



Just Released: The 5 Best Stocks to Buy in August 2022 [PREMIUM PICKS]

Description

It's been an interesting month or so for Pinterest. Recent quarterly results aside, a few weeks ago, the company surprised investors by announcing the hiring of former Google commerce leader Bill Ready, with co-founder and long-time CEO Ben Silbermann stepping down from the top spot.

As Silbermann told *The Wall Street Journal*, "Bill's actually going to be a better CEO than I am for this next chapter." Pinterest has been exploring ways to capitalize on the e-commerce potential of its platform for some time, but now it appears ready to get serious.

As if that weren't enough, activist investing firm Elliott Management has built a significant stake in the visual inspiration company. It's unclear what changes Elliott could be pushing for, or even if it will be able to force anything (Silbermann and his co-founders still have a voting majority). But these are exciting developments, and we think there's a lot of potential left to unlock in Pinterest's platform.

The key to our investment thesis in Pinterest isn't the size of the company's user base, but the monetization of those users. We believe there's potential for Pinterest to significantly improve monetization of its user base by adding shopping features for customers and tools and data for sellers. This should lead to much higher future earnings power, which ought to drive a much higher share price. And if that higher share price fails to materialize naturally, we can now count on Elliott to push for a sale of the company to potential buyers. This additional catalyst gives us extra conviction that Pinterest will be a profitable investment.

Iain Butler is long \$30 September call options on Pinterest and has positions in Google's parent company, Alphabet. Suzanne Frey, an executive at Alphabet, is a member of The Motley Fool's board of directors. The Motley Fool recommends Alphabet (A shares), Alphabet (C shares), and Pinterest.

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