

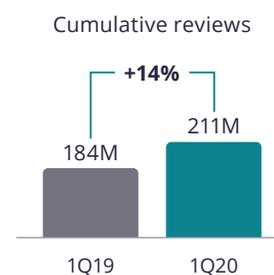
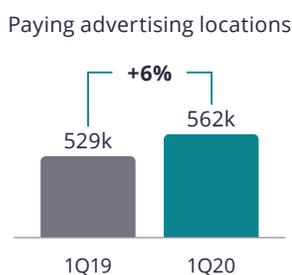
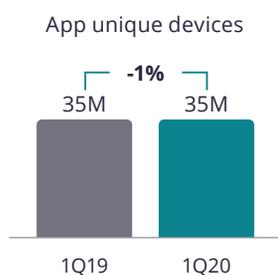
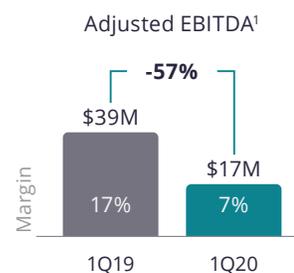
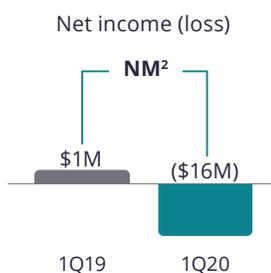
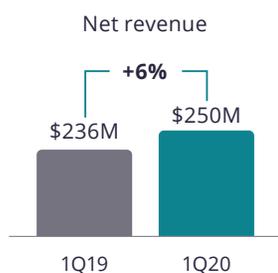


Q1 2020 Letter to Shareholders

May 7, 2020 | yelp-ir.com

First Quarter 2020 Financial Highlights

- ▶ **Net revenue was \$250 million**, up 6% from the first quarter of 2019, driven primarily by growth in the number of Paying advertising locations
- ▶ **Net loss was (\$16) million, or (\$0.22) per diluted share**, compared to Net income of \$1 million, or \$0.02 per diluted share, in the first quarter of 2019, reflecting higher commissions and other employee costs as well as an increase in provision for doubtful accounts
- ▶ **Adjusted EBITDA¹ was \$17 million**, a decrease of \$22 million, or (57%), compared to the first quarter of 2019. Adjusted EBITDA margin decreased 10 percentage points to 7% from the first quarter of 2019
- ▶ **Cash provided by operating activities was \$41 million for the first quarter of 2020**, and we ended the first quarter with cash, cash equivalents and marketable securities of \$491 million



Note: Reported figures are rounded; the year-over-year percentage changes are calculated based on reported financial statements and metrics

¹ Refer to the accompanying financial tables for further details and a reconciliation of the non-GAAP measures presented to the most directly comparable GAAP measures.

² Percentage change is not meaningful

Dear fellow shareholders,

From day one, Yelp's mission has been to connect consumers with great local businesses. While the physical distancing measures and shelter-in-place orders, which are critical to flatten the curve of the COVID-19 pandemic, have inevitably dealt a devastating blow to local businesses, that mission remains just as strong today as we all navigate these unprecedented times. We have worked quickly to adapt to these changing circumstances while protecting the safety of our employees by swiftly moving our organization to work from home. We have prioritized product efforts to help our consumers and local businesses stay connected with Yelp's trusted content during this time. We also took difficult, but necessary, steps to reduce our workforce and expenses in order to help maintain our financial stability in the quarters to come. Today is not yet the time to look too far ahead, as the economic outlook remains highly uncertain. **Instead, now is the time to focus first on the health and well-being of the Yelp community – our employees, consumers, and local businesses – while operating with flexibility as we maintain financial discipline and a strong liquidity position.** By doing this, we believe Yelp will not merely weather the current crisis, but emerge uniquely positioned to partner with local businesses as the economy recovers.

First quarter results

Pre-COVID-19 trends

We entered 2020 well-positioned to build off of last year's accomplishments and capture more of the pre-COVID \$160 billion U.S. local advertising market. **In 2019, we successfully reaccelerated year-over-year revenue growth to a double-digit percentage in the second half, while simultaneously reducing Local sales headcount by 10% by the end of the year.** With these improvements, Adjusted EBITDA margin increased from 19% in 2018 to 21% in 2019.

By the end of February, we saw our strategy gaining momentum. The strong retention and acquisition trends we saw in January had continued and **retention of non-term advertisers' budgets improved by nearly 25% on average compared to January and February of 2019.** As a result, we grew Net revenue by 15% year-over-year in February.

