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11
12 **UNITED STATES DISTRICT COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**

14 PAUL HESSONG, on Behalf of Himself
15 and All Others Similarly Situated,

16 Plaintiff,

17 v.

18 PINTEREST, INC. and BEN SILBERMANN
19 and TODD MORGENFELD

20 Defendants.
21

Case No.

CLASS ACTION COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff, Paul Hessong (“Plaintiff”), individually and on behalf of all others similarly
2 situated, by and through his undersigned counsel, hereby brings this Class Action Complaint for
3 Violation of Federal Securities Law (“Complaint”) against (i) Pinterest, Inc. (“Company” or
4 “Pinterest”); (ii) Ben Silbermann, the Company’s co-founder, President and Chief Executive Officer
5 (“CEO”); (iii) Todd Morgenfeld, the Company’s Chief Financial Officer and Head of Business
6 Operations (“CFO”) (Defendants Silbermann and Morgenfeld are collectively referred to as
7 “Individual Defendants”, and together with the Company as “Defendants”) based upon, *inter alia*,
8 the investigation conducted by and under the supervision of Plaintiff’s counsel, which included a
9 review of the Company’s public documents, conference calls, and announcements, United States
10 (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by
11 and regarding the Company, analysts’ reports and advisories about the Company and readily
12 obtainable information. Plaintiff’s counsel’s investigation into the matters alleged herein is ongoing
13 and many relevant facts are known only to, or are exclusively within the custody or control of, the
14 Company and the Individual Defendants. Plaintiff believes that substantial additional evidentiary
15 support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

16 NATURE OF THE ACTION

17
18 1. This is a federal securities class action on behalf of a class consisting of all persons
19 other than Defendants who purchased or otherwise acquired common shares of Pinterest stock
20 between May 16, 2019 and November 1, 2019, both dates inclusive (the “Class Period”), seeking to
21 recover damages caused by Defendants’ violation of the federal securities laws and to pursue
22 remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
23 Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

24 2. Pinterest is a Delaware corporation headquartered in San Francisco, California. The
25 Company is an image sharing and social media service comprised of small images or “pins” for
26 finding ideas like recipes, home décor and style inspiration. The Company offers online marketing
27 services to commercial brands, which allow them to connect with people on the basis of their shared
28 tastes, aesthetic preferences and interests. Pinterest monetizes its platform through online

1 advertising. The Company utilizes user data to show targeted advertisements to its users based on
2 their interests and searches. As far as advertising revenue is concerned, the Company readily admits
3 that its financial and operational well-being critically depends on its ability to grow its base of
4 monthly active users.

5 3. Throughout the Class Period, Defendants repeatedly assured the market that Pinterest
6 was successfully expanding its domestic user base and that there existed a significant addressable
7 market of U.S. users that served as a catalyst for its online advertising revenue. Unbeknownst to
8 investors, however, the domestic market was quickly becoming saturated, leaving little room for
9 future expansion or growth. This negative trend, which would ultimately impact Pinterest's current
10 and future financial results, was known to Defendants throughout the Class Period, yet undisclosed
11 to the investing public.

12 4. Therefore, throughout the Class Period, Defendants made materially false and
13 misleading statements, and failed to disclose material adverse facts about the Company's business,
14 operations, and financial health. Specifically, Defendants made false and/or misleading statements
15 and failed to disclose to investors that: (i) the Company's addressable market in the U.S. was reaching
16 its maximum capacity; (ii) which significantly decelerated Pinterest's future ability to monetize on
17 U.S. average revenue per user; (iii) Pinterest was at an increased risk of losing advertising revenue;
18 (iv) and as a result, Defendants' public statements were materially false and misleading at all relevant
19 times or lacked a reasonable basis and omitted material facts.

20 5. On October 31, 2019, Pinterest announced disappointing preliminary financial results
21 for the third quarter 2019, having missed revenue estimates. Additionally, Pinterest reported net
22 revenue \$279.7 versus the consensus projection of \$282 million, indicating strong deceleration in the
23 growth of its domestic user base. The Company also gave full year 2019 guidance, which it only
24 marginally increased, indicating further deceleration in future quarters.

