

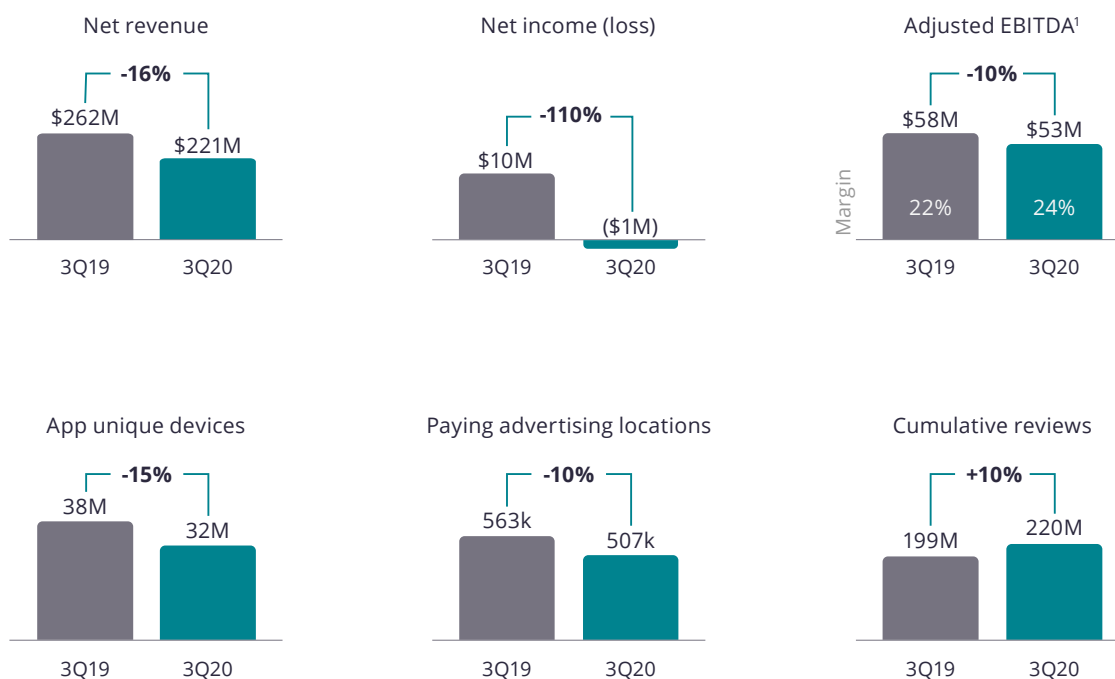


Q3 2020 Letter to Shareholders

November 5, 2020 | [yelp-ir.com](https://www.yelp-ir.com)

Third Quarter 2020 Financial Highlights

- ▶ **Net revenue was \$221 million**, down 16% from the third quarter of 2019, primarily due to the COVID-19 pandemic and resulting shelter-in-place orders. However, Net revenue increased by 31% from the second quarter as shelter-in-place orders eased
- ▶ **Net loss was (\$1) million, or (\$0.01) per diluted share**, compared to Net income of \$10 million, or \$0.14 per diluted share, in the third quarter of 2019, reflecting lower Net revenue and an increase in income tax expense, partially offset by lower employee costs as a result of our previously announced restructuring plan and lower workplace operating costs due to office closures
- ▶ **Adjusted EBITDA¹ was \$53 million**, a decrease of \$6 million, or (10%), compared to the third quarter of 2019. Adjusted EBITDA margin¹ increased 2 percentage points to 24% from the third quarter of 2019
- ▶ **Cash provided by operating activities was \$71 million**, and we ended the third quarter with Cash and cash equivalents of \$591 million



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

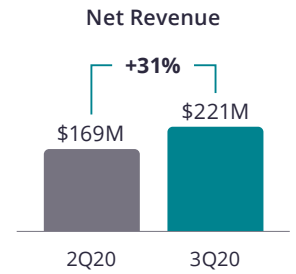
¹ Refer to the accompanying financial tables for further details and a reconciliation of the non-GAAP measures presented to the most directly comparable GAAP measures

Dear fellow shareholders,

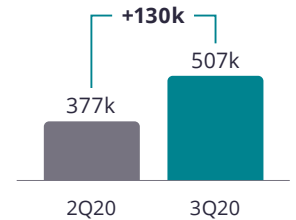
With local economies showing early indications of improvement, we entered the third quarter confident in the resilience of our business and the operational agility of our team despite uncertainty related to the COVID-19 pandemic. **As the quarter progressed, we were excited to see significantly improved business performance and signs that our long-term strategy is working—even in the midst of a global pandemic.**

Third quarter Net revenue grew by 31% from the second quarter, driven by growth across our business as both consumers and local businesses turned to Yelp as their trusted resource for adapting to the “new normal.” **We returned to positive year-over-year revenue growth in two key drivers of our long-term strategy: our Self-serve sales channel and our Home & Local Services category.** In addition, traffic trends improved sequentially from the second quarter to the third quarter as diners eagerly returned to restaurants. Following our financial relief initiatives, Paying advertising locations increased by 130,000 sequentially in the third quarter as many of our multi-location customers resumed their advertising campaigns.