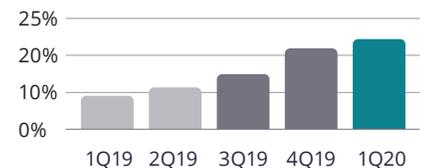
In Home & Local Services, we grew revenue by more than 25% and revenue attributable to Request-A-Quote grew by more than 100% in February 2020 compared to February 2019. In Restaurants, we not only saw continued strength in diners seated via Yelp Reservations and Yelp Waitlist in February, but also saw Other Services revenue growth accelerate to nearly 35% compared to February 2019. After a strong 2019 driven by growth in both new and existing clients, our Multi-location channel revenue again grew by 22% compared to February of 2019. In Local, we saw very strong sales productivity and once again, our new offerings and performance marketing helped grow Self-serve revenue by nearly 40% year-over-year in February.

In 2019, we accelerated growth to double-digits on lower sales headcount



Home & Local Services revenue growth continued to accelerate

Home & Local Services revenue, y/y



COVID-19's impact on first quarter results

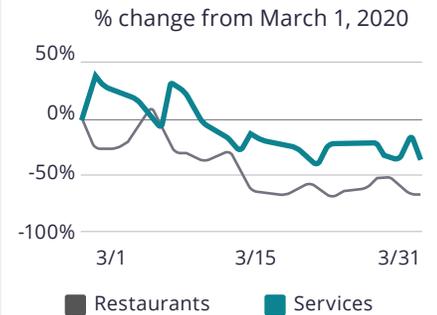
As we entered March, it quickly became clear that COVID-19 was becoming a serious threat in the United States and dramatic restrictions to public life would be necessary to slow the spread of the virus. Our large audience of consumers has allowed us to witness the impacts on consumer behavior in real-time. **By the end of March, page views and searches for Restaurants—our highest-frequency category—had declined by approximately 60% compared to the beginning of the month, while page views and searches for Services¹—our largest revenue category—had declined by approximately 40%.**

When state and local governments mandated the first shelter-in-place restrictions in the second half of March, the impressive retention improvements that we saw in January and February began to reverse. With so many of our customers shutting their doors and consumers staying at home, we saw a substantial reduction in cost-per-click ("CPC") advertising budgets in the last two weeks of March, with more significant declines in the categories most impacted by social distancing measures, such as Restaurants, Beauty, and Fitness. As a result of these declines and our relief efforts discussed below, Net revenue in March declined by 5% year-over-year.

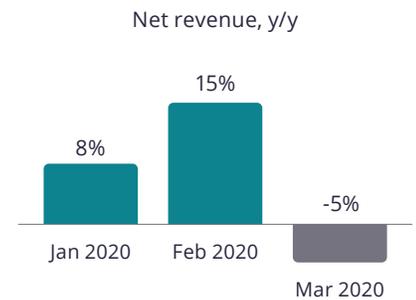
Despite the negative impact of the COVID-19 pandemic in March, our first quarter results demonstrated that our strategic plan was working.

Revenue for the quarter was \$250 million, up 6% compared to the first quarter of 2019. From a balance sheet perspective, we ended the quarter with \$491 million in cash, cash equivalents and marketable securities, and no debt.

Page views and searches dramatically declined in March



Net revenue declined 5% y/y in March



¹ Includes Home, Local, Professional, Auto and other services categories

Yelp's COVID-19 response

Over the past two months, we have been focused on ensuring the well-being and safety of our employees and supporting the local business community we serve. Our executive task force continues to convene frequently to ensure we are well prepared as a company to respond to this rapidly evolving situation.

Protecting our employees

To protect the safety of our employees and do our part to help “flatten the curve,” **we took early and swift action to migrate our workforce to work from home.** With the Bay Area an early COVID-19 hotspot, we began transitioning our San Francisco office to fully remote on March 6th, quickly followed by our New York office on March 11th, with other offices making the transition shortly afterwards. As a company with thousands of employees, we have been highly encouraged by the operational agility and speed with which our team has adapted to this new work from home environment given the difficult circumstances.

Supporting consumers and local businesses

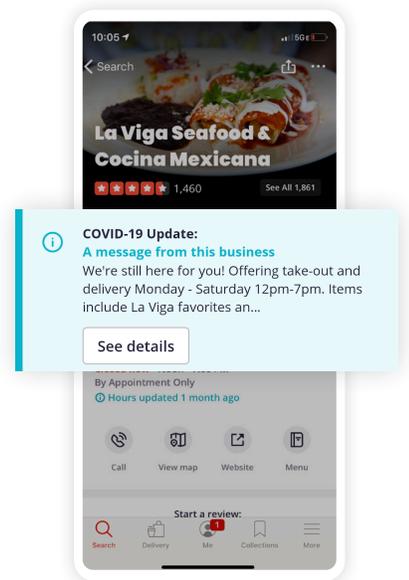
Now fully remote, our product and engineering teams have been hard at work to create useful tools to help local businesses and consumers stay connected during these extraordinary circumstances. To help consumers navigate their new local landscape, we've updated our home screen and search rankings to showcase relevant businesses, such as restaurants offering delivery and takeout or essential home services. We also launched a COVID-19 banner alert for businesses to notify their customers with important information at the top of their business page and, through our partnership with Grubhub, we've enabled a "contact-free" delivery option for food orders placed through Yelp.