25 6. On this news, the price of Pinterest common shares sharply declined by 17%, to close
26 at \$20.86, on November 1, 2019, on unusually high trading volume.

1 14. Defendant Pinterest is a Delaware company with a principal place of business at 505
2 Brannan Street, San Francisco, California, United States. Pinterest shares trade on the NYSE under
3 the ticker symbol “PINS.” Defendant Pinterest is a visual discovery platform where users create,
4 share and discover image-based content for inspiration for their lives.

5 15. Defendant Ben Silbermann (“Defendant Silbermann”), is the co-founder of the
6 Company and has served as the Company’s CEO since the launch of the Company in January 2010.

7 16. Defendant Todd Morgenfeld (“Defendant Morgenfeld”), has served as the
8 Company’s CFO since October 2016.

9 17. The Individual Defendants possessed the authority to control the contents of
10 statements made by Pinterest in the Company’s reports to the SEC, press releases and presentations
11 to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The
12 Individual Defendants were provided with copies of the Company’s reports and press releases alleged
13 herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to
14 prevent their issuance or cause them to be corrected. Due to their position with the Company at
15 various points, and their access to Pinterest’s material information that was unavailable to the public,
16 the Individual Defendants knew that the adverse facts described herein were not disclosed to and
17 were being concealed from investors. Defendants are therefore liable for the false statements and
18 omissions alleged herein.

19 **SUBSTANTIVE ALLEGATIONS**

20 **Background**

21 18. Launched in 2010, Pinterest is a visual search engine, where users create, share and
22 seek inspiration from content in various categories such as home décor, recipes, and fashion. On both
23 its website and app, Pinterest consists of images called “pins” that have been linked to or from a
24 website or uploaded by a user. These pins are then grouped in themes called “boards” to create
25 different virtual albums. The Company caters to many business enterprises that utilize Pinterest to
26 promote their businesses and websites and to attract buyers. The Company filed its Initial Public
27 Offering on March 22, 2019 and started trading publicly on April 18, 2019.

1 19. At the time of its Initial Public Offering, Pinterest had more than 250 million monthly
2 active users, two thirds of whom are females. Of Pinterest’s female users, the majority are moms,
3 who according to marketing studies, are often the primary decision makers when it comes to buying
4 products and services for their households. As such, Pinterest’s audience is highly valuable to online
5 advertisers.

6 20. Pinterest’s primary source of revenue is advertising revenue. Pinterest sells targeted
7 ads, called “promoted pins,” that appear at the top of users’ feeds and search results. Promoted Pins
8 are effectively advertisements, paid for by a variety of commercial entities. Pinterest utilizes user
9 data to target advertisements based on user interests and searches, as well as other demographics.
10 Since Pinterest’s revenue is driven by interest and use of its platform, Pinterest’s ability to generate
11 revenue is critically dependent on the size and demographics of its active user base and its ability to
12 attract and grow its user audience.

13 21. Pinterest measures the monetization of its platform through Average Revenue per
14 User (“ARPU”), which is the total revenue in a given geography during a period divided by the
15 average of the number of monthly active users (“MAUs”) in that geography. ARPU generated by
16 international users is significantly lower than revenue generated by U.S. users. For example, during
17 the year ended December 31, 2018, U.S. ARPU was \$9.04 per user while international ARPU was
18 miniscule by comparison, at just \$0.25 per user. The difference between international and domestic
19 ARPU is largely driven by the relative size and maturity of the U.S. digital advertising market. As a
20 result, Pinterest’s ability to grow its domestic active user base is of great importance to its overall
21 ability to generate revenue and is a critically important metric for the market.

22 22. Immediately after going public, the Company embarked on an aggressive campaign
23 to convince investors of its future growth and monetization opportunities. During the months
24 following its March 2019 IPO, the Individual Defendants, time and again, misrepresented to the
25 investing public the market opportunities that purportedly existed that would allow Pinterest to grow
26 and scale its business on the domestic market. For example, Pinterest assured investors of
27 “comfortable room” for growth of its MAUs in both, international and domestic markets, as well as
28 the “strong trends in U.S. [ARPU].” What Pinterest knew – but failed to relay to the investing public

1 — was that the domestic market was quickly becoming fully saturated and was approaching its
2 maximum capacity, rendering Pinterest’s path to future growth less than certain. These false
3 assurances and omissions gave the investing public no reason to suspect that Pinterest’s business was
4 about to max out its domestic active user potential, and thereby significantly decelerate its revenue
5 growth.

