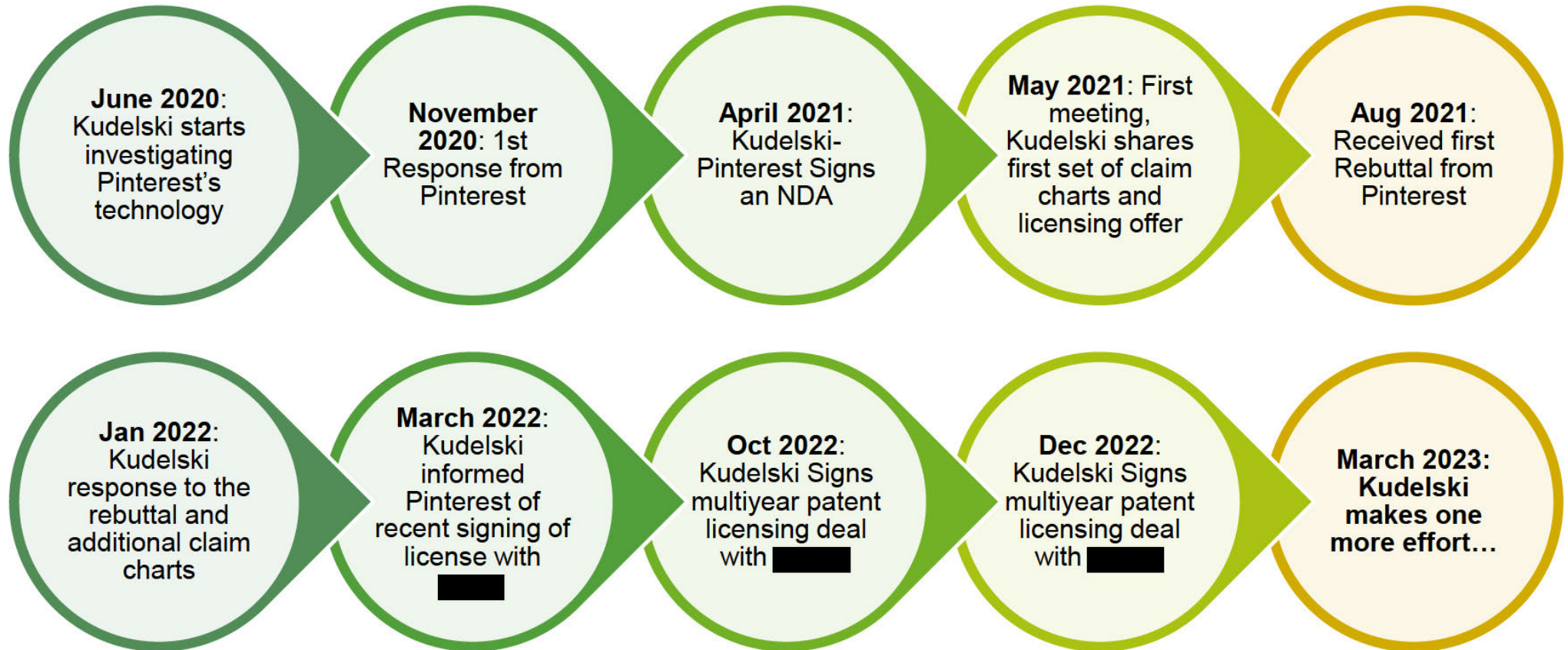


Pinterest-Kudelski Discussion Confidential- Subject to NDA

March 15, 2023

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Kudelski-Pinterest Timeline of Discussions So Far



Kudelski has not received a counteroffer since our first meeting on 5/2021

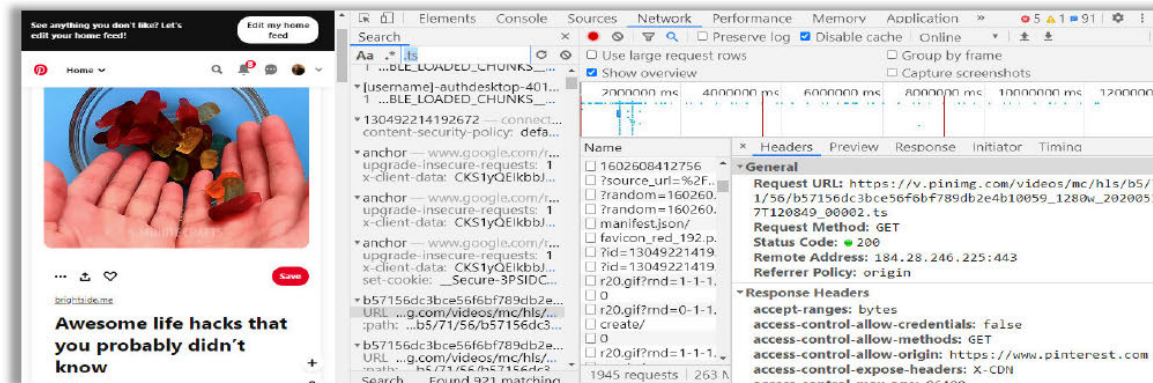
Pinterest's Exposure to Kudelski's Patent Portfolio

Patent ID	Litigated	Defending Entities	Geographic Presence	Technology	Pinterest's Reply
US7055169	Y	Netflix, Apple, Verizon, Yahoo, NFL	EP	Video Delivery	Y, Prior art
EP1522191			US	Video Delivery	N
US7020888	Y	NFL		Video Delivery	Y, Prior art
US9712581			US CA BR EP MX	Video Delivery	Y, Prior art
US7950033	Y	NFL		Metadata Delivery	Y, Prior art
US7890978			AU PT	Database management	Y, Prior art
US10506277			EP JP US AU	UI, In-App retail purchases	N
US10992995			AU CN JP SG MX CA KR	Ad Delivery, UI	N
US7996861	Y	NFL		User Authentication	N
US7669212	Y	TWC		Ad Delivery	N