As part of our efforts to support local businesses, on March 20th, we announced a \$25 million relief initiative primarily to support local Restaurant and Nightlife businesses, which have been particularly devastated by COVID-19. The relief package consists of waived advertising fees along with free advertising and subscription products and services. For our Yelp Reservations and Yelp Waitlist customers, we are waiving subscription fees for three months and, for all local Restaurant and Nightlife businesses, we are offering free access to Yelp Connect so that these businesses can post timely updates and communicate with their customers. Our product team also created new Business Highlights attributes for businesses to showcase relevant offerings, such as virtual estimates or whether they offer delivery or takeout during COVID-19. **These new attributes have been rapidly adopted by business owners, with more than 120,000 active locations by the end of April.** We've also implemented special review content guidelines to protect local businesses from reputational harm related to these extraordinary circumstances.

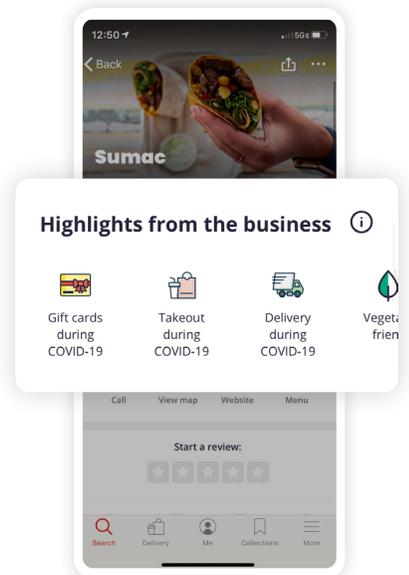
These initiatives will not only benefit our local business community, but it is our hope that they will help foster long-term relationships with business owners and further cement Yelp's standing as a trusted local resource for consumers and businesses alike. As we continue monitoring the impact of COVID-19 on local businesses, we plan to evaluate opportunities to extend these initiatives.

New COVID-19 products provide consumers with timely and relevant business information

COVID-19 Banner Alert



COVID-19 Business Highlights



Preserving liquidity

While we believe that our efforts will help maintain Yelp's relevance connecting local businesses to consumers who are staying at home, many of these businesses have understandably been forced to pause or reduce spending on the products and services that Yelp provides. **The duration and magnitude of the economic impact on local businesses from this crisis is unknown, but such customer headwinds will continue to have a direct impact on our revenue.** To help Yelp get through this period of great uncertainty, we have taken action to reduce our operating costs, including the incredibly hard decision to reduce our workforce.

At the beginning of April, our Board approved a restructuring plan that included workforce reductions affecting approximately 1,000 employees and furloughs affecting approximately 1,100 additional employees, as well as salary reductions and reduced-hour work weeks. We've also reduced the salaries of our executive team by 30%, while Jeremy will not draw a salary for the remainder of this year and will forgo the shares subject to his 2020 stock awards that would have vested in 2020. Our Board has also reduced their cash compensation (or shares received in lieu of cash compensation) for 2020 by 25%. These changes came as part of a broader effort to reposition our cost base to preserve liquidity and mitigate the financial impacts of the crisis. **In total, we anticipate the cost-savings resulting from these efforts will yield approximately \$70 million in reduced operating expenses in the second quarter of 2020, compared to the first quarter.** As revenue recovers, we plan to return reduced-time and furloughed employees to full-time active roles later in the year.

Cost-savings initiatives resulting in ~\$70M in reduced operating expenses



Within Sales and marketing, our large organically-driven audience has historically enabled us to spend relatively little on consumer marketing, which we view as a competitive advantage over the long-term. However, this also means that a higher percentage of our costs are fixed and, as a result, we have less flexibility during circumstances such as these. Therefore, in order to respond to decreased advertiser demand, we've reduced our Sales and marketing headcount through both reductions and furloughs. Even with these reductions, **we are encouraged by the Local sales team's hard work and tenacity, which led them to achieve similar levels of productivity in the second half of April compared to the beginning of the month, despite much lower headcount.** In Multi-location, we are maintaining higher levels of investment in National to support a quick rebound once the initial phase of the crisis passes.

