Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition period from to

Commission file number: 001-35444

YELP INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-1854266**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

350 Mission Street, 10th Floor
San Francisco, California 94105

(Address of principal executive offices) (Zip Code)

(415) 908-3801

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.000001 per share	YELP	New York Stock Exchange LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 1, 2022, there were 69,702,309 shares outstanding of the registrant's common stock, par value $0.000001 per share.

YELP INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q (the "Quarterly Report") to "Yelp," the "Company," "we," "us" and "our" refer to Yelp Inc. and, where appropriate, its subsidiaries.

Unless the context otherwise indicates, where we refer in this Quarterly Report to our "mobile application" or "mobile app," we refer to all of our applications for mobile-enabled devices; references to our "mobile platform" refer to both our mobile app and the versions of our website that are optimized for mobile-based browsers. Similarly, references to our "website" refer to versions of our website dedicated to both desktop- and mobile-based browsers, as well as the U.S. and international versions of our website.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements that involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements contained in this Quarterly Report that are not purely historical, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may include, but are not limited to, statements about:

- our financial performance, including our revenue, operating expenses and margins, as well as our ability to maintain profitability;
- our ability to maintain and expand our advertiser base;
- our strategic initiatives to support revenue growth and margin expansion;
- our investment plans and priorities, including planned investments in product development, marketing and our sales channels, as well as our ability to execute against those priorities and the results thereof;
- our ability to operate with a distributed workforce as well as the benefits and costs thereof;
- trends and expectations regarding customer and revenue retention;
- trends and expectations regarding our key metrics, including consumer traffic and engagement and the opportunity they present for growth;
- our liquidity and working capital requirements; and
- our plans with respect to our stock repurchase program.

Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements.

These statements are based on the beliefs and assumptions of our management, which are in turn based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "*Risk Factors*" included under Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "Annual Report"), as updated by Part II, Item 1A of this Quarterly Report, and elsewhere in this Quarterly Report, such as:

- adverse macroeconomic conditions, including persistent inflation and continued interest hikes, and their impact on consumer behavior and advertiser spending;
- our ability to maintain and expand our advertiser base, particularly as many businesses continue to face macroeconomic challenges, including labor and supply chain difficulties;
- our ability to execute on our strategic initiatives and the effectiveness thereof;
- our ability to hire, retain, motivate and effectively manage well-qualified employees in a primarily remote work environment;
- our ability to maintain and increase user engagement on our platform, including our ability to generate, maintain and recommend sufficient content that consumers find relevant, helpful and reliable;
- our reliance on third-party service providers and strategic partners;

- our reliance on search engines and application marketplaces, certain providers of which offer products and services that compete directly with our products;
- our ability to maintain the uninterrupted and proper operation of our technology and network infrastructure;
- actual or perceived security breaches as well as errors, vulnerabilities or defects in our software or in products of third-party providers;
- our ability to generate sufficient revenue to maintain profitability, particularly in light of our limited operating history in an evolving industry, significant ongoing investments in our strategic initiatives, and the ongoing impact of macroeconomic challenges;
- our ability to accurately forecast revenue and appropriately plan expenses;
- our ability to operate effectively on mobile devices and other platforms beyond desktop computers;
- our actual or perceived failure to comply with laws and regulations applicable to our business;
- our ability to maintain, protect and enhance the Yelp brand and manage negative publicity that may arise; and
- our ability to successfully manage any strategic opportunities, including the acquisition and integration of any new businesses, solutions or technologies, as well as our ability to monetize the acquired products.

Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

NOTE REGARDING METRICS

We review a number of performance metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. Please see the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics*" in this Quarterly Report and in our Annual Report for information on how we define our key metrics. Unless otherwise stated, these metrics do not include metrics from subscription products or our business-owner products.

While our metrics are based on what we believe to be reasonable calculations, there are inherent challenges in measuring usage across our large user base. Certain of our performance metrics, including the number of unique devices accessing our mobile app, ad clicks, average cost-per-click and active claimed local business locations, are tracked with internal company tools, which are not independently verified by any third party and have a number of limitations. For example, our metrics may be affected by mobile applications that automatically contact our servers for regular updates with no discernible user action involved; this activity can cause our system to count the device associated with the app as an app unique device in a given period. Although we take steps to exclude such activity and, as a result, do not believe it has had a material impact on our reported metrics, our efforts may not successfully account for all such activity.

Our metrics that are calculated based on data from third parties — the number of desktop and mobile website unique visitors — are subject to similar limitations. Our third-party providers periodically encounter difficulties in providing accurate data for such metrics as a result of a variety of factors, including human and software errors. In addition, because these traffic metrics are tracked based on unique cookie identifiers, an individual who accesses our website from multiple devices with different cookies may be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single cookie may be counted as a single unique visitor. As a result, the calculations of our unique visitors may not accurately reflect the number of people actually visiting our website.

Our measures of traffic and other key metrics may also differ from estimates published by third parties (other than those whose data we use to calculate such metrics) or from similar metrics of our competitors. We are continually seeking to improve our ability to measure these key metrics, and regularly review our processes to assess potential improvements to their accuracy. From time to time, we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YELP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 330,970	$ 479,783
Short-term marketable securities	90,871	—
Accounts receivable (net of allowance for doubtful accounts of $8,739 and $7,153 at September 30, 2022 and December 31, 2021, respectively)	127,232	107,358
Prepaid expenses and other current assets	74,028	57,536
Total current assets	623,101	644,677
Property, equipment and software, net	78,699	83,857
Operating lease right-of-use assets	104,412	140,785
Goodwill	98,256	105,128
Intangibles, net	9,338	10,673
Restricted cash	1,146	858
Other non-current assets	115,382	64,550
Total assets	$ 1,030,334	$ 1,050,528
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 150,804	$ 119,620
Operating lease liabilities — current	40,177	40,237
Deferred revenue	8,403	4,156
Total current liabilities	199,384	164,013
Operating lease liabilities — long-term	95,139	127,979
Other long-term liabilities	34,433	7,218
Total liabilities	328,956	299,210
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, $0.000001 par value — 200,000 shares authorized, 70,399 shares issued and outstanding at September 30, 2022, and 72,171 shares issued and outstanding at December 31, 2021	—	—
Additional paid-in capital	1,615,970	1,522,572
Accumulated other comprehensive loss	(20,624)	(11,090)
Accumulated deficit	(893,968)	(760,164)
Total stockholders' equity	701,378	751,318
Total liabilities and stockholders' equity	$ 1,030,334	$ 1,050,528

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net revenue	$ 308,891	$ 269,155	$ 884,403	$ 758,439
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	26,805	21,185	77,222	54,052
Sales and marketing	133,061	114,295	388,570	340,845
Product development	75,803	69,402	233,336	206,089
General and administrative	48,381	30,001	126,141	106,957
Depreciation and amortization	11,417	12,627	34,165	38,543
Restructuring	—	—	—	32
Total costs and expenses	295,467	247,510	859,434	746,518
Income from operations	13,424	21,645	24,969	11,921
Other income, net	2,691	331	4,947	1,578
Income before income taxes	16,115	21,976	29,916	13,499
Provision for (benefit from) income taxes	7,007	3,911	13,714	(2,982)
Net income attributable to common stockholders	$ 9,108	$ 18,065	$ 16,202	$ 16,481
Net income per share attributable to common stockholders				
Basic	$ 0.13	$ 0.24	$ 0.23	$ 0.22
Diluted	$ 0.13	$ 0.23	$ 0.22	$ 0.21
Weighted-average shares used to compute net income per share attributable to common stockholders				
Basic	70,630	73,904	71,158	74,647
Diluted	72,658	77,422	73,577	79,007

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 9,108	$ 18,065	$ 16,202	$ 16,481
Other comprehensive loss:				
Foreign currency translation adjustments, net of tax	(4,349)	(1,403)	(8,916)	(2,974)
Unrealized loss on available-for-sale debt securities	(618)	—	(618)	—
Other comprehensive loss	(4,967)	(1,403)	(9,534)	(2,974)
Comprehensive income	$ 4,141	$ 16,662	$ 6,668	$ 13,507

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of June 30, 2021	74,590	$ —	$ 1,464,490	$ (4,250)	$ (8,378)	$ (648,398)	$ 803,464
Issuance of common stock upon exercises of employee stock options	68	—	1,220	—	—	—	1,220
Issuance of common stock upon vesting of restricted stock units ("RSUs")	659	—	—	—	—	—	—
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	38,613	—	—	—	38,613
Shares withheld related to net share settlement of equity awards	—	—	(14,461)	—	—	—	(14,461)
Repurchases of common stock	—	—	—	(63,675)	—	—	(63,675)
Retirement of common stock	(1,665)	—	—	63,755	—	(63,755)	—
Other comprehensive loss	—	—	—	—	(1,403)	—	(1,403)
Net income	—	—	—	—	—	18,065	18,065
Balance as of September 30, 2021	73,652	$ —	$ 1,489,862	$ (4,170)	$ (9,781)	$ (694,088)	$ 781,823
Balance as of June 30, 2022	71,226	$ —	$ 1,587,337	$ (3,138)	$ (15,657)	$ (849,938)	$ 718,604
Issuance of common stock upon exercises of employee stock options	192	—	5,083	—	—	—	5,083
Issuance of common stock upon vesting of RSUs	688	—	—	—	—	—	—
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	39,750	—	—	—	39,750
Shares withheld related to net share settlement of equity awards	—	—	(16,200)	—	—	—	(16,200)
Repurchases of common stock	—	—	—	(50,000)	—	—	(50,000)
Retirement of common stock	(1,707)	—	—	53,138	—	(53,138)	—
Other comprehensive loss	—	—	—	—	(4,967)	—	(4,967)
Net income	—	—	—	—	—	9,108	9,108
Balance as of September 30, 2022	70,399	$ —	$ 1,615,970	$ —	$ (20,624)	$ (893,968)	$ 701,378