While we hope that the worst of the COVID-19 economic impact is now behind us, we believe the actions we have taken over the previous months will continue to benefit us well into the future. **Our focus on sales efficiency and a strategic product roadmap has improved the foundation of our business;** at the same time, our commitment to supporting both consumers and local businesses through the pandemic has helped solidify our relationships with these crucial communities. We are confident that this sets us up for a return to sustainable growth in the new year as we navigate the remaining impacts of the pandemic and the economic recovery.



Paying advertising locations increased by 130k from the second quarter

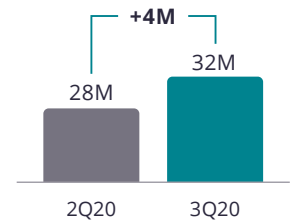


Third quarter results

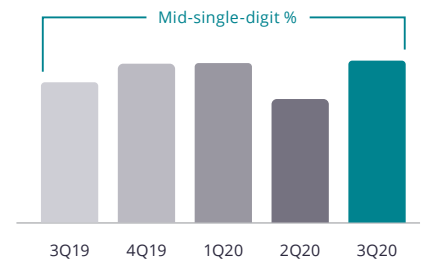
We were pleased to see improving trends across the business in the third quarter. On the consumer side of our business, overall page views and searches increased by approximately 40% from the second quarter, while **App unique devices rebounded by four million to 32 million**. Ad budgets improved steadily throughout the quarter, benefiting from many customers restarting their advertising campaigns. In addition, **non-term advertiser retention improved by more than 25% compared to the third quarter of 2019**, reflecting our continued efforts to drive more value to our advertisers through new advertising formats and an enhanced suite of profile products.

Within our key categories, Home & Local Services gained momentum on the heels of a resilient second quarter. **Category revenue grew by approximately 20% quarter-over-quarter and returned to positive year-over-year growth, increasing by a mid-single-digit percentage compared to the third quarter of 2019**. Meanwhile, the Restaurants category showed marked improvement, rebounding from the lows of the second quarter as restrictions were eased and restaurants adapted. Page views and searches for restaurants increased by more than 110% from early April to reach 80% of pre-pandemic levels by the end of September. Further, **Advertising revenue in the Restaurants category approximately doubled** from the second quarter as many of our customers who had received relief earlier in the year resumed their advertising campaigns.

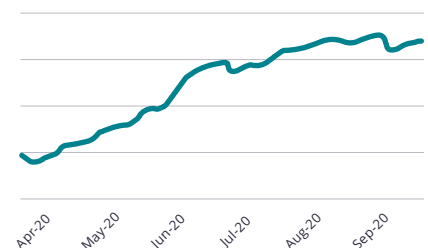
App unique devices rebounded in the third quarter



Home & Local Services revenue returned to y/y growth



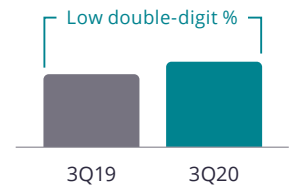
Page views and searches for Restaurants increased by 110% from April



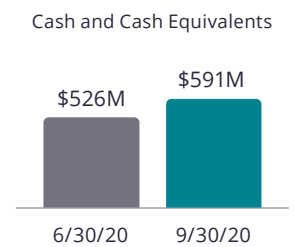
We were also pleased with the performance of our sales channels. **Self-serve revenue grew by a low double-digit percentage year-over-year.** Our Local sales team maintained a consistent level of productivity over the course of the quarter while working remotely. In addition, many of our multi-location advertisers returned to spend after receiving relief in the second quarter, which drove a 34% quarter-over-quarter increase in Paying advertising locations.

As a result of these sequential improvements, **Net revenue increased by \$52 million from the second quarter to \$221 million in the third quarter,** representing a 16% year-over-year decline compared to the third quarter of 2019. This strong revenue performance, combined with favorable expenses, enabled us to deliver \$53 million of Adjusted EBITDA and a 24% Adjusted EBITDA margin despite the investments we made in returning many of our furloughed employees and restoring reduced salaries during the third quarter. **We also further strengthened our balance sheet in the third quarter, adding \$65 million of Cash and cash equivalents.**

Self-serve revenue grew by a low double-digit % y/y



We added \$65 million of Cash and cash equivalents to our balance sheet



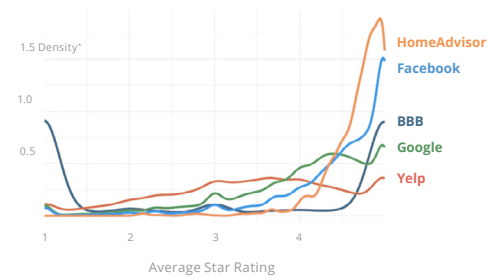
Elevating consumer trust

The Yelp community continues to demonstrate its relevance and value to consumers as a source of trusted reviews and content. Reviews have maintained robust year-over-year growth throughout the pandemic, and our users added more than five million reviews in the third quarter. **Our more balanced ratings and high-quality reviews continue to differentiate us from competitors.** In fact, a [recent study](#)^{1,2} authored by an economist at the U.S. Federal Trade Commission highlighted Yelp's robust review content and significant efforts to combat review fraud. For example, the study found that 45% of Google's "reviews" contain extremely low or no content (100 characters or less) compared to 4% of Yelp's reviews, with Yelp's average review length being nearly 600 characters. **The study also found that Yelp's star ratings are more uniformly distributed between 1 and 5 stars, which we believe results in a more useful and trustworthy consumer experience.** Most significantly, the study concluded that "at least about a quarter" of Google's reviews for low quality businesses are likely fake. By contrast, our recommendation software excludes reviews that are not recommended — including many that are likely to be fake — from a business's overall star rating, which we believe enhances the integrity of our review content and protects consumers.