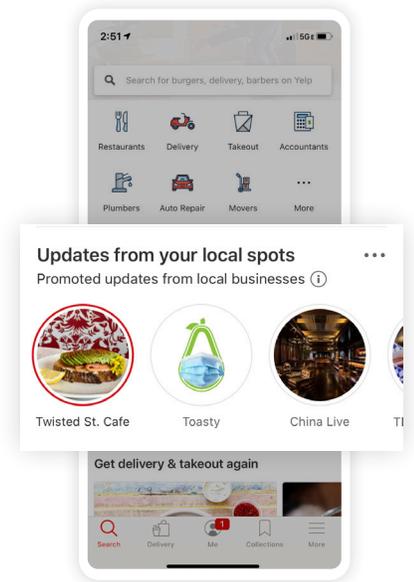
In Product development, we retained engineering capacity to support new COVID-19-specific functionality for consumers and businesses as well as to continue existing efforts to drive more value to our advertisers and increase monetization. Within our General and administrative functions, we lowered expenses through reductions and furloughs in areas not critical at this time, such as Recruiting and Workplace.

Today, we no longer hold any corporate securities, having sold all of our positions for a modest gain in aggregate between mid-March and mid-April. **We further strengthened our liquidity on May 5th by entering into a three-year revolving credit facility with Wells Fargo that provides for aggregate revolving loans of up to \$75 million** and includes a standby letter of credit with a sub-limit of \$25 million. In addition to our cost-savings initiatives, we have also decided to defer share repurchases under our stock repurchase program indefinitely.

While the ultimate duration of and impacts to our business from COVID-19 remain uncertain, we believe that the steps we have taken will enable us to weather the pandemic under a range of scenarios.

Retaining engineering capacity to support new and existing product initiatives

Yelp Connect



Taking steps to preserve liquidity

Cash, Cash Equivalents, and Marketable Securities



Reinvesting in our business

We will continue to closely monitor key measures of business performance including consumer traffic, CPC advertising budgets, sales productivity, and advertiser retention and will make any operating decisions, such as recalling furloughed employees, accordingly. Similar to the impact of the virus, we anticipate that the timing and pace of recovery will vary by category and geography.

Using California—our largest market by revenue and users—as an example, the state was one of the first to implement a statewide shelter-in-place order, and also one of the first where we saw a significant decline in searches and page views. That said, we are encouraged by early signs of stabilization. **In recent weeks, our traffic, measured by page views and searches on Yelp, has stabilized at approximately 50% of pre-pandemic levels.** Further, in our Services category, we have seen modest improvements in traffic in the second half of April, leading to consistent demand for our high purchase intent leads, both through our Self-serve and Local rep channels. **In fact, in the second-half of April, CPC advertising budgets in the category remained stable after declining by more than 25% from mid-March to mid-April.** We are closely watching the retention trends of these businesses and continuing our efforts to drive more value to advertisers, as well as exploring new ways to help them attract consumers at present and throughout the recovery.

As conditions improve, we plan to selectively reinvest to capture growth opportunities. Multi-location and Self-serve, our most accretive sales channels, have the capacity to reaccelerate faster and continue to become a larger portion of our revenue. We plan to utilize B2B performance marketing as a variable cost lever to help generate Self-serve claims and advertising starts, giving us the flexibility to scale up or down during the economic recovery. We will also be prudent in optimizing our fixed-cost structure in facilities and infrastructure to reduce our footprint over time and cast a broader geographic net for talent.

CA Services' budgets stabilized in the second half of April



In summary,

While we cannot estimate when this pandemic will subside, we do know that we will continue to support our employees, customers, and local communities, which we believe will result in a stronger, more resilient business in the long-run. We could not be more proud of the adaptability, empathy and operational excellence demonstrated by the team over these last few months, overcoming the largest obstacles we have seen in our 15 years as a company. **We entered this pandemic on the back of strong performance over the preceding quarters, and we believe we have made the operational and financial decisions necessary to maintain our financial strength through it.** We believe Yelp has a critical role to play in the recovery to come, both supporting existing businesses and helping introduce and grow new businesses. We remain confident in Yelp's durability through this unique period and stay committed to our mission of connecting people with great local businesses.

Sincerely,



Jeremy Stoppelman



David Schwarzbach

First Quarter 2020 Financial Review

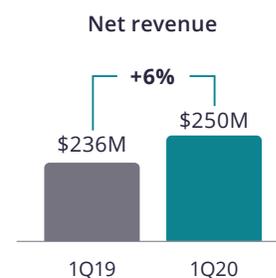
Revenue

Net revenue grew to \$250 million in the first quarter of 2020, a 6% increase over the first quarter of 2019.