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(In thousands)
(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2020	75,371	$ —	$ 1,398,248	$ (2,964)	$ (6,807)	$ (533,943)	$ 854,534
Issuance of common stock upon exercises of employee stock options	633	—	8,132	—	—	—	8,132
Issuance of common stock upon vesting of RSUs	2,073	—	—	—	—	—	—
Issuance of common stock for employee stock purchase plan	255	—	8,675	—	—	—	8,675
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	124,306	—	—	—	124,306
Shares withheld related to net share settlement of equity awards	—	—	(49,499)	—	—	—	(49,499)
Repurchases of common stock	—	—	—	(177,832)	—	—	(177,832)
Retirement of common stock	(4,680)	—	—	176,626	—	(176,626)	—
Other comprehensive loss	—	—	—	—	(2,974)	—	(2,974)
Net income	—	—	—	—	—	16,481	16,481
Balance as of September 30, 2021	73,652	$ —	$ 1,489,862	$ (4,170)	$ (9,781)	$ (694,088)	$ 781,823
Balance as of December 31, 2021	72,171	$ —	$ 1,522,572	$ —	$ (11,090)	$ (760,164)	$ 751,318
Issuance of common stock upon exercises of employee stock options	280	—	7,022	—	—	—	7,022
Issuance of common stock upon vesting of RSUs	2,223	—	—	—	—	—	—
Issuance of common stock for employee stock purchase plan	364	—	9,110	—	—	—	9,110
Stock-based compensation (inclusive of capitalized stock-based compensation)	—	—	125,741	—	—	—	125,741
Shares withheld related to net share settlement of equity awards	—	—	(48,475)	—	—	—	(48,475)
Repurchases of common stock	—	—	—	(150,006)	—	—	(150,006)
Retirement of common stock	(4,639)	—	—	150,006	—	(150,006)	—
Other comprehensive loss	—	—	—	—	(9,534)	—	(9,534)
Net income	—	—	—	—	—	16,202	16,202
Balance as of September 30, 2022	70,399	$ —	$ 1,615,970	$ —	$ (20,624)	$ (893,968)	$ 701,378

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Operating Activities		
Net income	$ 16,202	$ 16,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,165	38,543
Provision for doubtful accounts	18,249	9,834
Stock-based compensation	119,753	116,546
Noncash lease cost	24,962	30,676
Deferred income taxes	(41,162)	(6,400)
Amortization of deferred cost	13,477	10,676
Asset impairment	10,464	11,164
Other adjustments, net	1,291	103
Changes in operating assets and liabilities:		
Accounts receivable	(38,130)	(27,279)
Prepaid expenses and other assets	(39,920)	(14,937)
Operating lease liabilities	(29,928)	(32,891)
Accounts payable, accrued liabilities and other liabilities	58,413	15,219
Net cash provided by operating activities	147,836	167,735
Investing Activities		
Purchases of marketable securities — available-for-sale	(92,895)	—
Sales and maturities of marketable securities — available-for-sale	1,649	—
Purchases of property, equipment and software	(20,104)	(21,600)
Other investing activities	43	341
Net cash used in investing activities	(111,307)	(21,259)
Financing Activities		
Proceeds from issuance of common stock for employee stock-based plans	16,143	16,807
Taxes paid related to the net share settlement of equity awards	(48,161)	(49,180)
Repurchases of common stock	(150,006)	(177,832)
Net cash used in financing activities	(182,024)	(210,205)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,030)	(137)
Change in cash, cash equivalents and restricted cash	(148,525)	(63,866)
Cash, cash equivalents and restricted cash — Beginning of period	480,641	596,540
Cash, cash equivalents and restricted cash — End of period	$ 332,116	$ 532,674
Supplemental Disclosures of Other Cash Flow Information		
Cash paid (refund received) for income taxes, net	$ 40,129	$ (349)
Supplemental Disclosures of Noncash Investing and Financing Activities		
Purchases of property, equipment and software recorded in accounts payable and accrued liabilities	$ 6,461	$ 2,336
Tax liabilities related to equity awards included in accounts payable and accrued liabilities	$ 22	$ 23
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$ 50	$ 11,712
Repurchases of common stock recorded in accounts payable and accrued liabilities	$ 2,378	$ 2,130

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS FOR PRESENTATION

Yelp Inc. was incorporated in Delaware on September 3, 2004. Except where specifically noted or the context otherwise requires, the use of terms such as the "Company" and "Yelp" in these Notes to Condensed Consolidated Financial Statements refers to Yelp Inc. and its subsidiaries.

Yelp is a trusted local resource for consumers and a partner in success for businesses of all sizes. Consumers trust Yelp for its extensive ratings and reviews of businesses across a broad range of categories, while businesses advertise on Yelp to reach its large audience of purchase-oriented and generally affluent consumers.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Annual Report.

The unaudited condensed consolidated balance sheet as of December 31, 2021 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by GAAP, including certain notes to the financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. Certain prior period amounts have been reclassified to conform to the current period presentation, including reclassifying amortization of deferred costs to a separate financial statement line item within the condensed consolidated statements of cash flows and combining foreign currency adjustments and unrealized gain (loss) on available-for-sale securities into one financial statement line item, other comprehensive income (loss), on the condensed consolidated statements of stockholders' equity.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments of a normally recurring nature necessary for the fair presentation of the interim periods presented.

Principles of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of the Company's unaudited interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management's estimates due to the uncertainty of the extent of the impacts of macroeconomic conditions and other factors.

Significant Accounting Policies

Except as set forth below, there have been no material changes to the Company's significant accounting policies from those described in the Annual Report.

Marketable Securities—The Company considers highly liquid treasury notes, U.S. agency securities, corporate debt securities, money market funds and other funds with maturities of more than three months to be marketable securities. These securities are classified as short-term marketable securities on the condensed consolidated balance sheet as they represent the investment of cash available for current operations.

The Company has a policy that generally requires its securities to be investment grade (i.e. rated ‘A’ or higher by bond rating firms) with the objective of minimizing the potential risk of principal loss. The Company classifies its marketable securities as available-for-sale and determines the classification at the time of purchase based on the Company's investment strategy; such designation is reevaluated at each balance sheet date.

Available-for-sale securities are stated at fair value as of each balance sheet date and are periodically assessed for impairment. An investment is impaired if the fair value of the investment is less than its amortized cost basis. The Company reviews the securities in an unrealized loss position and evaluates whether credit loss exists by considering factors such as historical experience, market data, issuer-specific factors including their credit rating, and current economic conditions. If a credit loss exists, the Company measures the loss by comparing the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. An allowance for credit loss is recorded as a component of other income (expense), net, limited by the amount of unrealized loss. Any remaining unrealized losses are recorded to other comprehensive income (loss).

The Company determines any realized gains or losses on the sale of marketable securities on a specific identification method and records such gains and losses as a component of other income (expense), net. Amortization of premiums and accretion of discounts are included in interest income. If the Company has the intent to sell an available-for-sale security in an unrealized loss position or it is more likely than not that it will be required to sell the security prior to recovery of its amortized cost basis, any previously recorded allowance is reversed and the entire difference between the amortized cost basis of the security and its fair value is recognized in the consolidated statements of operations.

2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Cash	$ 60,093	$ 89,407
Cash equivalents	270,877	390,376
Total cash and cash equivalents	$ 330,970	$ 479,783
Restricted cash	1,146	858
Total cash, cash equivalents and restricted cash	$ 332,116	$ 480,641

3. FAIR VALUE MEASUREMENTS

The Company’s investments in money market accounts are recorded as cash equivalents at fair value on the condensed consolidated balance sheets. Additionally, the Company carries its available-for-sale debt securities at fair value. See Note 4, "*Marketable Securities*" for further details.

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value in the following hierarchy:

Level 1—Observable inputs, such as quoted prices in active markets,

Level 2—Inputs other than quoted prices in active markets that are observable either directly or indirectly, or

Level 3—Unobservable inputs in which there are little or no market data, which require the Company to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, to minimize the use of unobservable inputs when determining fair value. The Company’s money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets. The Company's certificates of deposit, commercial paper, corporate bonds, agency bonds and U.S. government bonds are classified within Level 2 of the fair value hierarchy because they have been valued using inputs other than quoted prices in active markets that are observable directly or indirectly.