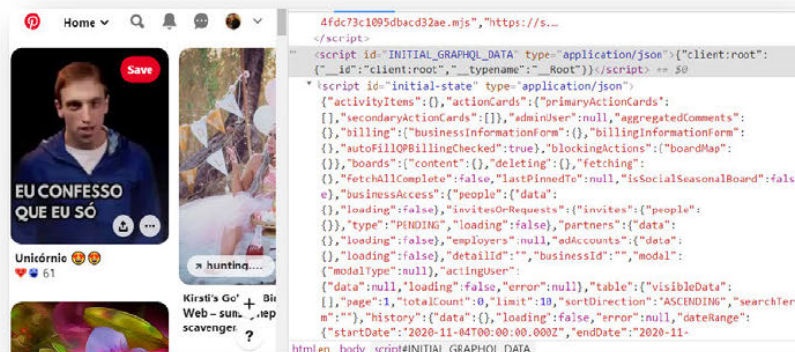
Kudelski's Patents Relevant to Pinterest's Platform



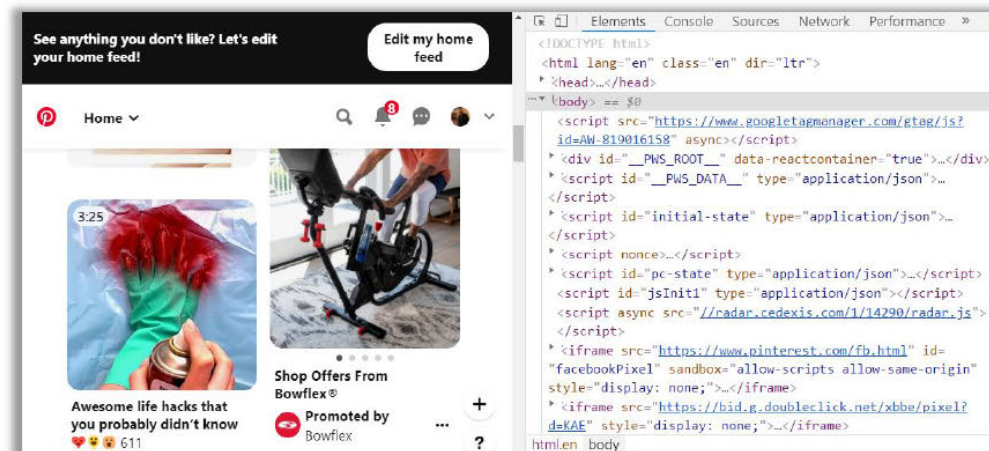
Adaptive streaming: US7055169, EP1522191



Video Delivery: US7020888, US9712581

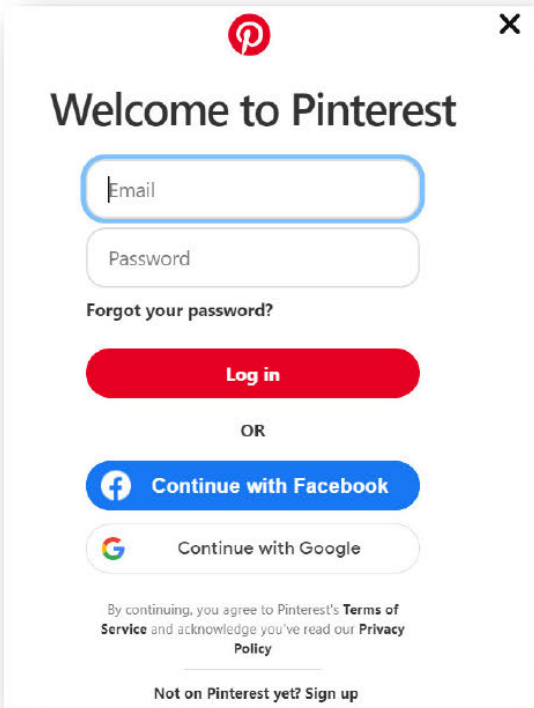


Database Management-GraphQL Technology: US7890978

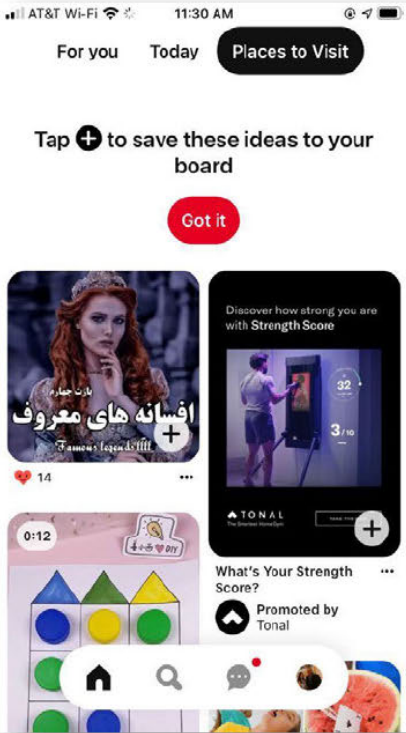


Metadata Delivery: US7950033

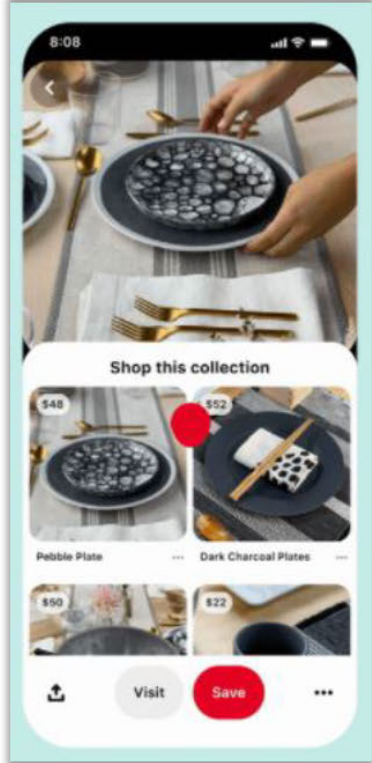
Kudelski's Patents Relevant to Pinterest's Platform