Advertising revenue was \$240 million in the first quarter of 2020, a 6% increase over the first quarter of 2019, driven by year-over-year growth in the number of Paying advertising locations. **The number of Paying advertising locations in the first quarter grew 6% year-over-year to 562,000**, reflecting continued improvements in Local customer retention through the end of February and an increase in revenue generated from existing national customers. However, the number of Paying advertising locations decreased by 3,000 locations from the fourth quarter of 2019 following the conclusion of certain national advertisers' seasonal campaigns. The increases in advertising revenues were partially offset by the relief that we provided to local businesses most impacted by the COVID-19 pandemic in the form of waived advertising fees and free advertising products and services.

Transactions revenue was \$3 million in the first quarter of 2020, down 20% from the first quarter of 2019, due to a decrease in transaction volume.

Other services revenue was \$7 million in the first quarter of 2020, up 28% from the first quarter of 2019, primarily driven by growth in Yelp Waitlist and Yelp Reservations subscription revenue.



Net revenue by product	Three Months Ended March 31,	
	2020	2019
Advertising	\$ 240,093	\$ 227,033
Transactions	2,639	3,307
Other services	7,169	5,602
Total net revenue	\$ 249,901	\$ 235,942

Operating expenses & Adjusted EBITDA

Cost of revenue (exclusive of depreciation and amortization) was \$17 million in the first quarter of 2020, up \$3 million, or 18%, compared to the first quarter of 2019, driven by an increase in advertising fulfillment costs as well as increased website infrastructure expense.

Gross profit was \$233 million in the first quarter of 2020, up 5% from the first quarter of 2019, while Gross margin of 93% was slightly lower than 94% in the first quarter of 2019.

Sales and marketing expenses totaled \$137 million in the first quarter of 2020, up 10% from the prior-year period. The increase in expense was driven by higher commissions earned from stronger sales force productivity and higher employee costs due to growth in Multi-location sales team headcount. The increase in employee costs was also attributable to accelerated amortized commission expenses due to lower expected customer life as a result of COVID-19.

Product development expenses were \$67 million in the first quarter of 2020, up 16% compared to the first quarter of 2019, driven by higher employee costs as we expanded our product development and engineering teams to deliver our 2020 product initiatives.

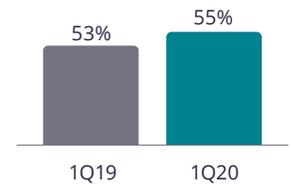
General and administrative expenses were \$44 million in the first quarter of 2020, up 39%, or \$12 million, compared to the first quarter of 2019, primarily due to an increase in provision for doubtful accounts resulting from an anticipated increase in the rate of delinquencies due to the COVID-19 pandemic.

Total costs and expenses were \$277 million in the first quarter of 2020, up 16% from \$240 million in the first quarter of 2019.

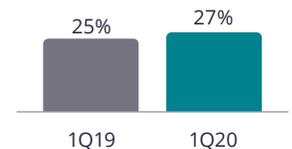
COR % of Revenue



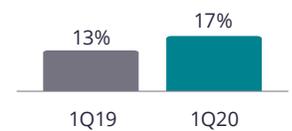
S&M % of Revenue



PD % of Revenue



G&A % of Revenue



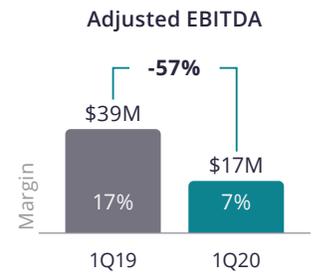
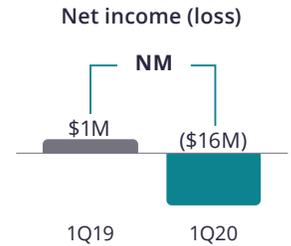
Income tax benefit was \$9 million in the first quarter of 2020, compared to \$1 million in the first quarter of 2019. The increase in the benefit from income taxes was primarily due to year-to-date pre-tax losses and benefits from net operating loss carryback provisions adopted under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

Net loss was (\$16) million in the first quarter of 2020 compared to Net income of \$1 million in the first quarter of 2019.

Adjusted EBITDA was \$17 million in the first quarter of 2020, a 57% decrease from \$39 million in the first quarter of 2019. Adjusted EBITDA margin declined to 7% in the first quarter of 2020 compared with 17% in the year-ago quarter, driven by higher Sales and marketing expenses as well as General and administrative expenses.