The following table represents the fair value of the Company's financial instruments, including those measured at fair value on a recurring basis, as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$ 269,878	$ —	$ —	$ 269,878	$ 390,376	$ —	$ —	$ 390,376
Commercial paper	—	999	—	999	—	—	—	—
Marketable securities:								
Certificates of deposit	—	11,566	—	11,566	—	—	—	—
Commercial paper	—	16,506	—	16,506	—	—	—	—
Corporate bonds	—	27,682	—	27,682	—	—	—	—
Agency bonds	—	1,898	—	1,898	—	—	—	—
U.S. government bonds	—	33,219	—	33,219	—	—	—	—
Other investments:								
Certificates of deposit	—	10,000	—	10,000	—	10,000	—	10,000
Total cash equivalents and other investments	$ 269,878	$ 101,870	$ —	$ 371,748	$ 390,376	$ 10,000	$ —	$ 400,376

The certificates of deposit are reflected in prepaid expenses and other current assets on the condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021.

The Company's long- and indefinite-lived assets, such as property, equipment and software, goodwill and other intangible assets, are measured at fair value on a non-recurring basis if the assets are determined to be impaired. The Company recognized an impairment charge related to right-of-use ("ROU") assets and leasehold improvements associated with certain of its operating leases that it subleased during the three months ended September 30, 2022. See Note 8, "*Leases*," for further details. The Company estimated the fair value of these assets as of the effective dates of the agreements using an income approach based on expected future cash flows from the subleased properties, which relied on certain assumptions made by management based on both internal and external data, such as the incremental borrowing rates used to discount these cash flows to its present values. As a result, these assets are classified within Level 3 of the fair value hierarchy.

4. MARKETABLE SECURITIES

Short-term investments and certain cash equivalents consist of investments in debt securities that are classified as available-for-sale. The amortized cost, gross unrealized gains and losses and fair value of investments as of September 30, 2022 were as follows (in thousands):

	September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	$ 999	$ —	$ —	$ 999
Total cash equivalents	999	—	—	999
Short-term marketable securities:				
Certificates of deposit	11,566	—	—	11,566
Commercial paper	16,506	—	—	16,506
Corporate bonds	28,041	7	(366)	27,682
Agency bonds	1,898	—	—	1,898
U.S. government bonds	33,478	—	(259)	33,219
Total short-term marketable securities	91,489	7	(625)	90,871
Total	$ 92,488	$ 7	$ (625)	$ 91,870

The following table presents gross unrealized losses and fair values for those securities that were in an unrealized loss position as of September 30, 2022, aggregated by investment category and the length of time that the individual securities have been in a continuous loss position (in thousands):

	September 30, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$ 24,900	$ (366)	$ —	$ —	$ 24,900	$ (366)
U.S. government bonds	28,225	(259)	—	—	28,225	(259)
Total	$ 53,125	$ (625)	$ —	$ —	$ 53,125	$ (625)

As of September 30, 2022, the Company did not recognize any credit loss related to available-for-sale marketable securities. As of December 31, 2021, the Company did not have any marketable securities and a majority of the Company's investments were in highly liquid money market funds.

The contractual maturities for marketable securities classified as available-for-sale as of September 30, 2022 were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 60,050	$ 59,960
Due in one to five years	32,438	31,910
Total	$ 92,488	$ 91,870

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Prepaid expenses	$ 16,482	$ 13,480
Certificates of deposit	10,000	10,000
Other current assets	47,546	34,056
Total prepaid expenses and other current assets	$ 74,028	$ 57,536

Prepaid expenses included $0.7 million of short-term capitalized implementation costs related to cloud computing arrangements that are service contracts. The long-term portion of capitalized cloud computing implementation costs of $1.7 million are included in other non-current assets. The Company recorded an immaterial amount of amortization expense during the three and nine months ended September 30, 2022 and 2021 related to capitalized implementation costs. As of September 30, 2022, other current assets primarily consisted of non-trade receivables, current tax receivables and deferred costs related to unsettled share repurchases.

6. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Capitalized website and internal-use software development costs	$ 222,372	$ 202,169
Leasehold improvements[1]	59,865	59,190
Computer equipment	50,076	48,264
Furniture and fixtures	11,474	12,573
Telecommunication	4,900	4,953
Software	1,700	1,703
Total	350,387	328,852
Less accumulated depreciation and amortization	(271,688)	(244,995)
Property, equipment and software, net	$ 78,699	$ 83,857

[1] The cost basis was reduced to reflect an impairment of $1.5 million recorded during the nine months ended September 30, 2022. For more information, see Note 8, "*Leases*."

Depreciation and amortization expense related to property, equipment and software was $11.0 million and $11.9 million for the three months ended September 30, 2022 and 2021, respectively, and $32.8 million and $36.4 million for the nine months ended September 30, 2022 and 2021, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill is the result of its acquisitions of other businesses and represents the excess of purchase consideration over the fair value of assets acquired and liabilities assumed. The Company performed its annual goodwill impairment analysis as of August 31, 2022 and concluded that goodwill was not impaired, as the fair value of the reporting unit exceeded its carrying value.

The changes in carrying amount of goodwill during the nine months ended September 30, 2022 were as follows (in thousands):

Balance as of December 31, 2021	$ 105,128
Effect of currency translation	(6,872)
Balance as of September 30, 2022	$ 98,256

Intangible assets that were not fully amortized as of September 30, 2022 and December 31, 2021 consisted of the following (dollars in thousands):

	September 30, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Business relationships	$ 9,918	$ (5,373)	$ 4,545	6.4 years
Developed technology	7,709	(7,709)	—	0.0 years
Licensing agreements	6,129	(1,344)	4,785	7.4 years
Domains and data licenses	2,869	(2,861)	8	0.8 years
Total	$ 26,625	$ (17,287)	$ 9,338	

	December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Business relationships	$ 9,918	$ (4,786)	$ 5,132	7.1 years
Developed technology	7,709	(7,453)	256	0.2 years
Licensing agreements	6,129	(860)	5,269	8.2 years
Domain and data licenses	2,869	(2,853)	16	1.5 years
Total	$ 26,625	$ (15,952)	$ 10,673	

Amortization expense related to intangible assets was $0.3 million and $0.7 million for the three months ended September 30, 2022 and 2021, respectively, and $1.3 million and $2.1 million for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, estimated future amortization expenses were as follows (in thousands):

Remainder of 2022	$ 341
2023	1,359
2024	1,353
2025	1,353
2026	1,353
2027	1,353
Thereafter	2,226
Total amortization	$ 9,338

8. LEASES

The components of lease cost, net for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease cost	$ 10,008	$ 12,323	$ 31,174	$ 38,717
Short-term lease cost (12 months or less)	291	133	815	406
Sublease income	(3,195)	(2,308)	(8,749)	(5,714)
Total lease cost, net	$ 7,104	$ 10,148	$ 23,240	$ 33,409

The Company's leases and subleases do not include any variable lease payments, residual value guarantees, related-party leases, or restrictions or covenants that would limit or prevent the Company from exercising its right to obtain substantially all of the economic benefits from use of the respective assets during the lease term.

Supplemental cash flow information related to leases for the nine months ended September 30, 2022 and 2021 was as follows (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 39,148	$ 41,274

As of September 30, 2022, maturities of lease liabilities were as follows (in thousands):

Remainder of 2022	$ 11,852
2023	45,125
2024	42,432
2025	21,907
2026	6,969
2027	6,156
Thereafter	15,689
Total minimum lease payments	150,130
Less imputed interest	(14,814)
Present value of lease liabilities	$ 135,316

As of September 30, 2022 and December 31, 2021, the weighted-average remaining lease terms and weighted-average discount rates were as follows:

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term (years) — operating leases	4.2	4.8
Weighted-average discount rate — operating leases	5.3 %	5.4 %

During the three months ended September 30, 2022, the Company entered into a sublease agreement for a portion of its office space in New York. The Company evaluated the associated ROU asset and leasehold improvements for impairment as a result of the sublease in accordance with Accounting Standards Codification Topic 360, "Property, Plant, and Equipment," because the change in circumstances indicated that the carrying amount of such assets may not be recoverable. The Company compared the future undiscounted cash flows under the sublease agreement to the carrying amounts of the respective ROU asset and leasehold improvements and determined that an impairment existed.

The Company compared the carrying value of the impacted assets to the fair value to determine the impairment amount. The Company recognized an impairment charge of $10.5 million during the three months ended September 30, 2022, which is included in general and administrative expenses on its condensed consolidated statement of operations, and reduced the carrying amount of the ROU asset and leasehold improvements by $9.0 million and $1.5 million, respectively. For more information on the fair values of the ROU asset and leasehold improvements used in the impairment analysis, see Note 3, "*Fair Value Measurements*."