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To complement our valuable review content, up-to-date information on local businesses' operations is available through our COVID-19 features, which allow business owners to list their health and safety measures as well as update their service offerings and hours, among other things, giving consumers the confidence they need to transact. **We continued to see strong adoption of these features in the third quarter as businesses looked to communicate important information with their customers during the pandemic.** As restaurants have welcomed diners back, our Health & Safety Measures component has been particularly well received, with more than 700,000 active locations at the end of October. The feature provides businesses with a way to notify customers of any COVID-19 precautions on their Yelp business page as well as enables consumers to report on whether such measures were actually implemented.

Distribution of Average Business Ratings Across Select Review Platforms

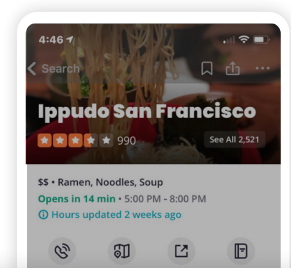


Source: Devesh Raval, Federal Trade Commission, September 2020

Chart: The DataFace

COVID-19 features communicate important information

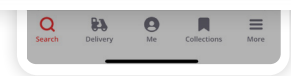
Health and Safety Measures



Health & Safety Measures

From the business

- ✓ Masks required
- ✓ Staff wears masks
- ✓ Hand sanitizer provided
- ✓ Social distancing enforced
- ✓ Staff wears gloves
- ✓ Limited capacity
- ✓ Sanitizing between customers
- ✓ Temperature checks enforced



¹ Raval, Devesh, Federal Trade Commission, "Do Bad Businesses Get Good Reviews? Evidence from Online Review Platforms," Sept 2020

² Yelp Blog, "New Study From FTC Economist Compares Yelp Review Quality with Competitors:" <https://blog.yelp.com/2020/10/new-study-compares-yelp-review-quality-with-competitors>

Executing our strategic initiatives

While our business has adapted in many ways to overcome the obstacles posed by the COVID-19 pandemic, we've continued to make progress on our strategy, which is designed to drive long-term revenue growth and profitability.

Winning in Home & Local Services

Home & Local Services, our largest revenue category, returned to year-over-year growth in the third quarter, driven by our strategic product investments. **We increased the percentage of monetized leads of all kinds** — driving calls, requests and website visits to our customers — in the third quarter as a result of ad system improvements and new advertising formats, such as Special Offers for You. With approximately 20% of leads monetized in the category by the end of the quarter and an affluent user base — more than 50% of Yelp users earn more than \$100,000 annually¹ — **we continue to see substantial opportunity to further monetize our consumers' high purchase intent leads.**

We also continued to improve Request-A-Quote, a key monetization lever, by introducing updated questionnaires across 100 categories and adding scheduling capabilities. Consumer usage of the product was strong in the third quarter, **as the number of Request-A-Quote requests grew by a mid-teens percentage year-over-year.**

Building on the success of Request-A-Quote, **we launched a new paid offering, Nearby Jobs, in the third quarter.** For \$240 a month, Nearby Jobs provides Home & Local Services businesses with access to a feed of relevant consumer jobs in their area as well as control over which requests they choose to respond to. While still early — with more than 4,000 active locations at the end of October — we've been pleased to see the product resonate with both existing Home & Local Services advertisers looking for more control over their leads as well as newer businesses looking to reach customers while building their reputations on Yelp.

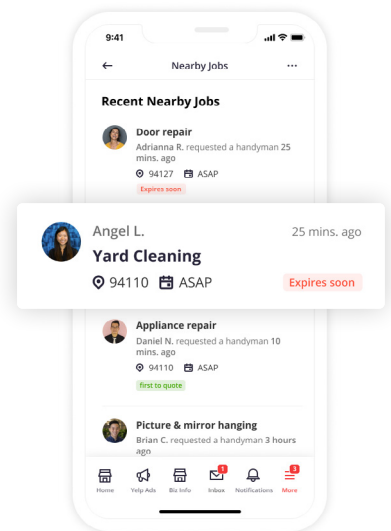
We increased the percentage of monetized leads in Home & Local Services