6 23. Throughout the Class Period, Defendants made materially false and misleading
7 statements, and failed to disclose material adverse facts about the Company’s business, operations,
8 and financial health. Specifically, Defendants made false and/or misleading statements and failed to
9 disclose to investors that: (i) the Company’s addressable market in the U.S. was reaching its
10 maximum capacity; (ii) which significantly decelerated Pinterest’s future ability to monetize on U.S.
11 ARPU; (iii) Pinterest was at an increased risk of losing advertising revenue; (iv) and as a result,
12 Defendants’ public statements were materially false and misleading at all relevant times or lacked a
13 reasonable basis and omitted material facts.

14 **Materially False And Misleading Statements**

15 24. The Class Period begins on May 16, 2019. On that day, Pinterest issued a press release
16 announcing its financial results for the first quarter of 2019. In the press release, Defendant
17 Morgenfeld touted the Company’s revenue growth, particularly highlighting revenue generated from
18 domestic users: “We were particularly encouraged by the strength we saw in U.S. revenue and
19 international user growth.”

20 25. In the Company’s quarterly report filed on May 17, 2019 on SEC Form 10-Q (“Q1
21 2019 Report”), the Company reported reaching 291 million MAUs, representing a 22% year-over-
22 year growth. As to the revenue generated from MAUs, the Company highlighted the U.S. revenue
23 growth, a critical metric of Pinterest’s financial and operational well-being, stating as follows:

24 Revenue based on the geographic location of our users increased by
25 51% in the United States to \$187.0 million and by 107%
26 internationally to \$14.9 million. ***U.S. revenue growth was driven by***
27 ***a 7% increase in average U.S. MAUs*** and a 41% increase in U.S.
28 ARPU. International revenue growth was driven by a 30% increase
in average international MAUs and a 59% increase in international
ARPU. ***ARPU growth in the U.S. and internationally was driven by***
higher monetization of both of those user bases largely due to an

1 *increase in the number of advertisements delivered as a result of an*
2 *increase in the overall number of advertisers on our platform and*
3 *increased demand from existing advertisers.*

4 26. The Company’s Q1 2019 Report further informed that the Company’s “revenue in the
5 United States is higher primarily due to our decision to focus our earliest monetization efforts there
6 and also due to the relative size and maturity of the U.S. digital advertising market.” Appended as
7 exhibits to the Q1 2019 Report were signed certifications pursuant to the Sarbanes-Oxley Act of
8 2002, wherein the Individual Defendants certified that “[t]he [Q1 2019 Report] fully complies with
9 the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934,” and that “[t]he
10 information contained in the [Q1 2019 Report] fairly presents, in all material respects, the financial
11 condition and results of operations of the Company.”

12 27. In a letter to shareholders dated May 16, 2019, the Company provided shareholders
13 with an unrealistic outlook on its future U.S. revenue, assuring investors of the continued growth in
14 both the U.S. and international markets:

15 *We expect to maintain strong momentum in our business as we*
16 *achieve larger scale. We expect revenue to grow 40%-43% compared*
17 *to full-year 2018, driven by improving ARPU, particularly in the*
18 *U.S. We expect to grow users in both the U.S. and International.”*

19 28. During the Q1 2019 Earnings Call held on the same day to discuss the Company’s
20 financial results and operations, Defendant Morgenfeld similarly assured investors that the U.S.
21 market would continue to grow, stating: “[We] see comfortable room in all of our markets, in
22 particular in international markets *but also in the US*, to continue to drive advertising content higher.”
23 When asked about the number of advertisers Pinterest had during the first quarter of 2019, Defendant
24 Morgenfeld supported his prior statement and confirmed that the number of advertisers was growing
25 and that the trend was expected to continue.