9. OTHER NON-CURRENT ASSETS

Other non-current assets as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Deferred tax assets	$ 81,612	$ 40,606
Deferred contract costs	25,236	16,931
Other non-current assets	8,534	7,013
Total other non-current assets	$ 115,382	$ 64,550

Deferred contract costs as of September 30, 2022 and December 31, 2021, and changes in deferred contract costs during the nine months ended September 30, 2022, were as follows (in thousands):

	Nine Months Ended September 30, 2022
Balance, beginning of period	$ 16,931
Add: costs deferred on new contracts	21,782
Less: amortization recorded in sales and marketing expenses	(13,477)
Balance, end of period	$ 25,236

10. CONTRACT BALANCES

The changes in the allowance for doubtful accounts during the nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Balance, beginning of period	$ 7,153	$ 11,559
Add: provision for doubtful accounts	18,249	9,834
Less: write-offs, net of recoveries	(16,663)	(13,519)
Balance, end of period	$ 8,739	$ 7,874

The net increase in the allowance for doubtful accounts in the nine months ended September 30, 2022 was primarily related to an anticipated increase in customer delinquencies due to an increase in both the number of advertiser accounts and customer spend during the nine month period. The net decrease in the allowance for doubtful accounts in the nine months ended September 30, 2021 was primarily a result of a reduction in expected customer delinquencies as collection rates continued to improve. In calculating the allowance for doubtful accounts as of September 30, 2022 and 2021, the Company considered expectations of probable credit losses, including probable credit losses associated with the COVID-19 pandemic, based on observed trends in cancellations, observed changes in the credit risk of specific customers, the impact of anticipated closures and bankruptcies using forecasted economic indicators in addition to historical experience and loss patterns during periods of macroeconomic uncertainty.

Contract liabilities consist of deferred revenue, which is recorded on the condensed consolidated balance sheets when the Company has received consideration, or has the right to receive consideration, in advance of transferring the performance obligations under the contract to the customer.

The changes in deferred revenue during the nine months ended September 30, 2022 were as follows (in thousands):

	Nine Months Ended September 30, 2022
Balance, beginning of period	$ 4,156
Less: recognition of deferred revenue from beginning balance	(3,739)
Add: net increase in current period contract liabilities	7,986
Balance, end of period	$ 8,403

The majority of the deferred revenue balance as of September 30, 2022 is expected to be recognized as revenue in the subsequent three-month period ending December 31, 2022. An immaterial amount of long-term deferred revenue is included in other long-term liabilities as of September 30, 2022. No other contract assets or liabilities were recorded on the Company's condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accounts payable	$ 10,388	$ 16,127
Employee-related liabilities	79,256	50,132
Accrued sales and marketing expenses	13,260	5,455
Accrued cost of revenue	7,667	9,537
Accrued legal settlements	22,250	26,037
Other accrued liabilities	17,983	12,332
Total accounts payable and accrued liabilities	$ 150,804	$ 119,620

As of September 30, 2022, other accrued liabilities primarily consisted of accrued costs related to unsettled share repurchases as well as accrued general and administrative, purchase orders and workplace costs.

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings—In January 2018, a putative class action lawsuit alleging violations of the federal securities laws was filed in the U.S. District Court for the Northern District of California (the "Court"), naming as defendants the Company and certain of its officers (the “Securities Class Action”). The complaint, which the plaintiff amended on June 25, 2018, alleges violations of the Securities Exchange Act of 1934, as amended, by the Company and its officers for allegedly making materially false and misleading statements regarding its business and operations on February 9, 2017. The plaintiff seeks unspecified monetary damages and other relief. On November 27, 2018, the Court granted in part and denied in part the defendants’ motion to dismiss. On October 22, 2019, the Court approved a stipulation to certify a class in this action and, on September 9, 2021, it denied the defendants’ motion for summary judgment. The case was scheduled for trial to begin on February 7, 2022. However, on December 3, 2021, the defendants reached a preliminary agreement with the plaintiff to settle this matter for $22.25 million. The proposed settlement was subsequently filed with the Court, which preliminarily approved it on July 25, 2022. The settlement was then funded by defendants' insurers during the three months ended September 30, 2022. After it receives final approval from the Court, the settlement will resolve all claims asserted against all defendants in the Securities Class Action without any liability or wrongdoing attributed to them. The Court has scheduled a hearing for January 19, 2023, at which it will consider whether to grant final approval of the settlement.

On August 26, 2022, the Court granted final approval of the settlement of a stockholder derivative action (the “Derivative Action”) asserting claims against certain current and former officers, and naming the Company as a nominal defendant, which arose out of the same facts as the Securities Class Action and was also pending before the Court. The settlement resolved all claims asserted against all defendants in the Derivative Action without any liability or wrongdoing attributed to them personally or to the Company. Under the terms of the settlement, the Company’s board of directors adopted certain corporate governance modifications and the Company received $18.0 million of insurance proceeds. The Company has paid $3.75 million of such insurance proceeds to the plaintiff’s attorneys as fees. The remaining insurance proceeds were applied to the funding of the Securities Class Action settlement.

The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and contingencies, which it will accrue when it believes a loss is probable and the amount can be reasonably estimated. Although final approval of the settlement agreement for the Securities Class Action remains pending, the Company believes the losses for both the settlements of the Securities Class Action and the Derivative Action are probable and the payment amounts described above, which total $26.0 million, represent reasonable estimates of loss contingencies. The Company also believes that the anticipated insurance proceeds related to the settlement of each action described above, which also total $26.0 million, are probable and represent reasonable estimates for loss recovery. Accordingly, the Company recorded a $26.0 million accrual for loss contingency within accounts payable and accrued liabilities as well as a $26.0 million receivable for loss recovery within prepaid expenses and other current assets, of which $3.75 million was released from each the receivable for loss recovery and the accrual for loss contingency during the three months ended September 30, 2022 upon payment to the plaintiff's attorneys in the Derivative Action. As of September 30, 3022, the Company had a $22.25 million remaining accrual for the settlement of the Securities Class Action on its condensed consolidated balance sheets within each of accounts payable and accrued liabilities as well as prepaid expenses and current assets.

The Company is subject to other legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently does not believe that the final outcome of any of these other matters will have a material effect on the Company's business, financial position, results of operations or cash flows.

Indemnification Agreements—In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties.

In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company to, among other things, indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees.

While the outcome of claims cannot be predicted with certainty, the Company does not believe that the outcome of any claims under the indemnification arrangements will have a material effect on the Company's business, financial position, results of operations or cash flows.

Revolving Credit Facility—The Company is a party to a Credit Agreement with Wells Fargo Bank, National Association (as amended by the Letter Agreement, dated as of September 27, 2022, the "Credit Agreement"), which provides for a three-year, $75.0 million senior unsecured revolving credit facility including a letter of credit sub-limit of $25.0 million. As of September 30, 2022, the Company had $20.5 million of letters of credit under the sub-limit related to lease agreements for certain office locations, which are required to be maintained and issued to the landlords of each facility, and $54.5 million remained available under the revolving credit facility as of this date. The Company was in compliance with all covenants associated with the credit facility and there were no loans outstanding under the Credit Agreement as of September 30, 2022. For additional information on the terms of the Credit Agreement, including fees payable by the Company, financial covenants, events of default and other limitations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" included under Part II, Item 7 in our Annual Report.

13. STOCKHOLDERS' EQUITY

The following table presents the number of shares authorized and issued as of the dates indicated (in thousands):

	September 30, 2022		December 31, 2021	
	Shares Authorized	Shares Issued	Shares Authorized	Shares Issued
Stockholders' equity:				
Common stock, $0.000001 par value	200,000	70,399	200,000	72,171
Undesignated preferred stock	10,000	—	10,000	—

Stock Repurchase Program

As of September 30, 2022, the Company's board of directors had authorized it to repurchase up to an aggregate of $1.2 billion of its outstanding common stock, $81.7 million of which remained available as of September 30, 2022. The Company may purchase shares at management's discretion in the open market, in privately negotiated transactions, in transactions structured through investment banking institutions, or a combination of the foregoing.

During the nine months ended September 30, 2022, the Company repurchased on the open market and retired 4,639,373 shares for an aggregate purchase price of $150.0 million. The Company had no treasury stock balance as of September 30, 2022.

During the nine months ended September 30, 2021, the Company repurchased on the open market 4,687,066 shares for an aggregate purchase price of $177.8 million and retired 4,680,484 shares. As of September 30, 2021, the Company had a treasury stock balance of 105,600 shares, which were excluded from its outstanding share count as of such date and subsequently retired in October 2021.

Equity Incentive Plans

Stock Options

Stock options are granted at a price per share not less than the fair value of a share of the Company's common stock on the grant date. Options generally vest over a four-year period, on one of two schedules: (a) 25% vesting at the end of one year and the remaining shares vesting monthly thereafter or (b) ratably on a monthly basis. Options granted are generally exercisable for contractual terms of up to 10 years. The Company issues new shares when stock options are exercised.