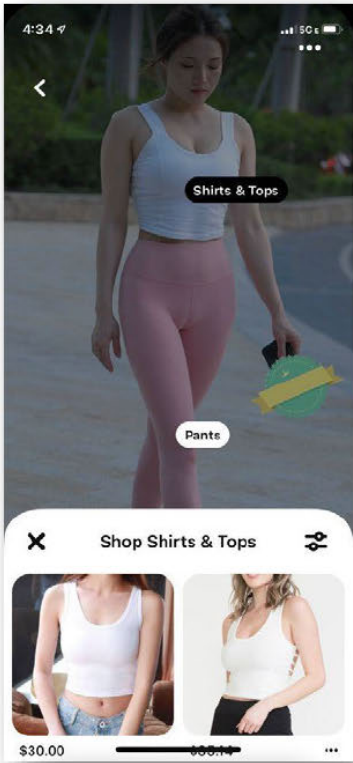
**User
Authentication
US7,996,861**



**User Interface,
Ad Delivery
US10,992,995**

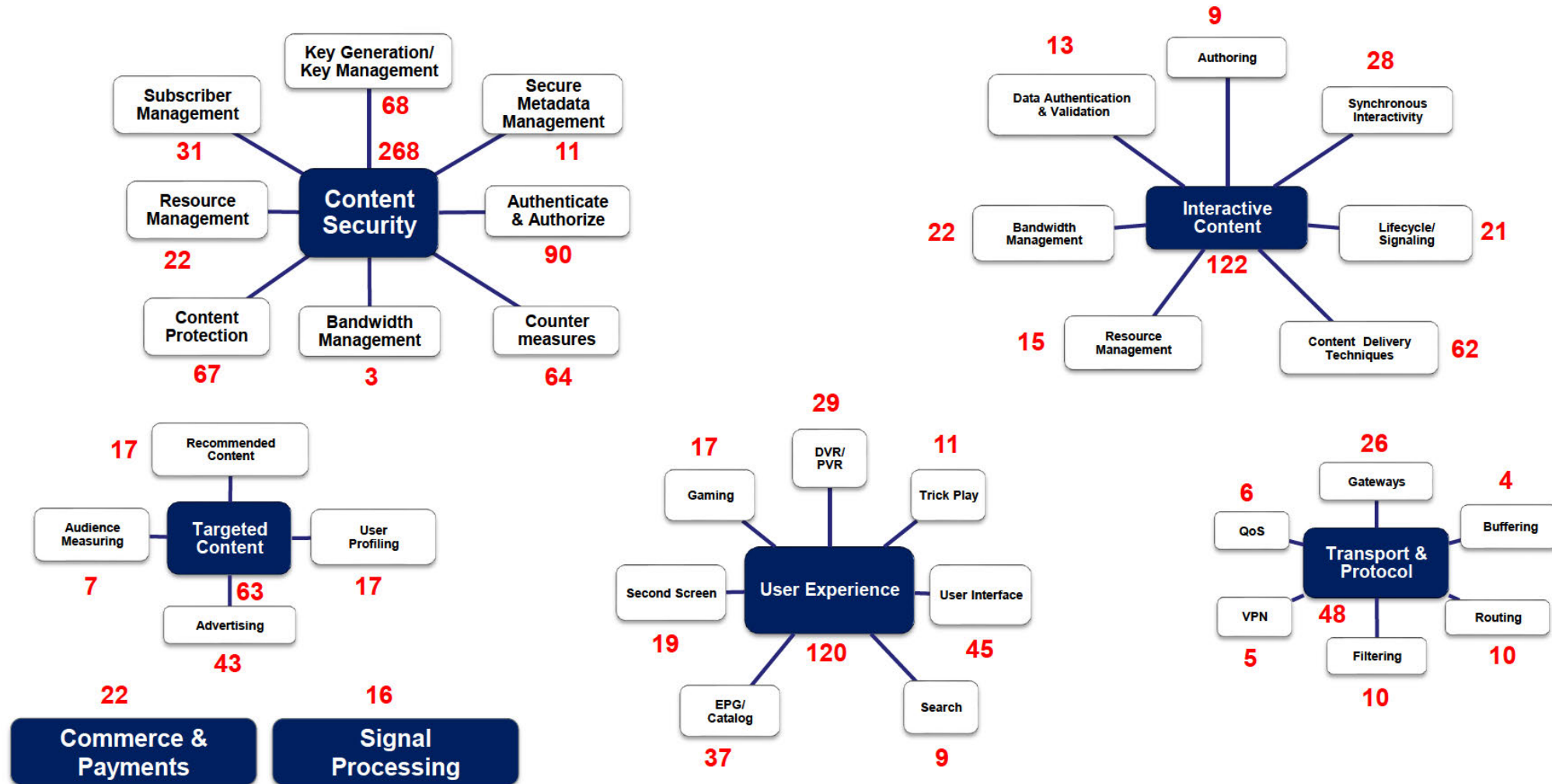


**Targeted
Ad Delivery
US7,669,212**



**In-App Retail
Purchases
US10,506,277**