26 29. On August 1, 2019, the Company issued a press release, announcing its financial
27 results for the second quarter of 2019. In the press release, Defendant Silbermann highlighted the
28 Company’s growth and diversification of its advertiser base. Defendant Morgenfeld echoed
29 Defendant Silbermann’s unrealistic enthusiasm, stating that “[t]he momentum we have seen over the
30 past several quarters continued as more advertisers recognize the power of our platform to reach

1 consumers.” As to the U.S. revenue, Defendant Morgenfeld stated the Company “*remain[s]*
2 *encouraged by trends in U.S. ARPU and by user growth in international markets.*”

3 30. In a letter to shareholders dated August 1, 2019, the Company further touted its
4 growing MAU, and once again, highlighted the “strong trends in U.S. average revenue per user
5 (ARPU) and user growth in international markets.” Additionally, the Company highlighted the
6 accelerated U.S. revenue, stating that the U.S. ARPU increased “41% year-over-year.” As to
7 guidance for 2019, the Company provided unrealistic expectations, stating as follows:

8 We expect revenue to grow 45-48% in 2019 compared to full-year
9 2018, driven by improving ARPU, *particularly in the U.S.* We
10 *expect to grow users in both the U.S.* and international. Consistent
11 with trends in recent years, we expect to grow International users at
12 a faster pace relative to the U.S.

13 31. That same day, on the Q2 2019 Earnings Call, the Individual Defendants discussed
14 the Company’s financial results and operations. During the call, the Individual Defendants continued
15 to exaggerate the forecast for Pinterest shares and their expectation of Pinterest’s continued growth.
16 More specifically, during the Q2 2019 Earnings Call, Defendant Silbermann touted Pinterest’s 62%
17 growth year-over-year and Pinterest’s attainment of “more than 300 million people now using
18 Pinterest every month.” As to Pinterest’s growing advertiser base, Defendant Morgenfeld echoed
19 these rosy predictions:

20 [W]e continue to accelerate the growth in the number of advertisers
21 on the platform. We talked last quarter about having done that and
22 we accelerated yet again in the number of advertisers this quarter as
23 well.

24 * * *

25 Longer term, we would expect price to continue to improve because
26 advertisers tell us that they’re getting a great return from their
27 investment on Pinterest. So today the exercise is trying to get as
28 many advertisers on the platform. So that they all see the value and
help us build a lot more robust auction.

32. In the quarterly report for the second quarter 2019 filed on August 2, 2019 on SEC
Form 10-Q (“Q2 2019 Report”), the Company reiterated reaching U.S. ARPU of \$2.80, which

1 represented growth of 41%, compared to the three months ended June 30, 2018. As to the revenue
2 generated from domestic and international users, the Company stated:

3 For the three and six months ended June 30, 2019, *U.S. revenue*
4 *growth was driven by 41% and 39% respective increases in U.S.*
5 *ARPU supported by a 13% increase in U.S. MAUs*, and
6 international revenue growth was driven by 123% and 89%
7 respective increases in international ARPU supported by a 38%
8 increase in international MAUs. *ARPU growth in the U.S. and*
9 *internationally was driven by higher monetization of both of those*
10 *user bases largely due to an increase in advertising demand from*
11 *new and existing advertisers on our platform.* This resulted in an
12 increase in the number of advertisements served as well as an
13 increase in the price of advertisements, but the impact of the latter
14 was not significant.

15 33. Appended as exhibits to the Q2 2019 Report were signed certifications pursuant to
16 the Sarbanes-Oxley Act of 2002, wherein the Individual Defendants certified that “[t]he [Q2 2019
17 Report] fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange
18 Act of 1934,” and that “[t]he information contained in the [Q2 2019 Report] fairly presents, in all
19 material respects, the financial condition and result of operations of the Company.”

20 34. The above statements identified in ¶¶ 24 - 33 were materially false and/or misleading
21 and failed to disclose material facts about the Company’s business, operations, and financial health.
22 Specifically, Defendants made false and/or misleading statements and failed to disclose to investors
23 that: (i) the Company’s addressable market in the U.S. was reaching its maximum capacity; (ii) which
24 significantly decelerated Pinterest’s future ability to monetize on U.S. ARPU; (iii) Pinterest was at
25 an increased risk of losing advertising revenue; (iv) and as a result, Defendants’ public statements
26 were materially false and misleading at all relevant times or lacked a reasonable basis and omitted
27 material facts.