A summary of stock option activity for the nine months ended September 30, 2022 is as follows:

	Number of Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	3,979	$ 32.59	4.4	$ 24,580
Granted	10	31.42		
Exercised	(282)	25.08		
Canceled	(132)	45.43		
Outstanding at September 30, 2022	3,575	$ 32.71	3.8	$ 8,255
Options vested and exercisable at September 30, 2022	3,411	$ 32.60	3.6	$ 8,255

Aggregate intrinsic value represents the difference between the closing price of the Company's common stock as quoted on the New York Stock Exchange on a given date and the exercise price of outstanding, in-the-money options. The total intrinsic value of options exercised was approximately $2.1 million and $1.4 million for the three months ended September 30, 2022 and 2021, respectively, and $3.0 million and $13.2 million for the nine months ended September 30, 2022 and 2021, respectively.

There were no options granted during each of the three months ended September 30, 2022 and 2021. The weighted-average grant date fair value of options granted was $16.07 and $18.55 per share for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, total unrecognized compensation costs related to nonvested stock options were approximately $2.4 million, which the Company expects to recognize over a weighted-average time period of 1.6 years.

RSUs

RSUs generally vest over a four-year period, on one of two schedules: (a) 25% vesting at the end of one year and the remaining vesting quarterly thereafter or (b) ratably on a quarterly basis.

RSUs also include performance-based restricted stock units ("PRSUs"), which are subject to either (a) a market condition or (b) the achievement of performance goals. PRSUs may also be subject to a time-based vesting schedule of quarterly over four years (the "Time-Based Vesting Schedule"). For PRSUs subject to a market condition, the Company recognizes expense from the date of grant. For PRSUs subject to performance goals, the Company recognizes expense when it is probable that the performance condition will be achieved.

The Company granted PRSUs subject to market conditions in 2019 and 2022. The shares underlying each PRSU award granted in 2019 will be eligible to vest only if the average closing price of the Company's common stock equals or exceeds $45.3125 over any 60-day trading period during the four years following the grant date of February 7, 2019. If this market condition is met, the shares underlying each PRSU award will vest according to the Time-Based Vesting Schedule. Any shares subject to the PRSUs that have met the Time-Based Vesting Schedule at the time the market condition is achieved will fully

vest as of such date; thereafter, any remaining nonvested shares subject to the PRSUs will continue vesting solely according to the Time-Based Vesting Schedule, subject to the applicable employee's continued service as of each such vesting date.

The shares underlying each PRSU award granted in 2022 that is subject to market conditions vest based on the relative performance of the Company's total stockholder return ("TSR") over a three-year period. A percentage of the target number of shares underlying each award, ranging from zero to 200%, will vest based on the percentile rank of the Company's TSR relative to that of the other companies in the Russell 2000 Index over the period beginning January 1, 2022 and ending December 31, 2024. The Company's TSR, as well as the TSR of the other companies in the Russell 2000 Index, will be calculated based on the average closing price of each company's stock over the last 20 trading days of the performance period compared to the average closing price over the first 20 trading days of the performance period. Any shares that become eligible to vest based on the Company's level of achievement of the market goal will fully vest on or following certification of the Company's performance on February 20, 2025 or, if certification occurs following such date, March 15, 2025, subject to the applicable employee's continued service as of such vesting date.

For PRSUs subject to performance goals, a percentage of the target number of shares, ranging from zero to 200%, will become eligible to vest based on the Company's level of achievement of certain financial targets, subject to the Time-Based Vesting Schedule. The shares subject to performance goals become eligible to vest once the achievement against the financial targets is known, which will be no later than March of the year following the year in which the PRSUs are granted. On the quarterly vest date immediately following such determination (or a vest date otherwise specified in the agreement), the eligible shares, if any, will vest to the extent that the employee has met the Time-Based Vesting Schedule as of such date. Thereafter, the eligible shares will continue to vest in accordance with the Time-Based Vesting Schedule, subject to the applicable employee's continued service as of each such vesting date. The Company performed an analysis as of September 30, 2022 to assess the probability of achievement of the PRSU financial targets and, as a result, recorded compensation costs in the three and nine months ended September 30, 2022 for the PRSUs that it expected to vest.

As the PRSU activity during the nine months ended September 30, 2022 was not material, it is presented together with the RSU activity in the table below. A summary of RSU and PRSU activity for the nine months ended September 30, 2022 is as follows (in thousands, except per share amounts):

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2021	10,016	$ 32.39
Granted	6,256	35.11
Vested[1]	(3,683)	33.49
Canceled	(1,848)	32.97
Nonvested at September 30, 2022	10,741	$ 33.50

[1] Includes 1,460,121 shares that vested but were not issued due to net share settlement for payment of employee taxes.

The aggregate fair value as of the vest date of RSUs and PRSUs that vested during the nine months ended September 30, 2022 and 2021 was $122.2 million and $127.7 million, respectively. As of September 30, 2022, the Company had approximately $333.4 million of unrecognized stock-based compensation expense related to RSUs and PRSUs, which it expects to recognize over the remaining weighted-average vesting period of approximately 2.6 years.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations, during designated offering periods. At the end of each offering period, employees are able to purchase shares at 85% of the fair market value of the Company's common stock on the last day of the offering period, based on the closing sales price of the Company's common stock as quoted on the New York Stock Exchange on such date.

There were no shares purchased by employees under the ESPP in the three months ended September 30, 2022 or 2021. There were 364,436 shares purchased by employees under the ESPP at a weighted-average price of $25.00 in the nine months ended September 30, 2022. There were 254,449 shares purchased by employees under the ESPP at a weighted-average price of $34.09 in the nine months ended September 30, 2021. The Company recognized stock-based compensation expense related to the ESPP of $0.8 million in the each of the three months ended September 30, 2022 and 2021, and $2.3 million in each of the nine months ended September 30, 2022 and 2021.

Stock-Based Compensation

The following table summarizes the effects of stock-based compensation expense related to stock-based awards in the condensed consolidated statements of operations during the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,148	$ 1,071	$ 3,701	$ 3,273
Sales and marketing	8,606	7,794	25,461	24,632
Product development	21,352	20,380	66,781	61,807
General and administrative	7,526	7,197	23,810	26,834
Total stock-based compensation recorded to income before income taxes	38,632	36,442	119,753	116,546
Benefit from income taxes	(8,489)	(8,529)	(26,446)	(28,095)
Total stock-based compensation recorded to net income	$ 30,143	$ 27,913	$ 93,307	$ 88,451

The Company capitalized $1.9 million and $2.9 million of stock-based compensation expense as website development costs and, to a lesser extent, implementation costs incurred related to cloud computing arrangements that are service contracts in the three months ended September 30, 2022 and 2021, respectively, and $6.7 million and $8.5 million in the nine months ended September 30, 2022 and 2021, respectively.

14. OTHER INCOME, NET

Other income, net for the three and nine months ended September 30, 2022 and 2021 consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income (expense), net	$ 2,007	$ (31)	$ 2,558	$ (83)
Transaction (loss) gain on foreign exchange, net	(213)	(32)	(236)	237
Other non-operating income, net	897	394	2,625	1,424
Other income, net	$ 2,691	$ 331	$ 4,947	$ 1,578

15. INCOME TAXES

The Company is subject to income taxes in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income taxes. The provision for income taxes for the nine months ended September 30, 2022 was $13.7 million, which was due to $13.7 million of U.S. federal, state and foreign income tax expense. The benefit from income taxes for the nine months ended September 30, 2021 was $3.0 million, which was due to $2.7 million of U.S. federal, state and foreign income tax provision, offset by $5.7 million of net discrete tax benefit primarily related to stock-based compensation.

Accounting for income taxes for interim periods generally requires the provision for income taxes to be determined by applying an estimate of the annual effective tax rate for the full fiscal year to income or loss before income taxes, excluding unusual or infrequently occurring discrete items, for the reporting period. For the three and nine months ended September 30, 2022, the difference between the effective tax rate and the federal statutory tax rate primarily related to stock-based compensation and the inclusion of global intangible low-taxed income ("GILTI"), offset by tax credits. As currently enacted, beginning in 2022, the Tax Cuts and Jobs Act (the "Tax Act") requires taxpayers to capitalize research and development expenses with amortization periods over five and fifteen years, which is expected to increase the amount of the Company's GILTI. For the three and nine months ended September 30, 2021, the difference between the effective tax rate and the federal statutory tax rate primarily related to tax credits, offset by non-deductible expenses.

As of September 30, 2022, the total amount of gross unrecognized tax benefits was $60.2 million, $30.9 million of which was subject to a full valuation allowance and would not affect the Company’s effective tax rate if recognized. In the three and nine months ended September 30, 2022, the Company recorded an immaterial amount of interest and penalties.

As of September 30, 2022, the Company estimated that it had accumulated undistributed earnings generated by its foreign subsidiaries of approximately $14.4 million. Any taxes due with respect to such earnings or the excess of the amount for financial reporting over the tax basis of the Company's foreign investments would generally be limited to foreign and state taxes. The Company has not recognized a deferred tax liability related to unremitted foreign earnings, as it intends to indefinitely reinvest these earnings, and expects future U.S. cash generation to be sufficient to meet future U.S. cash needs.