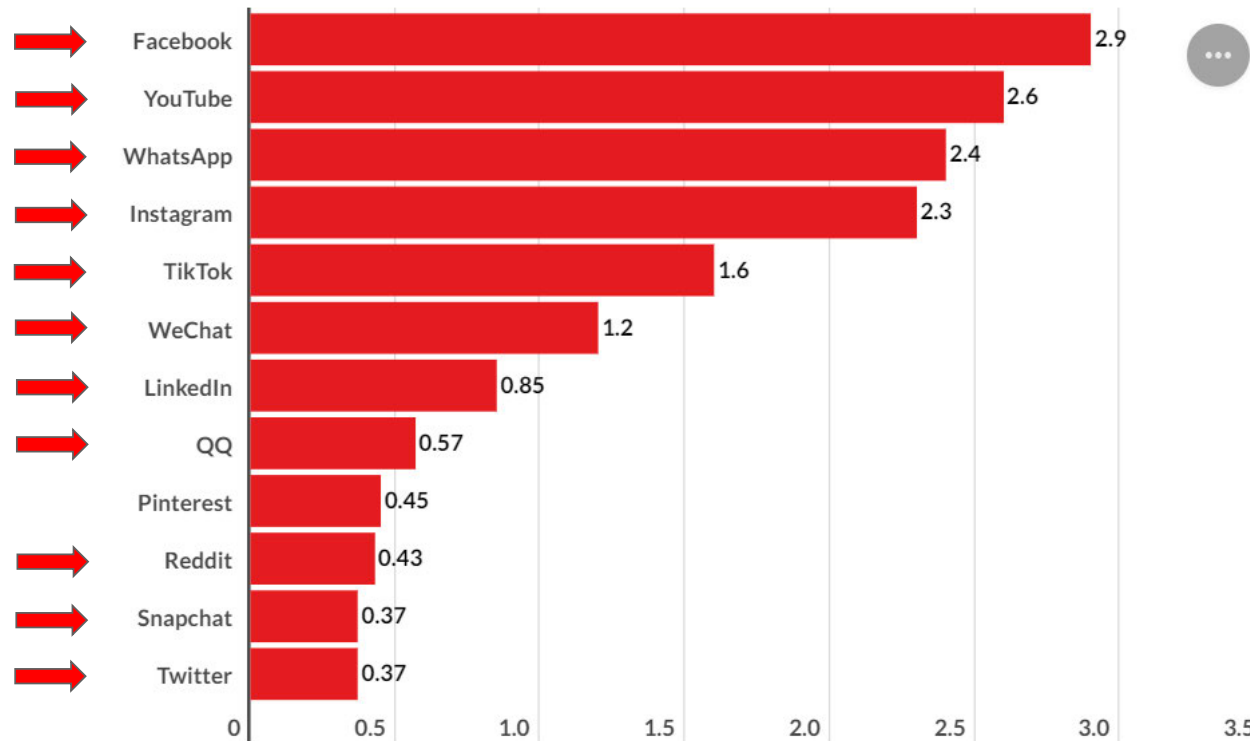
Kudelski IP Spans the Video/Ad Technology Ecosystem



Pinterest's Competitive Landscape - MAUs

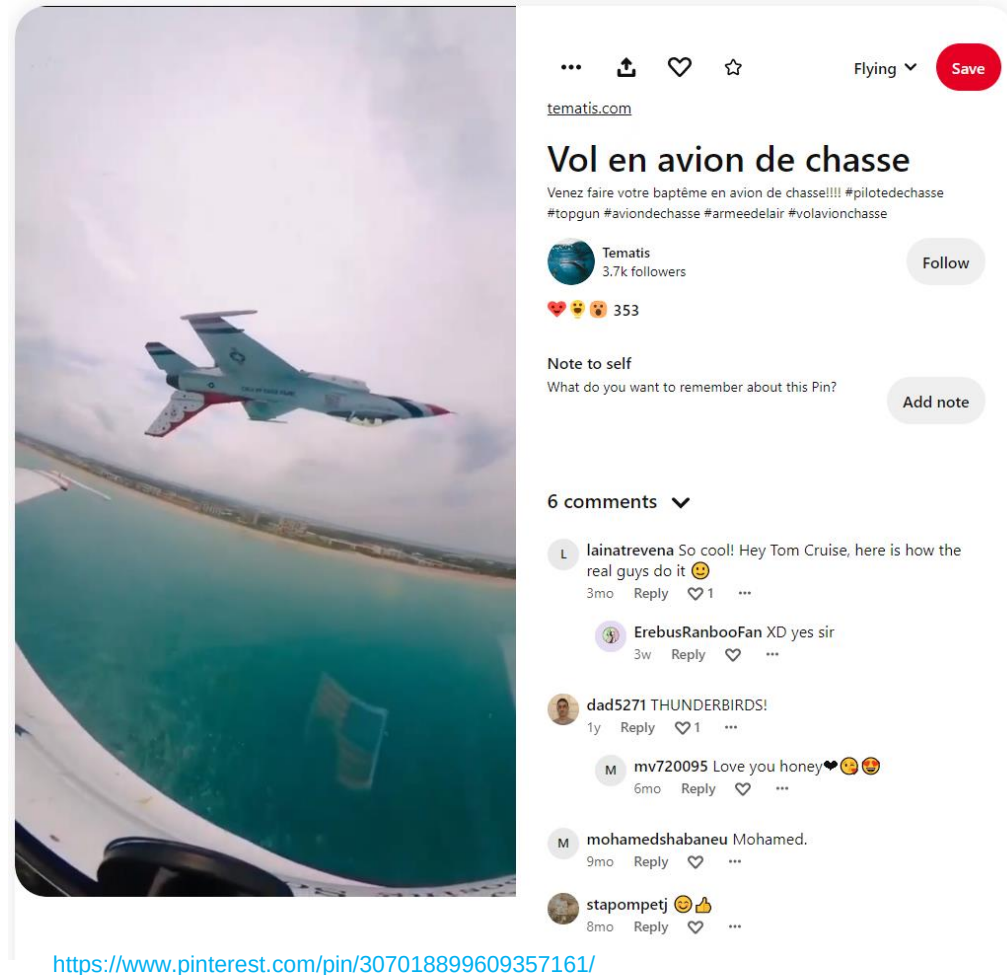
Pinterest's competition in the Social Networking ecosystem is licensed to Kudelski's IP