28 **The Truth Emerges**

35. On October 31, 2019, Pinterest announced its financial results for the quarter ended
September 30, 2019. In a letter to shareholders, which was attached as exhibit 99.1. to the Form 8-
K filed with the SEC on the same day, Pinterest provided highlights of its financial results, including
its overall Q3 2019 revenue growth. Despite the Individual Defendants’ rosy projections over the

1 course of several months, the Company reported disappointing financial results, including 8% growth
2 in U.S. MAUs year-over-year, which reached 87 million, only 8 million more than the same period
3 of the previous year. Critically, the 8% growth represented a 6 point deceleration from the previous
4 quarter and a 2 point deceleration on a 2-year basis. Pinterest thereby solidly missed the Street's
5 revenue target and materially missed the most critical metric of its performance — revenue derived
6 from US advertising. Pinterest reported its total Q3 2019 revenue at \$279.7 million as compared to
7 the consensus projection of \$282 million, and its U.S. advertising revenue at \$251 million as
8 compared to buy-side expectations of \$265 million. As to full year 2019 guidance, the Company
9 only marginally increased its guidance, implying further deceleration in future quarters.

10 36. On this news, the price of the Company's shares steeply declined by 17%, to close at
11 \$20.86, on November 1, 2019, on unusually high trading volume.

12 37. Pinterest's announcement came as a great surprise to the investing public and the
13 analysts alike who were shocked by the sudden and disappointing news. During an Earnings Call
14 held on November 1, 2019, Individual Defendants attempted to soften the impact of the disappointing
15 news by highlighting the Company's overall user growth expansion. For example, when pressed by
16 analyst Mark Mahaney of RBC to talk about the "notable deceleration" in U.S. ARPU and its growth
17 trajectory, Defendant Morgenfeld deflected the question, instead pointing to Pinterest's 47% overall
18 growth, and focusing on the Company's future growth:

19 And so as we think about growth going forward, it's really going to
20 stem, especially in the US, around two new product areas that have
21 been -- we've been focused on now and talked about for some time,
22 but will scale going forward. They will drive advertiser
23 diversification, and those two areas are shopping and SMB.

24 38. When asked by Justin Post of Bank of America to provide more detail regarding the
25 Company's guidance for full year 2019, which suggested more deceleration in Q4, Defendant
26 Morgenfeld likewise dodged the question, stating:

27 I go back to the fundamental principle here is that we're investing
28 in a bunch of new things around advertiser diversification that I
think will bear fruit over the coming several quarters and years.
Those are principally around international coverage and around our

1 mid-market and SMB presence, which I'm delighted with the
2 progress we're making, but it's just going to be a journey.

3 39. Following this news, several analysts lowered Pinterest's price target and issued
4 reports pointing to the surprising news delivered by Pinterest on Halloween. For example, Pivotal
5 Research Group issued a report titled "*We were wrong – not the 'Treat' we were hoping to see,*" in
6 which it observed that the "deceleration in the US advertising was far more than we had hoped for,"
7 and added "we got this one DEAD wrong." (caps in original). Pivotal Research Group subsequently
8 lowered Pinterest's price target by over 25% from \$32 to \$23.5. Similarly, a Deutsche Bank report
9 titled "*No candy at this house tonight*" called Pinterest's U.S. user growth "uninspiring" and was
10 critical of the Company's international rollout, stating "[Pinterest] clearly needs more feet on the
11 street to move the needle on revenue and here the company is moving more slowly." Deutsche Bank
12 subsequently lowered its price target by more than 15% from \$39 to \$32.

13 CLASS ACTION ALLEGATIONS

14 40. Plaintiff brings this action pursuant to Rules 23(a) and (b) of the Federal Rules of
15 Civil Procedure, on its own behalf and as representative of a Class, consisting of all those who
16 purchased or otherwise acquired Pinterest's shares during the Class Period ("Class"); and were
17 damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are
18 Defendants, the officers and directors of the Company, at all relevant times, members of their
19 immediate families and their legal representatives, heirs, successors or assigns and any entity in
20 which Defendants Silbermann or Morgenfeld have or had a controlling interest.