In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service and other tax authorities. The Company's federal and state income tax returns for tax years subsequent to 2003 remain open to examination. In the Company's foreign jurisdictions — Canada, Germany, Ireland and the United Kingdom — the tax years subsequent to 2016 remain open to examination. The Company regularly assesses the likelihood of adverse outcomes resulting from examinations to determine the adequacy of its provision for income taxes and monitors the progress of ongoing discussions with tax authorities and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. As of September 30, 2022, although the timing of the resolution or closure of audits is not certain, the Company believes it is reasonably possible that its unrecognized tax benefits could be reduced by $0.9 million over the next 12 months.

16. NET INCOME PER SHARE

Basic net income per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted net income per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Potential common shares consist of the incremental shares of common stock issuable upon the exercise of stock options, shares issuable upon the vesting of RSUs (including PRSUs) and, to a lesser extent, purchase rights related to the ESPP.

The following table presents the calculation of basic and diluted net income per share for the periods presented (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic net income per share:				
Net income	$ 9,108	$ 18,065	$ 16,202	$ 16,481
Shares used in computation:				
Weighted-average common shares outstanding	70,630	73,904	71,158	74,647
Basic net income per share attributable to common stockholders	$ 0.13	$ 0.24	$ 0.23	$ 0.22

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Diluted net income per share:				
Net income	$ 9,108	$ 18,065	$ 16,202	$ 16,481
Shares used in computation:				
Weighted-average common shares outstanding	70,630	73,904	71,158	74,647
Stock options	472	769	494	808
RSUs	1,398	2,631	1,868	3,510
ESPP	158	118	57	42
Number of shares used in diluted calculation	72,658	77,422	73,577	79,007
Diluted net income per share attributable to common stockholders	$ 0.13	$ 0.23	$ 0.22	$ 0.21

The following stock-based instruments were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	2,354	1,562	2,415	1,539
RSUs	5,674	275	1,649	45

17. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

The Company considers operating segments to be components of the Company for which separate financial information is available and evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the chief executive officer. The chief executive officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by product line and geographic region for purposes of allocating resources and evaluating financial performance.

The Company has determined that it has a single operating and reporting segment. When the Company communicates results externally, it disaggregates net revenue into major product lines and primary geographical markets, which is based on the billing address of the customer. The disaggregation of net revenue by major product lines is based on the type of service provided and also aligns with the timing of revenue recognition for each. To reflect the Company's strategic focus on creating differentiated experiences for its Services categories and Restaurants, Retail & Other categories, the Company further disaggregates advertising revenue to reflect these two high-level category groupings. The Services categories consist of the following businesses: home, local, auto, professional, pets, events, real estate and financial services. The Restaurants, Retail & Other categories consist of the following businesses: restaurants, shopping, beauty & fitness, health and other.

Net Revenue

The following table presents the Company's net revenue by major product line (and by category for advertising revenue) for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net revenue by product:				
Advertising revenue by category[1]:				
Services	$ 180,957	$ 157,319	$ 515,518	$ 450,528
Restaurants, Retail & Other	112,707	99,511	324,901	273,250
Advertising	293,664	256,830	840,419	723,778
Transactions	3,652	3,001	10,772	10,330
Other	11,575	9,324	33,212	24,331
Total net revenue	$ 308,891	$ 269,155	$ 884,403	$ 758,439

[1] Advertising revenue by category in 2022 reflects an updated method of disaggregation. Prior-period amounts have not been updated as it is impracticable to do so, given certain historical information was not available.

During the three and nine months ended September 30, 2022 and 2021, no individual customer accounted for 10% or more of consolidated net revenue.

As a result of the COVID-19 pandemic, the Company considered whether there was any impact to the manner in which revenue is recognized, in particular with respect to the collectability criteria for recognizing revenue from contracts with customers. The Company did not change the manner in which it recognizes revenue as a result of that assessment.

The Company offered a number of relief incentives to advertising and other revenue customers most impacted by the COVID-19 pandemic totaling $0.4 million and $3.2 million during the nine months ended September 30, 2022 and 2021, respectively. The Company did not continue to offer relief incentives during the three months ended September 30, 2022, and offered $0.3 million during the three months ended September 30, 2021. These incentives were primarily in the form of waived

subscription and advertising fees. The Company accounted for these incentives as price concessions and reduced net revenue recognized in the nine months ended September 30, 2022 and three and nine months ended September 30, 2021 accordingly.

The following table presents the Company's net revenue by major geographic region for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
United States	$ 306,773	$ 266,913	$ 878,293	$ 751,862
All other countries	2,118	2,242	6,110	6,577
Total net revenue	$ 308,891	$ 269,155	$ 884,403	$ 758,439

Long-Lived Assets

The following table presents the Company's long-lived assets by major geographic region for the periods presented (in thousands):

	September 30, 2022	December 31, 2021
United States	$ 74,160	$ 79,027
All other countries	4,539	4,830
Total long-lived assets	$ 78,699	$ 83,857

18. SUBSEQUENT EVENTS

On November 1, 2022, the Company's board of directors authorized a $250.0 million increase to its stock repurchase program, bringing the total amount of repurchases authorized under our stock repurchase program since its inception in 2017 to $1.5 billion. The Company repurchased $25.8 million of shares subsequent to September 30, 2022, resulting in approximately $305.9 million remaining available for future repurchases following the increase on November 1, 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those discussed in the section titled "Risk Factors" included under Part I, Item 1A in our Annual Report, as updated by Part II, Item 1A of this Quarterly Report. See "Special Note Regarding Forward-Looking Statements" in this Quarterly Report.

Overview

As one of the best known internet brands in the United States, Yelp is a trusted local resource for consumers and a partner in success for businesses of all sizes. Consumers trust us for our more than 220 million ratings and reviews of businesses across a broad range of categories, while businesses advertise with us to reach our large audience of purchase-oriented and generally affluent consumers. We believe our ability to provide value to both consumers and businesses not only fulfills our mission to connect consumers with great local businesses, but also positions us well in the local, digital advertising market in the United States.

We generate substantially all of our revenue from the sale of performance-based advertising products, which our advertising platform matches to individual consumers through auctions priced on a cost-per-click ("CPC") basis. In the three months ended September 30, 2022, our net revenue was $308.9 million, up 15% from the three months ended September 30, 2021, and we recorded net income of $9.1 million and adjusted EBITDA of $73.9 million. In the nine months ended September 30, 2022, our net revenue was $884.4 million, which represented an increase of 17% from the nine months ended September 30, 2021, and we recorded net income of $16.2 million and adjusted EBITDA of $189.4 million. For information on how we define and calculate adjusted EBITDA, and a reconciliation of this non-GAAP financial measure to net income, see "*Non-GAAP Financial Measures*" below.

In the third quarter of 2022, our strategic investments in product and marketing continued to drive further progress on our revenue growth initiatives:

- *Grow quality leads and monetization in Services*. Our focus on increasing lead quality and monetization yielded a 15% year-over-year increase in advertising revenue from Services businesses in the third quarter, driven by growth in the Home Services category, which accelerated from approximately 20% year-over-year in the second quarter to approximately 25% year-over-year in the third quarter. We achieved this growth despite softer consumer demand for Services categories on Yelp in the third quarter; Request-a-Quote requests remained above pre-pandemic levels, but decreased by approximately 10% year over year, in line with the second quarter. To capitalize on the growth in Services advertising by providing a differentiated product experience, we continued to refine the Request-a-Quote flow and underlying matching technology that connects consumers with the right Services businesses, which delivered a greater number of quality requests to advertisers in the third quarter compared to the prior-year period. At the same time, we worked to improve the Request-a-Quote inbox experience to help business owners more easily manage their consumer leads from Yelp.

- *Drive sales through the most efficient channels*. We continued to operate efficiently across all sales channels in the third quarter. As a result, revenue from our Self-serve and Multi-location channels accounted for approximately 49% of advertising revenue in the third quarter, while our Local sales team also remained productive. To grow our Self-serve channel and more efficiently acquire small and medium-sized business ("SMB") customers, we continued to enhance the digital claim and ads purchase flows, including by providing advertisers with more visual customization options for their ads. This drove record Self-serve customer acquisition and contributed to increased revenue in the channel by approximately 25% year-over-year in the third quarter. We also saw productivity gains from our Customer Success team while experimenting with ways to improve the SMB post-sale process. Additionally, Multi-location revenue increased by approximately 25% year over year in the third quarter as a result of the expansion of our portfolio of ad products and attribution solutions for multi-location advertisers.

- *Deliver more value to advertisers*. Amid ongoing volatility in the macroeconomic environment in the third quarter, ad clicks remained consistent with the second quarter but decreased by 15% from the prior-year period, during which the reopening of businesses had led to elevated consumer spending and engagement, while average CPC increased by 36% year over year as a result of strong advertiser demand. Our retention rate for non-term advertisers' budgets remained solid but declined modestly from the second quarter. We remained focused on delivering more value to advertisers

through quality — the percentage of ad clicks converted to leads, an important quality indicator, remained above 2021 levels in the third quarter.