Balance sheet and cash flow

At the end of March 2020, **we held \$491 million in cash, cash equivalents and marketable securities on our consolidated balance sheet, with no debt.**



Business Outlook

Given the uncertainty related to the ongoing COVID-19 pandemic and the related impact on local economies, we are not providing a formal Business Outlook at this time. Instead, we are providing some details about our recent April performance. Though we are still in the process of closing the books, **we anticipate that revenue in April will decline by approximately 35% compared to April 2019** due to significant reductions in advertisers' budgets and our relief initiatives described above. However, our April performance is not necessarily indicative of our expected performance for the remainder of the second quarter; our revenue may be lower in May and June as a result of the continued challenging environment for local businesses, the potential extension of our relief initiatives, and uncertainty regarding our continued salesforce productivity as well as consumer behavior and its impacts on user engagement.

Additionally, as a result of our cost savings initiatives, **we expect a reduction in operating expenses of approximately \$70M in the second quarter compared to the first quarter of 2020**, which excludes a one-time restructuring charge of approximately \$4 to \$5 million expected for the full year.

Quarterly Earnings Webcast

Yelp will host a live webcast today at 2:00 p.m. PST to discuss the first quarter 2020 financial results. The webcast can be accessed on the Yelp Investor Relations website at yelp-ir.com. A replay of the webcast will be available at the same website.

About Yelp

Yelp Inc. (www.yelp.com) connects people with great local businesses. With unmatched local business information, photos and review content, Yelp provides a one-stop local platform for consumers to discover, connect, and transact with local businesses of all sizes by making it easy to request a quote, join a waitlist, and make a reservation, appointment, or purchase. Yelp was founded in San Francisco in July 2004.

Expected April Revenue



Expected Operating Expenses



Condensed Consolidated Balance Sheets

(In thousands; unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 364,576	\$ 170,281
Short-term marketable securities	122,618	242,000
Accounts receivable, net	85,875	106,832
Prepaid expenses and other current assets	21,804	14,196
Total current assets	594, 873	533,309
Long-term marketable securities	3,500	53,499
Property, equipment and software, net	110,141	110,949
Operating lease right-of-use assets	199,053	197,866
Goodwill	103,976	104,589
Intangibles, net	9,304	10,082
Restricted cash	22,332	22,037
Other non-current assets	42,045	38,369
Total assets	\$ 1,085,224	\$ 1,070,700
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 74,702	\$ 72,333
Operating lease liabilities - current	62,342	57,507
Deferred revenue	3,637	4,315
Total current liabilities	140,681	134,155
Operating lease liabilities - long-term	175,073	174,756
Other long-term liabilities	7,038	6,798
Total liabilities	322,792	315,709
Stockholders' equity		
Common stock	-	-
Additional paid-in capital	1,283,885	1,259,803
Accumulated other comprehensive loss	(12,863)	(11,759)
Accumulated deficit	(508,590)	(493,053)
Total stockholders' equity	762,432	754,991
Total liabilities and stockholders' equity	\$ 1,085,224	\$ 1,070,700

Condensed Consolidated Statements of Operations

(In thousands, except per share data; unaudited)

	Three Months Ended March 31,	
	2020	2019
Net revenue	\$ 249,901	\$ 235,942
Costs and expenses:		
Cost of revenue ¹	16,847	14,265
Sales and marketing ¹	137,297	124,316
Product development ¹	67,113	58,075
General and administrative ¹	43,536	31,292
Depreciation and amortization	12,358	11,876
Total costs and expenses	277,151	239,824
Loss from operations	(27,250)	(3,882)
Other income, net	2,383	4,691
(Loss) Income before income taxes	(24,867)	809
Benefit from income taxes	(9,364)	(556)
Net (loss) income attributable to common stockholders	\$ (15,503)	\$ 1,365
Net (loss) income per share attributable to common stockholders:		
Basic	\$ (0.22)	\$ 0.02
Diluted	\$ (0.22)	\$ 0.02
Weighted-average shares used to compute net (loss) income per share attributable to common stockholders:		
Basic	71,548	81,772
Diluted	71,548	85,087

¹Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2020	2019
Cost of revenue	\$ 1,043	\$ 1,244
Sales and marketing	7,696	7,687
Product development	17,755	16,075
General and administrative	5,256	6,313
Total stock-based compensation	\$ 31,750	\$ 31,319

Condensed Consolidated Statements of Cash Flows

(In thousands; unaudited)