Monetized Leads

*Includes calls, Request-A-Quote requests and URL clicks

Nearby Jobs gives Home & Local Services businesses more control over their leads



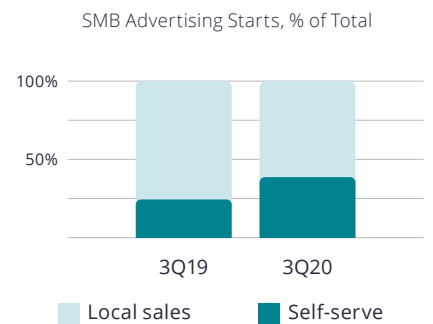
Evolving our Go-to-Market

Like most companies, our business has been impacted by the COVID-19 pandemic in varying ways over the past eight months. The most pronounced change, however, has been to the composition of our salesforce. Although we began to reduce the size of our Local salesforce in 2019 as we shifted our go-to-market mix towards Multi-location and Self-serve, the pandemic accelerated that transition. Compared to the beginning of the year, **we ended the third quarter with an almost 45% smaller, but more efficient, Local salesforce consisting of a greater percentage of our productive veteran reps.**

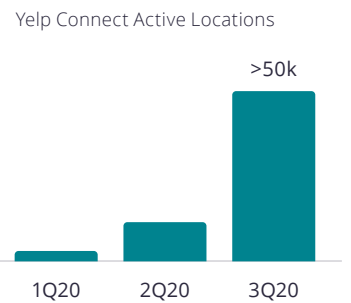
With a significantly smaller Local salesforce, we have continued to invest in business-facing products to drive more of our small- and medium-sized business ("SMB") revenue through Self-serve, which has historically had the highest retention rate for SMBs under non-term contracts. We were pleased to see these efforts reflected in our third quarter results, as the channel achieved near record-level acquisition and retention rates once again. **In fact, Self-serve advertising starts increased by approximately 35% year-over-year in the third quarter and accounted for nearly 40% of overall SMB acquisition.** As a result, Self-serve revenue grew by a low double-digit percentage year-over-year in the third quarter and represented a low-teens percentage of total Advertising revenue.

With the long-term opportunity in mind, we have maintained the size of our National sales team throughout the pandemic and provided relief to a number of our multi-location clients, many of which are restaurants and retailers. **The success of these initiatives was evident in the third quarter as many of our multi-location customers who received relief throughout the second quarter returned as paying customers.** Paying advertising locations — the majority of which are multi-location advertisers — increased by 130,000 from the second quarter to 507,000 in the third quarter. We also began to offer our Connect product to many of our multi-location advertisers as part of a bundled offering, resulting in more than 50,000 active locations in total at the end of the quarter.

Self-serve advertising starts accounted for nearly 40% of SMB acquisition



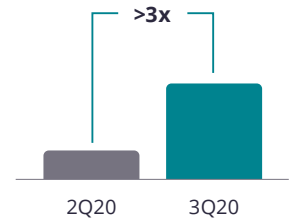
Yelp Connect adoption accelerated



Supporting the return of restaurants

As consumers and businesses continued adapting to the “new normal” and restrictions on dine-in restaurant services eased nationwide, our data revealed that consumers were flocking back to restaurants in the third quarter. In fact, **diners seated via Yelp Reservations and Waitlist increased by more than 3x from the second quarter to the third quarter, and ended the quarter down just 22% year-over-year in September.** To take advantage of this trend, we pivoted our efforts from providing restaurants with relief to assisting with their return. We’ve also continued to promote food ordering to drive takeout and delivery orders to our restaurant partners, contributing to a 44% year-over-year increase in Transactions revenue in the third quarter, demonstrating the breadth and relevance of Yelp’s product offerings. As COVID-19 cases fluctuate, including the recent reacceleration of cases in certain geographies, we will continue monitoring the impact on businesses in this important category and evaluating the best way to support them through this uncertain and challenging environment.

Diners seated via Yelp increased by >3x from the second quarter



Investing for a return to growth

As we now look ahead with more confidence, we expect to invest further in our growth initiatives. We plan to increase our product investments as we focus on opportunities in Self-serve and monetization of our Home & Local Services category. We are also hiring into our Multi-location sales team to support further growth across national and mid-market clients in preparation for the year ahead. In addition, we are finding targeted opportunities to invest at modest levels in performance marketing to lean further into the growth of our Self-serve channel. **We expect to maintain approximately the current size of our Local salesforce as we focus on driving more of our revenue through our most efficient sales channels.**

Strong governance

To diversify and refresh our Board's collective expertise in relevant verticals and ensure the execution of our long-term strategy, we welcomed four accomplished independent directors over the past two years. To further develop that expertise, **we are pleased to announce that Tony Wells has joined our Board, effective October 30th.** As chief brand officer at USAA, Tony brings a wealth of marketing, operations, data analytics and strategy experience, which will be particularly valuable as we look to evolve our go-to-market capability and expand our Self-serve channel as part of our next phase of growth. Prior to joining USAA, Tony served as chief marketing officer for Schneider Electric's North American market, and also served as chief marketing officer at ADT Security and 24 Hour Fitness. His career has spanned the automotive, home, financial services, and retail industries, having worked at Visa USA, Interpublic Group of Companies (IPG), SFX Sports Group, The Mills Corporation and Nissan North America.