21 41. The Class is so numerous and geographically dispersed that joinder of all members is
22 impracticable. Throughout the Class Period, Pinterest's shares were actively traded on the NYSE.
23 While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained
24 only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of
25 members in the proposed Class. Record owners and other members of the Class may be readily
26 identifiable from information and records in the possession of Defendants or its transfer agent and
27 may be notified of the pendency of this action by mail, using the form of notice similar to that
28 customarily used in securities class actions.

1 42. Plaintiff's claims are typical of the claims of the other members of the Class.
2 Plaintiff and members of the Class sustained damages from the same wrongful conduct of
3 Defendants. The injuries and damages of each member of the Class were directly caused by
4 Defendants' wrongful conduct in violation of the laws described herein.

5 43. Plaintiff will fairly and adequately protect and represent the interests of members of
6 the Class. Plaintiff is an adequate representative of the Class and has no interest which is adverse to
7 the interests of absent Class members. Plaintiff has retained counsel competent and experienced in
8 class action litigation, including class actions in the financial services industry.

9 44. Common questions of law and fact exist as to all members of the Class, which
10 predominate over questions affecting solely individual members of the Class. These common
11 questions of law include, without limitation:

- 12 • whether statements made by Pinterest and the Individual Defendants to investors
13 during the Class Period included misrepresentations of material facts about the growth
14 and revenue prospects, financial condition, operations and oversight of operations at
15 Pinterest;
- 16 • whether Pinterest failed to indicate to its investors that the Company's international
17 MAU growth does not account for the Company's majority of revenue and the slow-
18 down in the U.S. growth adversely affects the advertising on the platform;
- 19 • whether Pinterest and the Individual Defendants acted knowingly or recklessly in
20 issuing false and misleading statements or omitting material information that would
21 correct the misstatements;
- 22 • whether Pinterest's and the Individual Defendants' acts as alleged herein constituted
23 violations of the federal securities laws;
- 24 • whether the prices of Pinterest's shares during the Class Period were impacted by the
25 Company's and the Individual Defendants' conduct described herein;
- 26 • injury suffered by Plaintiff and Class members; and
- 27 • the appropriate measure of damages suffered by Plaintiff and Class members.

28 45. A class action is superior to other methods for the fair and efficient adjudication of
the controversy because joinder of all Class members is impracticable. Treatment as a class will
permit a large number of similarly situated persons to prosecute their common claims in a single

1 forum simultaneously, efficiently, and without the duplication of effort and expense that numerous
2 individual actions would engender.

3 46. Class treatment will also permit the adjudication of claims by many Class members
4 who could not afford individually to litigate claims such as those asserted in this Complaint. The cost
5 to the court system of adjudication of such individualized litigation would be substantial. The
6 prosecution of separate actions by individual members of the Class would create a risk of inconsistent
7 or varying adjudications establishing incompatible standards of conduct for Pinterest and the
8 Individual Defendants.

9 47. Plaintiff is unaware of any difficulties that are likely to be encountered in the
10 management of this action that would preclude its maintenance as a class action.

11
12 **APPLICABILITY OF PRESUMPTION OF RELIANCE**
13 **FRAUD ON THE MARKET DOCTRINE**

14 48. The market for Pinterest shares was open, well-developed and efficient at all relevant
15 times. As a result of the materially false and/or misleading statements and/or failures to disclose,
16 Pinterest's shares traded at artificially inflated prices during the Class Period. Plaintiff and other
17 members of the Class purchased or otherwise acquired the Company's shares relying upon the
18 integrity of the market price of Pinterest's shares and market information relating to Pinterest and
19 have been damaged thereby.