	Year Ended March 31,	
	2020	2019
Operating activities		
Net (loss) income attributable to common stockholders	\$ (15,503)	\$ 1,365
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	12,358	11,876
Provision for doubtful accounts	15,933	4,264
Stock-based compensation	31,750	31,319
Non-cash lease cost	10,378	9,751
Deferred income taxes	(7,450)	(1,259)
Other adjustments, net	(287)	(1,159)
Changes in operating assets and liabilities:		
Accounts receivable	5,024	(6,260)
Prepaid expenses and other assets	(4,118)	(5,292)
Operating lease liabilities	(6,663)	(9,948)
Accounts payable, accrued liabilities and other liabilities	(636)	6,372
Net cash provided by operating activities	40,786	41,029
Investing activities		
Sales and maturities of marketable securities - available-for-sale	164,215	-
Purchases of marketable securities - held-to-maturity	(87,438)	(157,567)
Maturities of marketable securities - held-to-maturity	93,200	201,497
Purchases of property, equipment and software	(7,053)	(8,991)
Other investing activities	295	215
Net cash provided by investing activities	163,219	35,154
Financing activities		
Proceeds from issuance of common stock for employee stock-based plans	2,585	1,145
Repurchases of common stock	-	(102,126)
Taxes paid related to net share settlement of equity awards	(11,514)	(12,497)
Net cash used in financing activities	(8,929)	(113,478)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(486)	(65)
Change in cash, cash equivalents and restricted cash	194,590	(37,360)
Cash, cash equivalents and restricted cash - Beginning of period	192,318	354,835
Cash, cash equivalents and restricted cash - End of period	\$ 386,908	\$ 317,475

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands; unaudited)

	Three Months Ended March 31,	
	2020	2019
Reconciliation of Net (Loss) Income to EBITDA and adjusted EBITDA:		
Net (loss) income	\$ (15,503)	\$ 1,365
Benefit from income taxes	(9,364)	(556)
Other income, net	(2,383)	(4,691)
Depreciation and amortization	12,358	11,876
EBITDA	\$ (14,892)	\$ 7,994
Stock-based compensation	31,750	31,319
Adjusted EBITDA	\$ 16,858	\$ 39,313
Net revenue	\$ 249,901	\$ 235,942
Adjusted EBITDA margin	7%	17%

Non-Financial Metrics

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Key operational metrics (in thousands)									
App Unique Devices ¹	30,115	32,062	34,025	32,891	35,001	36,737	37,662	35,599	34,650
Paying Advertising Locations ²	508	517	524	541	529	549	563	565	562
Sales Headcount	3,300	3,350	3,700	3,850	3,450	3,300	3,650	3,600	3,450
Active Claimed Local Business Locations ^{3,4}	3,870	4,037	4,180	4,310	4,467	4,616	4,772	4,913	5,071
Other non-financial metrics (in thousands)									
Cumulative Reviews	155,328	162,969	170,865	177,385	184,386	191,735	199,309	205,382	210,828
Desktop Unique Visitors ¹	73,668	73,939	68,807	62,140	62,779	61,797	62,427	54,006	52,252
Mobile Web Unique Visitors ¹	69,901	72,328	74,789	69,148	68,891	76,650	80,590	68,756	62,702
Total Headcount	5,250	5,300	5,700	6,000	5,550	5,400	5,900	5,950	5,850
Percentage of advertising revenue by category									
Home & Local Services	32%	33%	34%	33%	33%	35%	36%	36%	38%
Restaurants	14%	14%	14%	14%	14%	13%	14%	14%	13%
Beauty & Fitness	12%	12%	12%	12%	12%	12%	12%	12%	12%
Health	11%	10%	10%	10%	10%	10%	9%	9%	9%
Shopping	8%	8%	8%	9%	8%	8%	8%	8%	7%
Other	23%	22%	21%	22%	22%	21%	21%	21%	22%

Note: Desktop unique visitors and mobile website unique visitors are calculated using Google Analytics, while we calculate App Unique Devices internally. For further discussion of the differences in how these metrics are calculated and their limitations, please review the “Key Metrics-Traffic” section of our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q.

¹On a monthly average basis

²All business locations associated with a business account from which we recognize revenue in a given month, averaged for the quarter

³Active claimed local business locations represent the number of active business locations that are associated with an active business owner account as of a given date. Active business locations consist of all business locations that are listed on our platform that have not been marked

as closed as of a given date. A business location becomes associated with a business owner account when a business representative visits our platform and claims the free business listing page associated with the business.

⁴Reflects updated methodology for calculating Active Claimed Local Business Locations

More information about the Company, including the factors that could affect the Company’s operating results, is included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s most recent Quarterly or Annual Report filed with the SEC, available at www.yelp-ir.com or the SEC’s website at www.sec.gov.

Non-GAAP Financial Measures

This letter and statements made during the above referenced webcast may include information relating to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin, each of which is a “non-GAAP financial measure.”

We define EBITDA as net income (loss), adjusted to exclude: provision for (benefit from) income taxes; other income, net; and depreciation and amortization.

We define Adjusted EBITDA as net income (loss), adjusted to exclude: provision for (benefit from) income taxes; other income, net; depreciation and amortization; stock-based compensation expense; and, in certain periods, certain other income and expense items. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenue.