Pinterest vs competitors: users



Source: <https://www.businessofapps.com/data/pinterest-statistics/>

Pinterest Touts Video to Enhance User Experience and Drive Ad Revenues



Pinterest Announces Fourth Quarter and Full Year 2021 Results

02/03/2022

“We took important steps in 2021 with the launch of our foundational technology to deliver a video-first publishing platform. And, I’m proud to say that for the first time, we surpassed \$2 billion in revenue for the year — growing 52% over the previous year — and reached our first full year of GAAP profitability,” said Ben Silbermann, CEO and co-founder, Pinterest.

Source: [Pinterest - Pinterest Announces Fourth Quarter and Full Year 2021 Results \(pinterestinc.com\)](https://pinterestinc.com)

Our users (who we call Pinners) often don’t have the words to describe what they want, but they know it when they see it. Images and video can communicate concepts that are impossible to convey with words. On Pinterest, people discover inspiring and personalized visual content, which we call Pins. Pins are created when users, creators, publishers and businesses save or publish images and videos to Pinterest. Pins are saved and organized into collections, which we call boards and sections.

Source: 2023 Form 10-K, Part I, pg. 8

Pinterest Video is Essential to User Experience; Leading to Product Purchases



Pinterest Engineering

Aug 11, 2017 · 8 min read · Listen



Optimizing video playback performance

Norbert Potocki | Pinterest engineering manager, Video & Image Platform

Guaranteeing a [great video playback experience](#) for all Pinterest users is a big engineering challenge. In this post, we'll discuss various aspects of playback performance and how our engineering team optimized it. Read on!



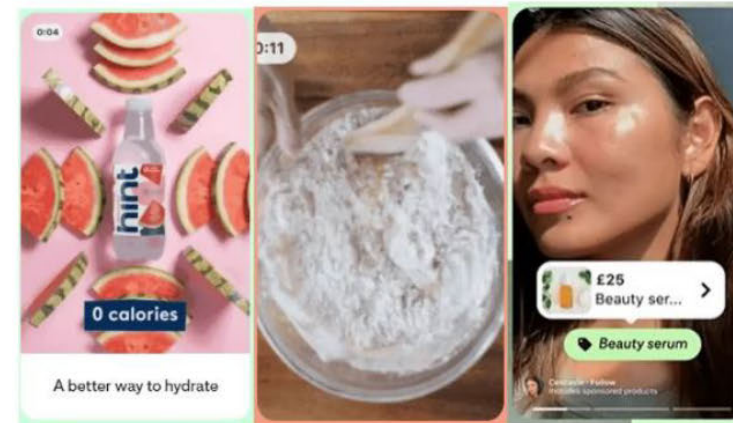
Video & Image Platform

The importance of playback performance

Engagement with video is significantly impacted by how fast it performs. There are external [analyses showing](#) how interruption or slowness of video loading can result in users abandoning the experience. [A three second delay can cost you 13 percent of views.](#) It takes a lot of infrastructure and fine tuning to consistently meet a performance bar. This is especially true in places with poor network infrastructures. The type of smartphone and data plan a user has can also make a big difference.

[Source: Optimizing video playback performance | by Pinterest Engineering | Pinterest Engineering Blog | Medium](#)

- **Promoted Video Pins:** Promoted videopins contain a video instead of a static image. These pins work more or less like standard pins and are a great way to share stronger stories with the audience. Moreover, Pinterest reports that users are more likely to make purchases after watching a video ad. The size of the video pin may vary from the size of a regular pin to that across the width of the feed. Video pins proactively engage the users and aim at getting maximum video views and building brand image.



[Source: How Does Pinterest Make Money? | Pinterest Business Model | Feedough](#)

Kudelski's Patents Cover Ad Delivery and Navigating the 'Funnel'