Tony Wells

Yelp Director

Member of the Compensation Committee

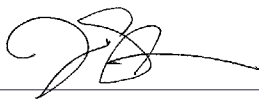
Prudent capital allocation

Yelp has a highly cash-generative business model, as our ability to generate positive cash flow under the most challenging of circumstances in the second and third quarters demonstrated. We allocate capital carefully with two objectives: propelling our strategy and increasing shareholder value. While the local business environment may continue to fluctuate in the short to medium term, we nonetheless expect our capital structure to provide the strong liquidity and flexibility we need to pursue those objectives organically as well as through M&A. Accordingly, with \$591 million of Cash and cash equivalents on our balance sheet at the end of the third quarter and \$269 million remaining available under our share repurchase program, **we believe that it is appropriate to resume returning excess capital to shareholders** and plan to begin repurchases again as early as the fourth quarter, subject to market and economic conditions.

In summary,

As we reflect over the past eight months, we cannot help but feel optimistic about the future for Yelp. Our product and engineering team has rolled out new products at a rapid pace to help consumers and local businesses stay connected. We've fostered lasting relationships by supporting our customers in their time of need. As evidenced in our third quarter results, we've seen our long-term strategy deliver results even under difficult circumstances. While navigating the pandemic has been challenging, we are emerging with a more efficient go-to-market capability. **As we continue working toward returning to growth in the year ahead, we are confident that we will emerge from the pandemic as a stronger business.**

Sincerely,

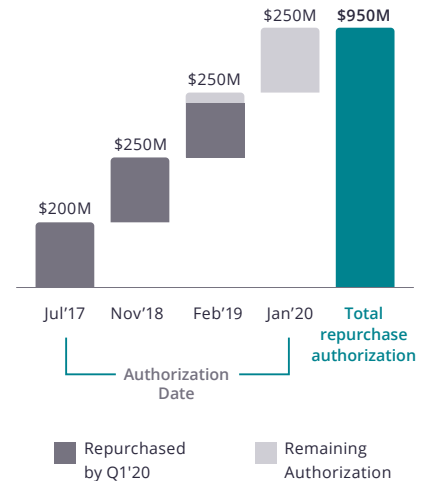


Jeremy Stoppelman



David Schwarzbach

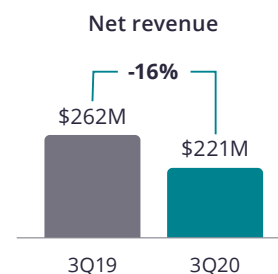
Committed to Returning Capital to Shareholders



Third Quarter 2020 Financial Review

Revenue

Net revenue was \$221 million in the third quarter of 2020, a 16% decrease compared to the third quarter of 2019.



Advertising revenue was \$211 million in the third quarter of 2020, a 17% decrease from the third quarter of 2019, driven by the COVID-19 pandemic and resulting shelter-in-place orders, which forced many of our customers to reduce their advertising budgets, particularly those in the restaurants and nightlife categories. However, as shelter-in-place restrictions eased and many businesses resumed their advertising campaigns after receiving relief incentives, Advertising revenue increased by 30% and Paying advertising locations increased by 34% compared to the second quarter of 2020.

Transactions revenue was \$4 million in the third quarter of 2020, up 44% from the third quarter of 2019, due to an increase in food take-out and delivery orders as a result of the COVID-19 pandemic, which forced many restaurants to eliminate or reduce dine-in services.

Other services revenue was \$5 million in the third quarter of 2020, down 17% from the third quarter of 2019, primarily as a result of approximately \$3 million in relief that we provided to customers in the third quarter of 2020, mainly in the form of waived fees. However, compared to the second quarter of 2020, Other services revenue increased by 85% as a majority of our relief incentives ended and restrictions on dine-in restaurant services eased nationwide, leading customers to restart their Yelp Reservations and Yelp Waitlist subscription products.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue by product				
Advertising	\$ 211,167	\$ 253,098	\$ 613,493	\$ 717,973
Transactions	4,412	3,074	11,019	9,528
Other services	5,228	6,302	15,226	17,870
Total net revenue	\$ 220,807	\$ 262,474	\$ 639,738	\$ 745,371

Operating expenses, Net loss & Adjusted EBITDA

Cost of revenue (exclusive of depreciation and amortization) was \$13 million in the third quarter of 2020, down 20% compared to the third quarter of 2019. The decrease in expenses was driven by lower website infrastructure expense resulting from reduced traffic, and lower merchant credit card fees due to the reduction in Net revenue.

Sales and marketing expenses were \$101 million in the third quarter of 2020, down 21% compared to the third quarter of 2019. The decrease in expenses was driven by a reduction in employee costs, primarily due to lower sales headcount as a result of our previously announced restructuring plan, as well as a decrease in workplace operating costs due to office closures at the end of the first quarter.

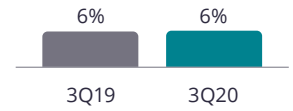
Product development expenses were \$53 million in the third quarter of 2020, down 6% compared to the third quarter of 2019. The decrease in expenses was driven by lower employee costs, primarily from reduced-hour work weeks implemented as part of the restructuring plan. In August, many of our employees who had been on reduced-hour work weeks returned to full-time work schedules.