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are key measures used by Yelp management and the board of directors to understand and evaluate core operating performance and trends, to prepare and approve Yelp’s annual budget and to develop short- and long-term operational plans. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles in the United States (“GAAP”).

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of Yelp’s financial results as reported under GAAP. Some of these limitations are:

- ▶ although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- ▶ EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, Yelp’s working capital needs;

- ▶ EBITDA and Adjusted EBITDA do not reflect tax payments that may represent a reduction in cash available to Yelp;
- ▶ Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- ▶ Adjusted EBITDA does not take into account any income or costs that management determines are not indicative of ongoing operating performance; and
- ▶ other companies, including those in Yelp’s industry, may calculate EBITDA and Adjusted EBITDA differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider EBITDA, Adjusted EBITDA and Adjusted EBITDA margin alongside other financial performance measures, net income (loss) and Yelp’s other GAAP results.

Forward-Looking Statements

This letter contains, and statements made during the above-referenced webcast will contain, forward-looking statements relating to, among other things, the future performance of Yelp and its consolidated subsidiaries that are based on Yelp’s current expectations, forecasts and assumptions and involve risks and uncertainties. These statements include, but are not limited to, statements regarding:

- ▶ Yelp’s plans to operate with flexibility while maintaining financial discipline and a strong liquidity position, and its belief that such actions will allow it to weather the COVID-19 pandemic under a range of scenarios and uniquely position it to partner with local businesses as the economy recovers;
- ▶ The anticipated cost savings resulting from Yelp’s efforts to reposition its cost base to preserve liquidity and mitigate the financial impacts of the COVID-19 crisis;
- ▶ Yelp’s maintenance of higher levels of investment in its National business;
- ▶ Yelp’s plans regarding its operating decisions during the crisis and recovery, such as recalling furloughed employees and returning its reduced-time employees to full-time active roles, including the timing of such decisions;
- ▶ Yelp’s expectations about the timing and pace of recovery and its investment plans as conditions improve, including using performance marketing as a variable cost lever;

- › The capacity of Multi-location and Self-serve to reaccelerate faster than other parts of the business and become a larger portion of Yelp’s revenue;
- › Yelp’s product priorities during the crisis and recovery and their effect on helping maintain Yelp’s relevance;
- › Yelp’s plan to be prudent in optimizing its fixed cost structure in facilities and infrastructure to reduce its footprint over time and cast a broader geographic net for talent;
- › Yelp’s relief initiatives for local businesses and their results, including Yelp’s hope that they will help foster long-term relationships with business owners and further cement Yelp’s standing as a trusted local resource, and Yelp’s belief that such efforts will make it a stronger, more resilient business in the long run;
- › Yelp’s belief that it has made the operational and financial decisions necessary to preserve its liquidity and maintain its financial strength through the pandemic;
- › Yelp’s expected revenue for April 2020 and the potential factors affecting revenue for the remainder of the second quarter, as well as its GAAP expenses for the second quarter and second half of 2020; and
- › The potential expansion of Yelp’s local business relief initiatives and the impact of such relief efforts on Yelp’s revenue.

Yelp’s actual results could differ materially from those predicted or implied by such forward-looking statements and reported results should not be considered as an indication of future performance. Factors that could cause or contribute to such differences include, but are not limited to:

- › The impact of fears or actual outbreaks of disease, including COVID-19, and any resulting changes in consumer behavior, economic conditions or governmental actions;
- › maintaining and expanding Yelp’s base of advertisers, particularly as many businesses reduce spending on advertising as a result of closures or operating restrictions in connection with the COVID-19 pandemic;
- › Yelp’s limited operating history in an evolving industry;
- › Yelp’s ability to generate sufficient revenue to regain profitability, particularly in light of the ongoing impact of COVID-19 and Yelp’s relief initiatives;

- › Yelp’s ability to generate and maintain sufficient high quality content from its users;
- › Potential strategic opportunities and Yelp’s ability to successfully manage the acquisition and integration of new businesses, solutions or technologies, as well as to monetize the acquired products, solutions or technologies;
- › Yelp’s reliance on traffic to its website from search engines like Google and Bing and the quality and reliability of such traffic;
- › maintaining a strong brand and managing negative publicity that may arise; and
- › Yelp’s ability to timely upgrade and develop its systems, infrastructure and customer service capabilities.

Factors that could cause or contribute to such differences also include, but are not limited to, those factors that could affect Yelp’s business, operating results and stock price included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Yelp’s most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q at <http://www.yelp-ir.com> or the SEC’s website at www.sec.gov.

Undue reliance should not be placed on the forward-looking statements in this letter or the above-referenced webcast, which are based on information available to Yelp on the date hereof. Such forward-looking statements do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof. Yelp assumes no obligation to update such statements.