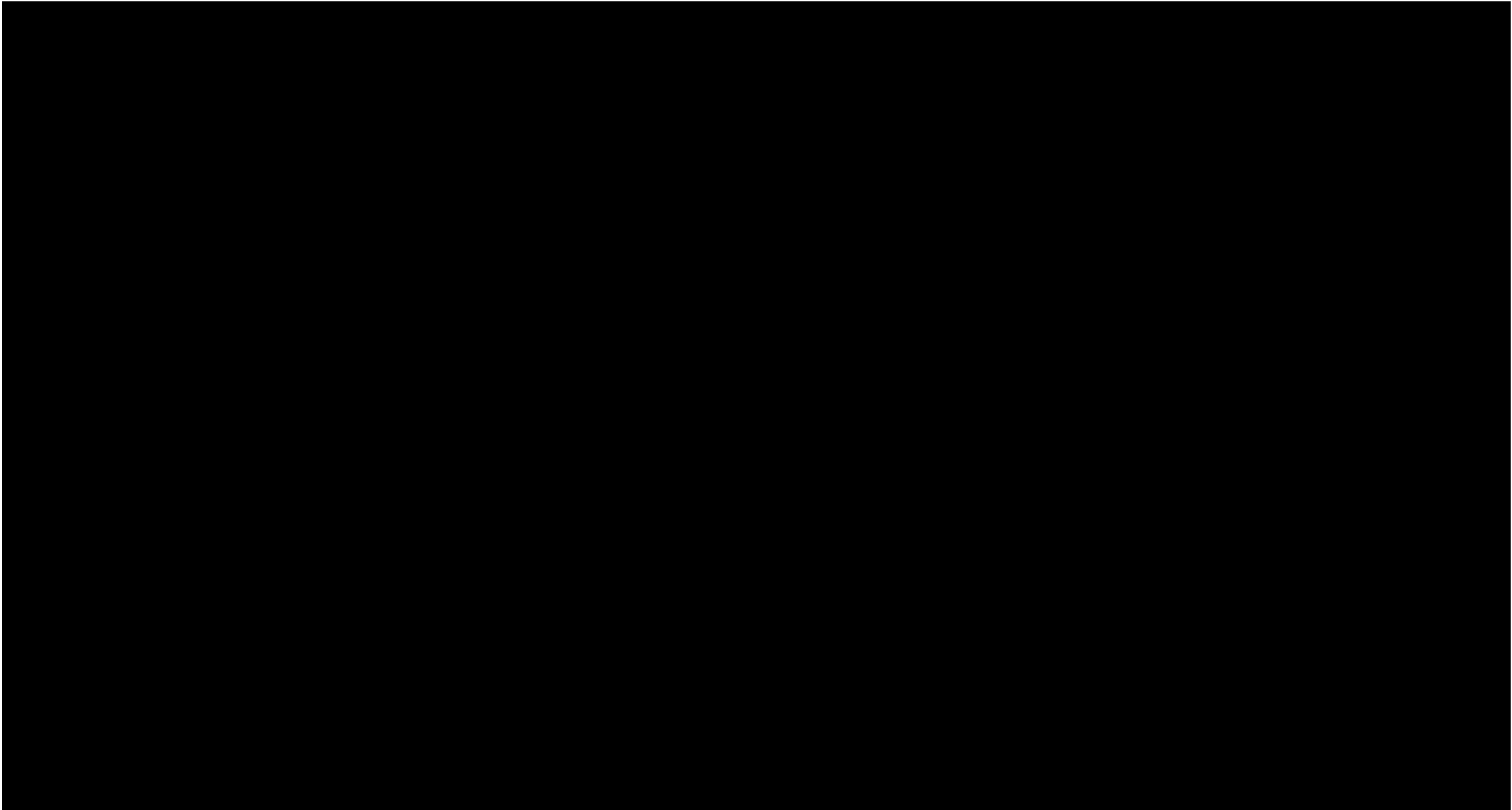
Our advertising products

Pinterest reaches 450 million monthly active users. We believe the value of Pinterest's audience to advertisers is driven not only by the number of users on our platform or their demographics, but also by how they use Pinterest. By facilitating the consumer journey from inspiration to action, Pinterest offers a full-funnel marketing solution, creating value for businesses seeking new audiences and sales.

Source: 2023 Form 10-K, Part I, pg. 8

Ad auction Advertisers on Pinterest primarily buy ads through an auction-based system. Our ad auction allows us to serve ads to users at relevant moments while optimizing business outcomes for advertisers. Today, our advertisers can optimize their campaigns across the full funnel, including upper funnel impressions on a cost per thousand impressions ("CPM") basis and video views on a cost per view ("CPV") basis, mid funnel clicks ("CPC") and lower funnel conversion objectives on a cost per action ("CPA") or on an optimized cost per thousand impressions ("oCPM") basis. 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 ad relevance, user intent and creative quality.

Source: 2023 Form 10-K, Part I, pg. 9



Pinterest: Revenue Generated when Videos are Viewed

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.

Source: 2023 Form 10-K, Part II, pg. 50

Results of operations

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

	Year Ended December 31,		
	2022	2021	2020
Revenue	\$ 2,802,574	\$ 2,578,027	\$ 1,692,658
Costs and expenses ⁽¹⁾ :			
Cost of revenue	678,597	529,320	449,358
Research and development	948,980	780,264	606,194
Sales and marketing	933,133	641,279	442,807
General and administrative	343,541	300,977	336,803
Total costs and expenses	2,904,251	2,251,840	1,835,162
Income (loss) from operations	(101,677)	326,187	(142,504)
Interest income	30,943	4,204	16,119
Interest expense and other income (expense), net	(15,210)	(9,420)	(635)
Income (loss) before provision for income taxes	(85,944)	320,971	(127,020)
Provision for income taxes	10,103	4,533	1,303
Net income (loss)	\$ (96,047)	\$ 316,438	\$ (128,323)
Adjusted EBITDA ⁽²⁾	\$ 441,935	\$ 814,369	\$ 305,004

Source: 2023 Form 10-K, Part II, pg. 51



Note: Revenue by geography in the charts above is geographically apportioned based on our estimate of users' geographic location 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. U.S. and Canada, Europe and Rest of World may not sum to Global and quarterly amounts may not sum to annual due to rounding.

Source: 2023 Form 10-K, Part II, pg. 47

Appendix

Pinterest's big jumps in ARPU can be Correlated with Video

Pinterest



July 16, 2019
News, Product

Today, we're introducing new video features for creators and businesses to reach their audiences including an improved uploader, video tab, lifetime analytics, and Pin scheduling.