General and administrative expenses were \$31 million in the third quarter of 2020, down 22% compared to the third quarter of 2019. The decrease in expenses primarily reflected fees related to shareholder activism incurred in the prior year.

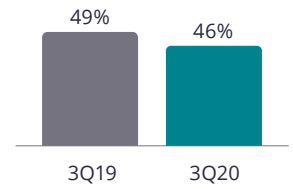
Restructuring costs were \$0.5 million in the third quarter of 2020, primarily as a result of the additional workforce reduction announced on July 13, 2020. These costs included severance, payroll taxes and related benefit costs for approximately 60 terminated employees.

Total costs and expenses were \$211 million in the third quarter of 2020, down 16% from \$253 million in the third quarter of 2019.

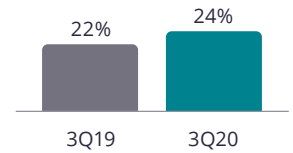
COR % of Revenue



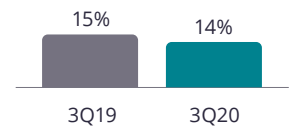
S&M % of Revenue



PD % of Revenue



G&A % of Revenue



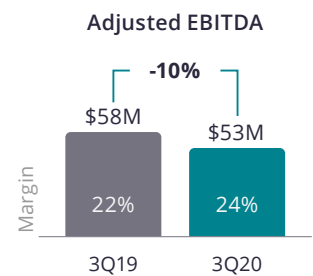
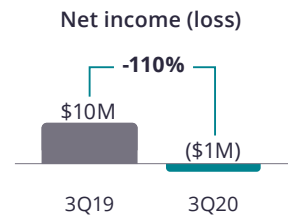
Provision for income taxes was \$11 million in the third quarter of 2020, compared to a \$3 million provision in the third quarter of 2019. The provision for income taxes in the third quarter of 2020 reflected a decrease in pre-tax losses. As a result of such decrease, we did not recognize any benefits from the net operating loss carryback provisions adopted under the Coronavirus Aid, Relief and Economic Security Act as of September 30, 2020. The provision for income taxes in the third quarter of 2019 reflected our pre-tax income in that period.

Net loss was (\$1) million in the third quarter of 2020 compared to Net income of \$10 million in the third quarter of 2019.

Adjusted EBITDA was \$53 million in the third quarter of 2020, a 10% decrease from \$58 million in the third quarter of 2019. Adjusted EBITDA margin increased to 24% in the third quarter of 2020 compared with 22% in the third quarter of 2019.

Balance sheet and cash flow

At the end of September 2020, **we held \$591 million in Cash and cash equivalents on our condensed consolidated balance sheet, with no debt.**

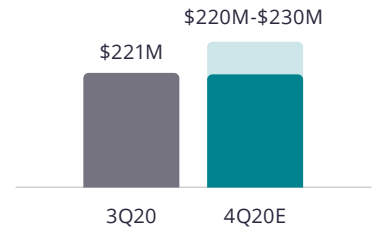


Business Outlook

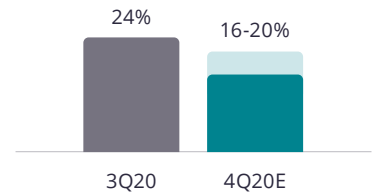
Based on improved business and local economic trends in the third quarter, we are providing a Business Outlook for the fourth quarter, subject to a wider range than usual to account for ongoing uncertainties. **While the underlying trends in our business remain positive, our fourth quarter results are subject to a higher degree of volatility due to a variety of seasonal dynamics.** For example, while the holiday season has historically led to robust ad spend increases from many multi-location customers, we may receive a lower level of this incremental spend given the macroeconomic environment. Similarly, although SMB revenue showed signs of recovery in the third quarter, our SMB customers often take advantage of our flexible non-term contracts to pause their ads over the holidays. With the COVID-19 pandemic continuing to create uncertainty for local businesses and the economic recovery, it remains difficult to predict how many customers will choose to pause their contracts this year. Accounting for these trends, we expect fourth quarter Net revenue will fall within the range of \$220 million to \$230 million.

After restoring reduced salaries in August and completing the staggered return of many furloughed employees in October, **we anticipate fourth quarter operating expenses will increase from the third quarter.** The extent of this increase will depend in part on the ongoing impact of the COVID-19 pandemic and the pace of economic recovery, however, making it difficult to forecast precisely. Taking this uncertainty into account, we expect fourth quarter Adjusted EBITDA margin will be approximately 16% to 20%.

Net Revenue Outlook



Adjusted EBITDA Margin Outlook



	Fourth Quarter 2020E
Net revenue	\$220M to \$230M
Adjusted EBITDA margin*	16% to 20%

*Yelp has not reconciled its Adjusted EBITDA outlook to GAAP Net income (loss) because it does not provide an outlook for GAAP Net income (loss) due to the uncertainty and potential variability of Other income, net and Provision for (benefit from) income taxes, which are reconciling items between Adjusted EBITDA and GAAP Net income (loss). Because Yelp cannot reasonably predict such items, a reconciliation of the non-GAAP financial measure outlook to the corresponding GAAP measure is not available without unreasonable effort. We caution, however, that such items could have a significant impact on the calculation of GAAP Net income (loss). For more information regarding the non-GAAP financial measures discussed in this release, please see "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures" below.