- *Enhance the consumer experience*. In the third quarter, we continued to invest in enhancing the consumer experience with the goal of expanding Yelp's trusted content and driving increased user engagement and audience growth over the long term. We further improved the Android app experience, including by introducing a more visual and vertical home feed, which contributed to increased engagement and monetization per session. Our product and engineering teams continued to pursue projects intended to grow review contributions, including leveraging smart notifications, which we estimate contributed to a high-single-digit percentage lift in new reviews over the first three quarters of 2022. We also partnered with Mailchimp through our Yelp Fusion program to allow businesses to more easily populate their email marketing campaigns with content from their Yelp pages.

Our broad-based local platform and product initiatives drove growth across our business in the third quarter despite a volatile macroeconomic environment. In the fourth quarter, we anticipate typical sequential seasonality in Services, with fewer consumer projects initiated in the winter months, as well as increased caution among some multi-location advertisers in the Restaurants, Retail & Other categories that emerged late in the third quarter in response to heightened macroeconomic uncertainties. At the same time, we believe our strategic investments will enable us to drive long-term growth: in the fourth quarter, we expect net revenue to remain relatively consistent with the third quarter and the adjusted EBITDA to increase sequentially, and for the full year 2022, we expect both net revenue and adjusted EBITDA to increase from the prior-year period.

Key Metrics

We regularly review a number of metrics, including the key metrics set forth below, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Ad Clicks

Ad clicks represent user interactions with our pay-for-performance advertising products, including clicks on advertisements on our website and mobile app, clicks on syndicated advertisements on third-party platforms and Request-a-Quote submissions. Ad clicks include only user interactions that we are able to track directly, and therefore do not include user interactions with ads sold through our advertising partnerships. We do not expect the exclusion of such user interactions to materially affect this metric.

Because we generate revenue primarily from the sale of performance-based ads, our ability to increase our revenue depends largely on our ability to increase the number and/or price of ad clicks. We report the year-over-year percentage change in ad clicks on a quarterly basis as a measure of our success in monetizing more of our consumer traffic and delivering more value to advertisers.

The following table presents year-over-year changes in our ad clicks for the periods indicated (expressed as a percentage):

	Three Months Ended September 30,	
	2022	2021
Ad Clicks	(15)%	28%

Average CPC

We define average CPC as revenue from our performance-based ad products — excluding certain revenue adjustments that do not impact the outcome of an auction for an individual ad click, such as refunds, as well as revenue from our advertising partnerships — divided by the total number of ad clicks for a given three-month period.

Average CPC, when viewed together with ad clicks, provides important insight into the value we deliver to advertisers, which we believe is a significant factor in our ability to retain both revenue and customers. For example, a positive change in ad clicks for a given three-month period combined with lower growth or a negative change in average CPC over the same period would indicate that we delivered more ad clicks at lower prices, thereby delivering more value to our advertisers; we would typically expect this to have a positive impact on retention. In the three months ended September 30, 2022, ad clicks remained consistent with the second quarter, but decreased by 15% from the prior-year period, which had continued to benefit from reopening tailwinds and elevated consumer spending. We saw strong advertiser demand for our performance-based ad products, and, as a result, average CPC in the three months ended September 30, 2022 increased 36% year over year.

We believe that average CPC and ad clicks together reflect one of the largest dynamics affecting our advertising revenue performance. These metrics reflect, among other things, the interplay of advertiser demand and consumer behavior on our platform, each of which is currently subject to complex macroeconomic pressures that we expect to continue to cause volatility in these metrics in the near term.

The following table presents year-over-year changes in our average CPC for the periods indicated (expressed as a percentage):

	Three Months Ended September 30,	
	2022	2021
Average CPC	36%	(1)%

Advertising Revenue by Category

Our advertising revenue comprises revenue from the sale of our advertising products, including the resale of our advertising products by partners and syndicated ads appearing on third-party platforms.

To reflect our strategic focus on creating two differentiated experiences on Yelp, we provide a quarterly breakdown of our advertising revenue attributable to businesses in two high-level category groupings: Services and Restaurants, Retail & Other. Our Services categories consist of home, local, auto, professional, pets, events, real estate and financial services. Our Restaurants, Retail & Other categories consist of restaurants, shopping, beauty & fitness, health and other.

Advertising revenue by category for the three and nine months ended September 30, 2022 reflects our updated methodology for determining the business category with which advertising revenue is associated based on the business category of each advertising location rather than the business category of the business account that paid for the advertising. While business locations associated with a single payment account are generally part of the same business, they may offer a variety or a combination of services that differ by location; accordingly, we believe our updated methodology provides a more precise breakdown of our advertising revenue between our Services and Restaurants, Retail & Other categories.

The categorization of business locations can change over time and historical business categories for individual business locations are not available; as a result, it is impracticable to apply our updated methodology to prior-year amounts based on the business categorizations in effect during the prior-year period. However, applying our updated methodology to the three and nine months ended September 30, 2021 based on the current business categories of the associated advertising locations does not result in a materially different breakdown than previously reported for such periods. Due to the differences between the types of business categories comprising our Services and Restaurants, Retail & Other categories, we do not believe a significant number of businesses are re-categorized such that they move from one high-level category grouping to the other, and so do not believe the result would be materially different based on the then-current categorizations.

The following table presents our advertising revenue by category for the periods indicated (in thousands, except percentages):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Services	$ 180,957	$ 157,319	15%	$ 515,518	$ 450,528	14%
Restaurants, Retail & Other	112,707	99,511	13%	324,901	273,250	19%
Total Advertising Revenue	$ 293,664	$ 256,830	14%	$ 840,419	$ 723,778	16%

Paying Advertising Locations By Category

Paying advertising locations comprise all business locations associated with a business account from which we recognized advertising revenue in a given month, excluding business accounts that purchased advertising through partner programs other than Yelp Ads Certified Partners, averaged over a given three-month period. We also provide a breakdown of paying advertising locations between our Services categories and Restaurants, Retail & Other categories.

We provide our paying advertising locations on a quarterly basis as a measure of the reach and scale of our business; however, this metric may exhibit short-term volatility as a result of factors such as seasonality and macroeconomic conditions. For example, macroeconomic factors, such as ongoing concerns about COVID-19 and its variants as well as labor and supply chain challenges, have had a predominant negative impact on Restaurants, Retail & Other paying advertising locations in recent quarters. Short-term fluctuations in paying advertising locations may also reflect the acquisition or loss of single advertising accounts associated with large numbers of locations, or the pausing/restarting of advertising campaigns by such multi-location advertisers.

The following table presents the number of paying advertising locations by category during the periods indicated (in thousands, except percentages):

	Three Months Ended September 30,		
	2022	2021	% Change
Services	238	231	3%
Restaurants, Retail & Other	334	304	10%
Total Paying Advertising Locations	572	535	7%

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates and assumptions are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from those estimates. Due to macroeconomic conditions and other factors, certain estimates and assumptions have required and may continue to require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may materially change in future periods.

We believe that the assumptions and estimates associated with revenue recognition, website and internal-use software development costs and income taxes have the greatest potential impact on our consolidated financial statements. There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report.

Results of Operations

The following table sets forth our results of operations for the periods indicated (in thousands, except percentages). The period-to-period comparison of financial results is not necessarily indicative of the results of operations to be anticipated for the full year 2022 or any future period.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change[1]	2022	2021	$ Change	% Change[1]
Condensed Consolidated Statements of Operations Data:								
Net revenue by product:								
Advertising revenue by category[3]:								
Services	$ 180,957	$ 157,319	$ 23,638	15 %	$ 515,518	$ 450,528	$ 64,990	14 %
Restaurants, Retail & Other	112,707	99,511	13,196	13 %	324,901	273,250	51,651	19 %
Advertising	293,664	256,830	36,834	14 %	840,419	723,778	116,641	16 %
Transactions	3,652	3,001	651	22 %	10,772	10,330	442	4 %
Other	11,575	9,324	2,251	24 %	33,212	24,331	8,881	37 %
Total net revenue	308,891	269,155	39,736	15 %	884,403	758,439	125,964	17 %
Costs and expenses:								
Cost of revenue (exclusive of depreciation and amortization shown separately below)	26,805	21,185	5,620	27 %	77,222	54,052	23,170	43 %
Sales and marketing	133,061	114,295	18,766	16 %	388,570	340,845	47,725	14 %
Product development	75,803	69,402	6,401	9 %	233,336	206,089	27,247	13 %
General and administrative	48,381	30,001	18,380	61 %	126,141	106,957	19,184	18 %
Depreciation and amortization	11,417	12,627	(1,210)	(10)%	34,165	38,543	(4,378)	(11)%
Restructuring	—	—	—	NM[2]	—	32	(32)	(100)%
Total costs and expenses	295,467	247,510	47,957	19 %	859,434	746,518	112,916	15 %
Income from operations	13,424	21,645	(8,221)	(38)%	24,969	11,921	13,048	109 %
Other income, net	2,691	331	2,360	713 %	4,947	1,578	3,369	213 %
Income before income taxes	16,115	21,976	(5,861)	(27)%	29,916	13,499	16,417	122 %
Provision for (benefit from) income taxes	7,007	3,911	3,096	79 %	13,714	(2,982)	16,696	(560)%
Net income	$ 9,108	$ 18,065	$ (8,957)	(50)%	$ 16,202	$ 16,481	$ (279)	(2)%

[1] Percentage changes are calculated based on rounded numbers and may not recalculate exactly due to rounding.