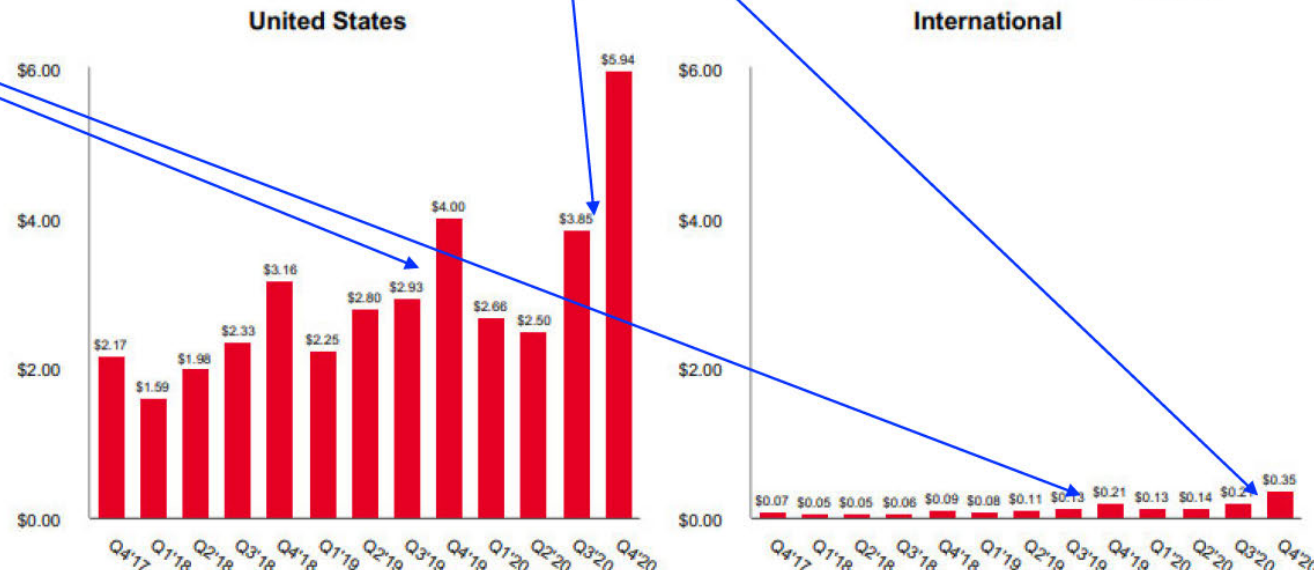
[Pinterest Newsroom](#)



September 23, 2020
Company, News, Product

Introducing Story Pins and new ways for creators to build and grow with Pinterest

Story Pins is an all new type of Pin and publishing option that gives creators a way to tell dynamic and visual stories with videos, voiceover and image and text overlay. We're making it easier for creators who are eager to share their talent, passions and creativity to flow back directly into Pinterest without the need for a website. For Pinners, this means the ideas within a Pin will be more engaging and actionable.



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.

[Q4-20 Financials \(q4cdn.com\)](#)

Pinterest's User Base Growing Substantially

"We welcomed over 100 million additional monthly active users to Pinterest in 2020, more than any other year in our history, and now we reach more than 450 million monthly active users around the world. I'm proud of our company and the inspiration we've been able to bring to so many lives during a trying year," said Ben Silbermann, CEO and co-founder, Pinterest. "As we look to the future, our focus will continue to be delivering more inspiring and shoppable content and helping advertisers realize the value and positivity of our platform."

"Q4 capped a remarkable year of growth for Pinterest. Continued product innovation, execution and an earlier and longer holiday season helped us deliver 76% year-over-year revenue growth," said Todd Morgenfeld, CFO and Head of Business Operations, Pinterest. "As we start 2021, we'll be building on this momentum by continuing to invest in the success of our advertisers as well as a first-class Pinner experience around the globe." [pins-ex992-20201231 \(q4cdn.com\)](#)

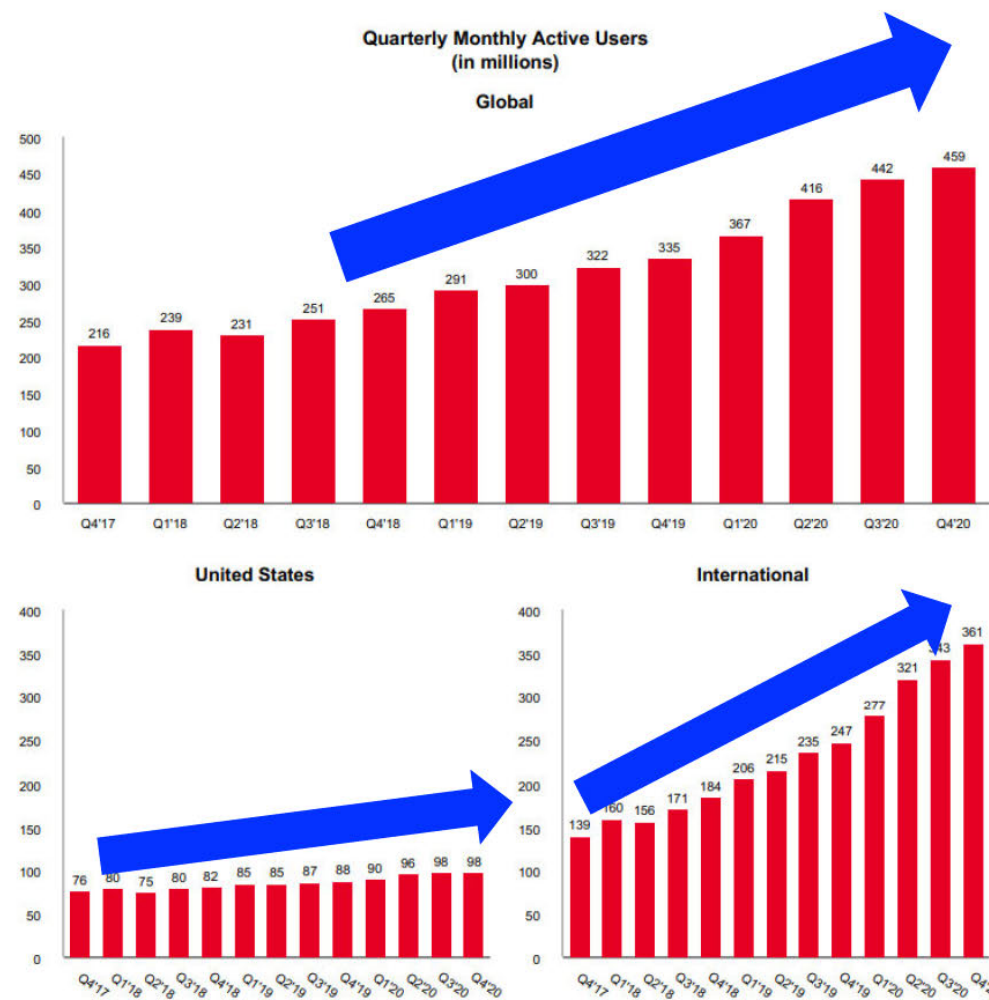
In 2021, our focus will be on the following core priorities:

