

NEW RISK ALERT: (PINS)

Pinterest Accused of Lying to Investors & Warns Of Controversy Similar to Facebook and Twitter

New language in latest 10-K also reveals the company is accused of racial and gender discrimination.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Pinterest Executives Accused of Misleading Investors

In its 2020 [10-K](#), Pinterest discloses that its CEO and CFO stand accused of misleading investors about its financial performance:

*"...alleges that defendants made **material false and misleading** public statements about our revenue and user growth in 2019."*

The company also warns of two new types of legal risk not disclosed in the prior year's 10-K. In its 2020 10-K, Pinterest adds two new types of legal risks:

*"...inquiries involving intellectual property, data privacy and data protection, privacy and other torts, illegal or objectionable content, consumer protection, **corporate governance**, securities, employment, **workplace culture**, contractual rights, civil rights infringement, false or misleading advertising, or other legal claims relating to content or information that is provided to us or published or made available on our service."*

Pinterest forces investors looking for detail to search a separate section of the filing. There, the company discloses two new lawsuits including the one we believe it was referring to with its workplace culture reference:

*"The lawsuits purport to assert claims for breach of fiduciary duty in connection with allegations of **gender and racial discrimination** at Pinterest. In addition, the lawsuits purport to assert claims for **waste, abuse of control, aiding and abetting breaches of fiduciary duties, unjust enrichment...**"*

New legal matters related to the workplace can have far reaching implications— think Uber and its founder and ex-CEO Travis Kalanick— and could foreshadow leadership changes or increased compliance costs.

Pinterst Warns Its Content Removal Policy Could Result in Unwanted Scrutiny

In its second 10-K as a public company, Pinterest warns investors that they should expect negative publicity related to the way it subjectively polices content. In its 2020 10-K, Pinterest reveals it is expecting a storm of criticism:

“Controversies regarding content on other social media platforms, such as the boycott of Facebook and Twitter by some advertisers, may impact user engagement and advertising spending on our platform, which could adversely affect our business and revenue.”

The new warning accompanies a reminder that Pinterest reserves the sole right to determine what users can and can't post despite not explicitly defining its content policy in full:

*“...**we may choose to remove content that we have determined does not create an inspiring experience for Pinners or revise our policies** in ways that decrease Pinner engagement. These decisions may not be consistent with the expectations of investors and any longer-term benefits may not materialize within the time frame we expect or at all, any of which could harm our business, revenue and financial results.”*

New Competition Emerges & Existing Rivals Get Even Tougher

Pinterest also warns of new competitors. The company identifies Tik Tok and YouTube as new rivals and warns that it perceives existing rivals as more formidable than it did just a year ago:

“For example, Amazon, Google and Snap have introduced shopping platforms, each with camera search functionality, Facebook and Instagram have enhanced their shopping features, such as a shop tab and checkout functionality, Google has developed a series of features on Google Image Search that are similar to those of our service, including shoppable ads and a version of boards, called “Collections,” and Instagram and other platforms allow users to bookmark and save images and other content and create collections.”