Quarterly Earnings Webcast

Yelp will host a live webcast today at 2:00 p.m. PST to discuss the third quarter 2020 financial results and outlook for the fourth quarter of 2020.

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.

Condensed Consolidated Balance Sheets

(In thousands; unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 590,789	\$ 170,281
Short-term marketable securities	-	242,000
Accounts receivable, net	84,813	106,832
Prepaid expenses and other current assets	18,590	14,196
Total current assets	694,192	533,309
Long-term marketable securities	-	53,499
Property, equipment and software, net	105,488	110,949
Operating lease right-of-use assets	176,603	197,866
Goodwill	106,772	104,589
Intangibles, net	14,240	10,082
Restricted cash	826	22,037
Other non-current assets	40,829	38,369
Total assets	\$ 1,138,950	\$ 1,070,700
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 103,378	\$ 72,333
Operating lease liabilities - current	54,396	57,507
Deferred revenue	4,731	4,315
Total current liabilities	162,505	134,155
Operating lease liabilities - long-term	155,297	174,756
Other long-term liabilities	5,520	6,798
Total liabilities	323,322	315,709
Stockholders' equity:		
Common stock	-	-
Additional paid-in capital	1,358,804	1,259,803
Accumulated other comprehensive loss	(9,576)	(11,759)
Accumulated deficit	(533,600)	(493,053)
Total stockholders' equity	815,628	754,991
Total liabilities and stockholders' equity	\$ 1,138,950	\$ 1,070,700

Condensed Consolidated Statements of Operations

(In thousands, except per share data; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 220,807	\$ 262,474	\$ 639,738	\$ 745,371
Costs and expenses:				
Cost of revenue ¹	13,193	16,514	41,865	45,754
Sales and marketing ¹	101,301	127,655	334,887	374,016
Product development ¹	53,022	56,661	174,104	169,302
General and administrative ¹	30,887	39,703	100,825	101,927
Depreciation and amortization	12,544	12,391	37,484	36,507
Restructuring	535	-	3,847	-
Total costs and expenses	211,482	252,924	693,012	727,506
Income (loss) from operations	9,325	9,550	(53,274)	17,865
Other income, net	399	3,063	3,277	11,645
Income (loss) before income taxes	9,724	12,613	(49,997)	29,510
Provision for (benefit from) income taxes	10,744	2,552	(9,484)	5,781
Net (loss) income attributable to common stockholders	\$ (1,020)	\$ 10,061	\$ (40,513)	\$ 23,729
Net (loss) income per share attributable to common stockholders:				
Basic	\$ (0.01)	\$ 0.14	\$ (0.56)	\$ 0.31
Diluted	\$ (0.01)	\$ 0.14	\$ (0.56)	\$ 0.30
Weighted-average shares used to compute net (loss) income per share attributable to common stockholders:				
Basic	73,514	70,773	72,495	75,975
Diluted	73,514	73,712	72,495	79,315

¹Includes stock-based compensation expense as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenue	\$ 849	\$ 1,054	\$ 2,835	\$ 3,415
Sales and marketing	7,196	7,683	22,194	23,143
Product development	15,551	15,250	50,133	46,572
General and administrative	6,659	5,249	17,428	17,876
Total stock-based compensation	\$ 30,255	\$ 29,236	\$ 92,590	\$ 91,006

Condensed Consolidated Statements of Cash Flows

(In thousands; unaudited)

	Nine Months Ended September 30,	
	2020	2019
Operating activities		
Net (loss) income attributable to common stockholders	\$ (40,513)	\$ 23,729
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	37,484	36,507
Provision for doubtful accounts	26,802	15,259
Stock-based compensation	92,590	91,006
Non cash lease cost	31,545	31,379
Deferred income taxes	(6,505)	(673)
Other adjustments, net	1,316	(2,559)
Changes in operating assets and liabilities:		
Accounts receivable	(4,783)	(29,395)
Prepaid expenses and other assets	1,552	(2,312)
Operating lease liabilities	(34,284)	(31,002)
Accounts payable, accrued liabilities and other liabilities	23,181	17,329
Net cash provided by operating activities	128,385	149,268
Investing activities		
Sales and maturities of marketable securities - available-for-sale	290,395	-
Purchases of marketable securities - held-to-maturity	(87,438)	(396,648)
Maturities of marketable securities - held-to-maturity	93,200	530,597
Release of escrow deposit	-	28,750
Purchases of property, equipment and software	(24,072)	(29,950)
Other investing activities	329	383
Net cash provided by investing activities	272,414	133,132
Financing activities		
Proceeds from issuance of common stock for employee stock-based plans	11,620	15,813
Repurchases of common stock	-	(474,993)
Taxes paid related to net share settlement of equity awards	(12,557)	(32,784)
Other financing activities	(433)	-
Net cash used in financing activities	(1,370)	(491,964)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(132)	258
Change in cash, cash equivalents and restricted cash	399,297	(209,306)
Cash, cash equivalents and restricted cash - Beginning of period	192,318	354,835
Cash, cash equivalents and restricted cash - End of period	\$ 591,615	\$ 145,529