20 49. During the Class Period, the artificial inflation of Pinterest's shares was caused by the
21 material misrepresentations and/or omissions particularized in this Complaint causing the damages
22 sustained by Plaintiff and other members of the Class. As described herein, during the Class Period,
23 Defendants made or caused to be made a series of materially false and/or misleading statements about
24 Pinterest's business, prospects, and operations. These material misstatements and/or omissions
25 created an unrealistically positive assessment of Company's financial and its business, operations,
26 and prospects, thus causing the price of the Company's shares to be artificially inflated at all relevant
27 times, and when disclosed, negatively affected the value of its shares. Defendants' materially false
28 and/or misleading statements during the Class Period resulted in Plaintiff and other members of the

1 Class purchasing Pinterest's shares at such artificially inflated prices, and each of them has been
2 damaged as a result.

3 Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market
4 doctrine as:

- 5 • Pinterest and the Individual Defendants made public misrepresentations or failed to
disclose material facts during the Class Period;
- 6 • these misrepresentations and omissions were material to Plaintiff and the Class;
- 7 • Pinterest's shares were traded on the NYSE and were covered by numerous analysts;
- 8 • Pinterest shares were liquid and traded with significant volume during the Class
9 Period;
- 10 • the misrepresentations and omissions alleged herein would likely induce a reasonable
investor to misjudge the value of the Pinterest shares; and
- 11 • Plaintiff and Class members purchased and/or sold Pinterest shares between the time
12 Pinterest and the Individual Defendants misrepresented or failed to disclose material
13 facts and the time the true facts were disclosed, without knowledge of the
misrepresented or omitted facts.

14
15 50. As a result of the foregoing, the market for Pinterest shares promptly digested current
16 information regarding Pinterest from all publicly available sources and reflected such information in
17 Company's share price. Under these circumstances, all purchasers of Company's shares during the
18 Class Period suffered similar injury through their purchase of Pinterest's shares at artificially inflated
19 prices. Thus, a presumption of reliance applies.

20 51. Accordingly, Plaintiff and Class members are entitled to a presumption of reliance
21 upon the integrity of the market.

22 52. In the alternative, Plaintiff and Class members are entitled to a presumption of reliance
23 established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406
24 U.S. 128, 92 S. Ct. 1456 (1972), because Defendants omitted material information during the Class
25 Period violating a duty to disclose such information as described above. Because this action involves
26 Defendants' failure to disclose material adverse information regarding the Company's business
27 operations and financial prospects—information that Defendants were obligated to disclose—
28 positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts

1 withheld be material in the sense that a reasonable investor might have considered them important in
2 making investment decisions. Given the importance of the Class Period material misstatements and
3 omissions set forth above, that requirement is satisfied here.

4 **LOSS CAUSATION**

5 53. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the
6 economic loss suffered by Plaintiff and the Class.

7 54. During the Class Period, Plaintiffs and the Class purchased Pinterest's shares at
8 artificially inflated prices and were damaged thereby. The price of Pinterest shares significantly
9 declined when the misrepresentations made to the market, and/or the information alleged herein to
10 have been concealed from the market, and/or the effects thereof, were revealed, causing investors'
11 losses.

12 **NO SAFE HARBOR**

13 55. The statutory safe harbor provided for forward-looking statements under certain
14 circumstances does not apply to the allegedly false statements and omissions pled in this Complaint.
15 The statements alleged to be false and misleading herein all relate to then-existing facts and
16 circumstances. To the extent certain of the statements alleged to be false and misleading may be
17 characterized as forward-looking, they were not adequately identified as "forward-looking"
18 statements when made, and were not accompanied by meaningful cautionary statements identifying
19 important factors that could cause actual results to differ materially from those in the purportedly
20 forward-looking statements. Alternatively, to the extent that the statutory safe harbor is intended to
21 apply to any forward-looking statements pled herein, Pinterest and the Individual Defendants are
22 liable for those false and misleading forward-looking statements because at the time each of those
23 forward-looking statements was made, the particular speaker knew that the particular forward-
24 looking statement was false and misleading, and/or the forward-looking statement was authorized
25 and/or approved by an executive officer of Pinterest who knew that those statements were false and
26 misleading when made.
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SCIENTER ALLEGATIONS

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56. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Pinterest and Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding the Company, their control over, and/or receipt and/or modification of Company’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Pinterest, participated in the fraudulent scheme alleged herein.

57. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the investing public. The fraudulent scheme described herein could not have been perpetrated during the Class Period without the knowledge and complicity or, at least, the reckless disregard of the personnel at the highest levels of the Company, including the Individual Defendants.

58. The Individual Defendants, because of their positions with Pinterest, made and/or controlled the contents of the Company’s public statements during the Class Period. Each Defendant was provided with or had access to the information alleged herein to be false and/or misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information, Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations that were being made were materially false and misleading. As a result, each of these Defendants are responsible for the accuracy of Pinterest’s corporate statements and are therefore responsible and liable for the representations contained therein.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

**(Violation of Section 10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder)
Against All Defendants**

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5 59. Plaintiff hereby incorporates each preceding and succeeding paragraph as though fully
6 set forth herein.

7 60. During the Class Period, Pinterest and the Individual Defendants individually and in
8 concert, directly or indirectly, disseminated or approved false statements which they knew or
9 deliberately disregarded in that they contained misrepresentations and failed to disclose material facts
10 to make the statements made not misleading.

11 61. Pinterest and the Individual Defendants violated § 10(b) of the 1934 Act and Rule
12 10b-5 by: (a) making false statements of material facts or omitted to state material facts needed to
13 make the statements not misleading; or (b) engaging in acts and practices that operated as a fraud or
14 deceit upon Plaintiff and others similarly situated in connection with purchases of the Company's
15 shares during the Class Period.

16 62. Pinterest and the Individual Defendants acted with scienter because they knew that
17 the statements issued in the name of Pinterest were materially false and misleading; knew that these
18 statements would be disseminated to investors; and knowingly and substantially participated, or
19 acquiesced in the issuance or dissemination of these statements as primary violations of securities
20 laws. Pinterest and the Individual Defendants, through receipt of information reflecting true facts
21 about Pinterest, their control over, and/or receipt of or modification to the Company's allegedly
22 materially misleading statements, which made them aware of the Company's confidential proprietary
23 information, participated in the fraudulent scheme complained of herein.

24 63. The Individual Defendants had actual knowledge of material omissions and/or the
25 falseness of material statements set forth by Pinterest, and intended to deceive Plaintiff and Class
26 members, or at a minimum, recklessly disregarded the truth through their failure to ascertain and
27 disclose the truth in statements made by them or other Pinterest employees to investors, including
28 Plaintiff and Class members.

1 addressable U.S. market, financial condition and results of operations, and to correct any public
2 statements issued by Pinterest which were materially false or misleading.

3 71. Due to their position of authority at Pinterest, the Individual Defendants controlled
4 the contents of various public filings, press releases and reports which Pinterest disseminated in the
5 market during the Class Period. During the Class Period, the Individual Defendants utilized their
6 authority to cause Pinterest to execute the wrongful acts alleged herein. The Individual Defendants
7 were therefore each a “controlling person” at Pinterest pursuant to Section 20(a) of the Exchange
8 Act. On this basis, they were participants in the unlawful conduct alleged which caused the prices of
9 Pinterest shares to be artificially inflated.

10 72. Based on the conduct described above, the Individual Defendants are liable for the
11 violations committed by Pinterest pursuant to Section 20(a) of the Exchange Act.

12 **PRAYER FOR RELIEF**

13 **WHEREFORE**, Plaintiff respectfully demands relief as follows:

14 A. Certifying this lawsuit as a class action pursuant to Rule 23 of the Federal Rules of
15 Civil Procedure, certifying Plaintiff as Class Representative;

16 B. Awarding damages in favor of Plaintiff and members of the Class against Pinterest
17 and the Individual Defendants, jointly and severally, for all damages sustained as a result of
18 Pinterest’s wrongdoing, in an amount to be proven at trial;

19 C. Awarding Plaintiff and members of the Class their costs of suit, including reasonable
20 attorneys’ fees and expenses, and including expert fees, as provided by law;

21 D. Awarding Plaintiff and members of the Class pre- and post-judgment interest at the
22 maximum rate allowable by law; and

23 E. Directing such further relief as it may deem just and proper.

24 **DEMAND FOR JURY TRIAL**

25 Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial
26 as to all issues triable by a jury.
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1 Dated: November 23, 2020

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