- **Delivering more inspiring content:** Our top priority is to make Pinterest home to more inspiring content and, increasingly, more inspiring creators. This means continuing to invest in video to provide our users with more dynamic experiences—like "how-to" tutorials and engaging storytelling from brands. We are also taking important first steps to build a creator ecosystem around Story Pins where a new generation of creators can create great content to enrich the lives of Pinners.

[Pinterest-Q4-Shareholder-Letter.pdf \(q4cdn.com\)](#)

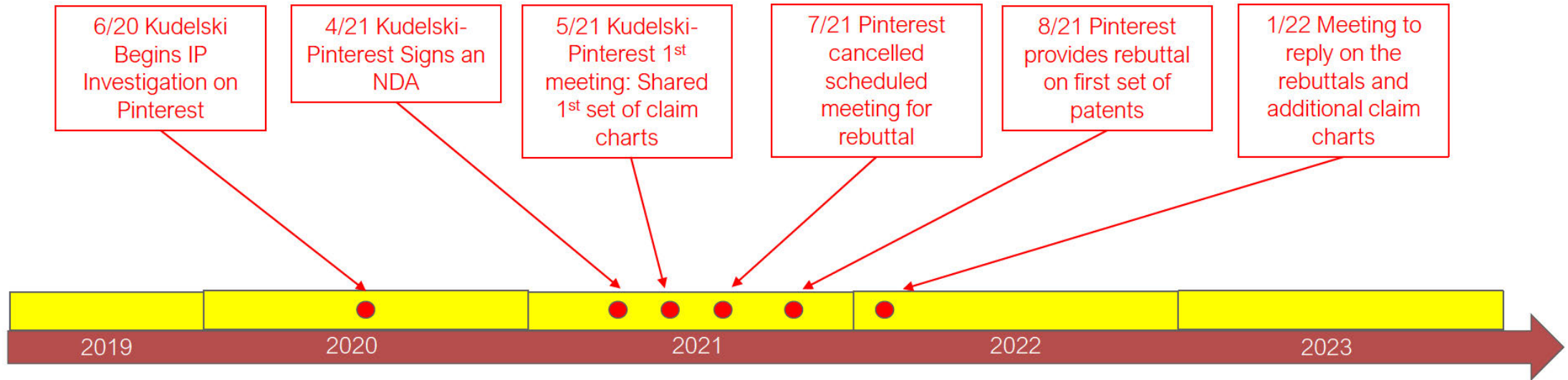
Pinterest Users and Revenue

	Year Ended December		
	2020	2019	
	(in thousands, except per share amounts)		
Consolidated Statements of Operations Data:			
Revenue	\$ 1,692,658	\$ 1,142,761	\$
Costs and expenses ⁽¹⁾ :			
Cost of revenue	449,358	358,903	
Research and development	606,194	1,207,059	
Sales and marketing	442,807	611,590	
General and administrative	336,803	354,075	
Total costs and expenses	1,835,162	2,531,627	
Loss from operations	(142,504)	(1,388,866)	
Interest income	16,119	30,164	
Interest expense and other income (expense), net	(635)	(2,137)	
Loss before provision for income taxes	(127,020)	(1,360,839)	
Provision for income taxes	1,303	532	
Net loss	\$ (128,323)	\$ (1,361,371)	\$
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.22)	\$ (3.24)	\$
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	596,264	420,473	
Adjusted EBITDA ⁽²⁾	\$ 305,004	\$ 16,706	\$



Q4-20 Financials (q4cdn.com)

Timeline of Kudelski-Pinterest Licensing Engagement



Kudelski received no counteroffer since our first meeting on 5/2021

Status of Kudelski-Pinterest IP Engagement

- 6/2020-Kudelski starts investigating Pinterest's technology
- 4/2021-Kudelski-Pinterest sign NDA
- 5/2021-1st Meeting: Kudelski shares first group of claim charts including licensing offer
- 7/2021-meeting date moved as per request from Pinterest
- 8/2021-Received first response to claim charts
- 1/2022-Kudelski replied to Pinterest's rebuttals with additional claim charts
- 3/2022-Kudelski informed Pinterest of recent signing of licenses from entities in its ecosystem

Kudelski received no counteroffer since our first meeting on 5/2021