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except percentages; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA:				
Net (loss) income	\$ (1,020)	\$ 10,061	\$ (40,513)	\$ 23,729
Provision for (benefit from) income taxes	10,744	2,552	(9,484)	5,781
Other income, net	(399)	(3,063)	(3,277)	(11,645)
Depreciation and amortization	12,544	12,391	37,484	36,507
EBITDA	\$ 21,869	\$ 21,941	\$ (15,790)	\$ 54,372
Stock-based compensation	30,255	29,236	92,590	91,006
Fees related to shareholder activism*	-	7,116	-	7,116
Restructuring	535	-	3,847	-
Adjusted EBITDA	\$ 52,659	\$ 58,293	\$ 80,647	\$ 152,494
Net revenue	\$ 220,807	\$ 262,474	\$ 639,738	\$ 745,371
Adjusted EBITDA margin	24%	22%	13%	20%

*Recorded within general and administrative expenses on our Condensed Consolidated Statements of Operations

Non-Financial Metrics

	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Key operational metrics (in thousands except for Sales Headcount)									
App Unique Devices ¹	34,025	32,891	35,001	36,737	37,662	35,599	34,650	28,269	32,000
Paying Advertising Locations ²	524	541	529	549	563	565	562	377	507
Sales Headcount	3,700	3,850	3,450	3,300	3,650	3,600	3,450	1,850	2,200
Active Claimed Local Business Locations ^{3,4}	4,164	4,292	4,447	4,596	4,749	4,889	5,050	5,145	5,259
Other non-financial metrics (in thousands except for Total Headcount)									
Cumulative Reviews	170,865	177,385	184,386	191,735	199,309	205,382	210,828	214,376	219,650
Desktop Unique Visitors ¹	68,807	62,140	62,779	61,797	62,427	54,006	52,252	37,534	43,401
Mobile Web Unique Visitors ¹	74,789	69,148	68,891	76,650	80,590	68,756	62,702	44,819	54,813
Total Headcount	5,700	6,000	5,550	5,400	5,900	5,950	5,850	3,600	4,100
Percentage of advertising revenue by category									
Home & Local Services	34%	33%	33%	35%	36%	36%	38%	48%	45%
Restaurants	14%	14%	14%	13%	14%	14%	13%	7%	11%
Beauty & Fitness	12%	12%	12%	12%	12%	12%	12%	7%	8%
Health	10%	10%	10%	10%	9%	9%	9%	9%	8%
Shopping	8%	9%	8%	8%	8%	8%	7%	7%	8%
Other	21%	22%	22%	21%	21%	21%	22%	22%	20%

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 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, such as restructuring costs and fees related to shareholder activism. 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 operating performance and trends, to prepare and approve Yelp's annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating EBITDA and Adjusted EBITDA can provide a useful measure for period-to-period comparisons of Yelp's primary business operations. Accordingly, Yelp believes that EBITDA, Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating its operating results in the same manner as its management and board of directors.

EBITDA and Adjusted EBITDA, which are not prepared under any comprehensive set of accounting rules or principles, have limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of Yelp's financial results as reported in accordance with generally accepted accounting principles in the United States ("GAAP"). In particular, EBITDA and Adjusted EBITDA should not be viewed as substitutes for, or superior to, net income (loss) prepared in accordance with GAAP as a measure of profitability or liquidity. 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 all 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 the impact of the recording or release of valuation allowances or 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, such as restructuring costs and fees related to shareholder activism; 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 expected financial results for the fourth quarter of 2020;
- ▶ Yelp's hope that the worst of the COVID-19 economic impact is behind us;
- ▶ Yelp's belief that the actions it has taken over the previous months will continue to benefit it well into the future, including by setting it up to return to sustainable growth in the year ahead;
- ▶ Yelp's continued belief in the substantial opportunity to further monetize its consumers' high purchase intent leads in the Home & Local Services category;
- ▶ Yelp's plans to continue monitoring the impact of COVID-19 on restaurants and evaluating the best way to support them through the current environment;

- › Yelp’s plans to invest further in its growth initiatives, including by increasing its product investments, hiring into its Multi-location sales team and investing in performance marketing;
- › Yelp’s expectation that it will maintain approximately the current size of its Local sales force;
- › Yelp’s expectation that its capital structure will continue to provide the strong liquidity and flexibility necessary to pursue its objectives organically as well as through M&A, even if the local business environment continues to fluctuate in the short to medium term;
- › Yelp’s plans to resume repurchases under its stock repurchase program as early as the fourth quarter;
- › Yelp’s belief that it will emerge from the pandemic as a stronger business; and
- › Yelp’s expectation that fourth quarter operating expenses will increase from the third quarter.

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 ability to continue to effectively operate with a primarily remote work force and attract and retain key talent;
- › 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.