[2] Percentage change is not meaningful.

[3] Please refer to "*—Key Metrics—Ad Revenue by Category*" for information on a methodology change adopted in 2021.

Three and Nine Months Ended September 30, 2022 and 2021

Net Revenue

Advertising. We generate advertising revenue from the sale of our advertising products — including enhanced listing pages and performance and impression-based advertising in search results and elsewhere on our platform — to businesses of all sizes, from single-location local businesses to multi-location national businesses. Advertising revenue also includes revenue generated from the resale of our advertising products by certain partners and monetization of remnant advertising inventory through third-party ad networks. We present advertising revenue on a disaggregated basis for our high-level category groupings, Services and Restaurants, Retail & Other.

Advertising revenue for the three and nine months ended September 30, 2022 increased compared to the prior-year periods primarily due to higher customer spend, higher average revenue per location, and an increase in paying advertising locations in both our Services and Restaurants, Retail & Other categories. The increases in revenue from businesses in our Services categories for the three- and nine-month periods were primarily driven by the continued growth in our home services category, and with respect to the nine-month period, an improved retention rate of non-term advertisers' budgets. The increases in revenue from Restaurants, Retail & Other businesses were primarily attributable to growth in paying advertising locations.

Transactions. We generate revenue from various transactions with consumers, primarily through our partnership integrations, which are mainly revenue-sharing arrangements that provide consumers with the ability to complete food ordering and delivery transactions through third parties directly on Yelp. We earn a fee for acting as an agent for transactions placed through these integrations, which we record on a net basis and include in revenue upon completion of a transaction.

Transactions revenue for the three and nine months ended September 30, 2022 increased compared to the prior-year periods primarily due to an increase in the per-order transaction fee that we receive from Grubhub following the renewal of our partnership in March 2022. This increase was partially offset by a lower volume of food takeout and delivery orders for both the three and nine months ended September 30, 2022 compared to the prior-year periods.

Other Revenue. We generate revenue through our subscription services, including our Yelp Reservations and Yelp Guest Manager products. We also generate revenue through our Yelp Fusion and Yelp Knowledge programs, which provide access to Yelp data for a fee, as well as other non-advertising partnerships.

Other revenue for the three and nine months ended September 30, 2022 increased compared to the prior-year periods, primarily reflecting higher revenue from the continued growth of our Yelp Fusion program. The increases also reflect lower COVID-19 relief incentives — mainly in the form of waived subscription fees — for our subscription product customers in the current-year periods.

Trends and Uncertainties of Net Revenue. Net revenue increased in the three months ended September 30, 2022 compared to the three months ended June 30, 2022 due to increased advertiser demand and the continued execution of our strategic initiatives. In our Services categories, we expect typical sequential seasonality in the fourth quarter associated with fewer consumer projects being initiated in the winter months. In our Restaurant, Retail & Other categories, evidence of increased caution among some multi-location advertisers emerged late in the third quarter as they responded to heightened macro uncertainties. As a result, we expect to see a more muted holiday season, with less incremental spend from these advertisers than we have seen in the past. We anticipate net revenue in the three months ending December 31, 2022 will remain relatively consistent with the third quarter of 2022.

Costs and Expenses

Cost of Revenue (exclusive of depreciation and amortization). Our cost of revenue consists primarily of credit card processing fees and website infrastructure expense, which includes website hosting costs and employee costs (including stock-based compensation expense) for the infrastructure teams responsible for operating our website and mobile app, and excludes depreciation and amortization expense. Cost of revenue also includes third-party advertising fulfillment costs.

Cost of revenue for the three and nine months ended September 30, 2022 increased compared to the prior-year periods, primarily due to:

- increases in website infrastructure expense of $2.6 million and $10.2 million, respectively, as a result of investments in maintaining and improving our infrastructure;
- increases in advertising fulfillment costs of $2.3 million and $9.4 million, respectively, largely attributable to the expansion of Yelp Audiences; and
- increases in merchant credit card fees of $0.8 million and $2.6 million, respectively, primarily due to a higher volume of transactions associated with the increase in advertising revenue.

We expect cost of revenue to increase on an absolute dollar basis in 2022 compared to 2021.

Sales and Marketing. Our sales and marketing expenses primarily consist of employee costs (including sales commission and stock-based compensation expenses) for our sales and marketing employees. Sales and marketing expenses also include business and consumer acquisition marketing, community management, as well as allocated workplace and other supporting overhead costs.

Sales and marketing expenses for the three and nine months ended September 30, 2022 increased compared to the prior-year periods due to:

- increases of $16.4 million and $35.9 million, respectively, in employee costs due to higher average sales headcount as compared with the prior-year periods; and
- increases in marketing and advertising costs of $4.4 million and $18.3 million, respectively, primarily reflecting our investment in business owner and consumer marketing.

These increases were partially offset by decreases in allocated workplace operating costs of $2.0 million and $6.5 million, respectively, from reductions in our leased office space.

We expect sales and marketing expenses to continue to increase in 2022 compared to 2021 as we hire across our sales and marketing teams and invest in marketing initiatives. However, we expect sales and marketing expenses to decrease as a percentage of net revenue in 2022 compared to 2021.

Product Development. Our product development expenses primarily consist of employee costs (including bonuses and stock-based compensation expense, net of capitalized employee costs associated with capitalized website and internal-use software development) for our engineers, product management and corporate infrastructure employees. In addition, product development expenses include allocated workplace and other supporting overhead costs.

Product development expenses for the three and nine months ended September 30, 2022 increased compared to the prior-year periods primarily due to increases in employee costs of $6.3 million and $28.5 million, respectively, as a result of higher average headcount.

We expect product development expenses to continue to increase in 2022 compared to 2021 as we expand our product and engineering teams and invest to support our product initiatives, but decrease as a percentage of net revenue as our distributed operations and growth strategy provide leverage.

General and Administrative. Our general and administrative expenses primarily consist of employee costs (including stock-based compensation expense) for our executive, finance, user operations, legal, people operations and other administrative employees. Our general and administrative expenses also include our provision for doubtful accounts, consulting costs, as well as workplace and other supporting overhead costs.

General and administrative expenses for the three and nine months ended September 30, 2022 increased compared to the prior-year periods due to:

- increases in employee costs of $5.1 million and $11.6 million, respectively, resulting from higher average headcount; and
- increases in our provision for doubtful accounts of $3.0 million and $8.4 million, respectively, as a result of the increases in advertising revenue and the release of higher amounts of COVID-19-related bad debt reserves in the prior-year periods.

The increase for the three months ended September 30, 2022 compared to the prior-year period was also driven by an impairment charge of $10.5 million recognized during the current-year period related to the right-of-use asset and leasehold improvements for office space that was subleased (see Note 8, "*Leases*," of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further detail).

We expect general and administrative expenses to continue to increase in 2022 compared to 2021 to support the continued growth of our business. We expect general and administrative expenses as a percentage of net revenue to remain relatively consistent in 2022 compared to 2021.

Depreciation and Amortization. Depreciation and amortization expense primarily consists of depreciation on computer equipment, software, leasehold improvements, capitalized website and software development costs, and amortization of purchased intangible assets.

Depreciation and amortization expense for the three and nine months ended September 30, 2022 decreased compared to the prior-year periods, primarily due to decreases in depreciation expense of leasehold improvements from asset retirements related to lease terminations and expirations and, to a lesser extent, lower amortization expense resulting from intangible assets that had become fully amortized since prior year.

Other Income, Net

Other income, net consists primarily of the interest income earned on our cash, cash equivalents and marketable securities, the portion of our sublease income in excess of our lease cost, amortization of debt issuance costs, credit facility fees and foreign exchange gains and losses.

Other income, net for the three and nine months ended September 30, 2022 increased compared to the prior-year periods, primarily driven by higher interest income from our investments in money market funds due to increasing federal interest rates, net accretion on our investments in marketable securities, as well as higher tax incentives related to research and development activity in the United Kingdom.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of: federal and state income taxes in the United States and income taxes in certain foreign jurisdictions; deferred income taxes reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes; and the realization of net operating loss carryforwards.

Provision for income taxes for the three and nine months ended September 30, 2022 increased from the prior-year periods primarily due to an increase in the annual effective tax rate estimated for 2022 and decreases in discrete tax benefits from stock-based compensation in the current-year periods. The increase for the nine-month period also reflects an increase in year-to-date pre-tax income.

As of December 31, 2021, we had approximately $40.5 million in net deferred tax assets ("DTAs"). As of September 30, 2022, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize these DTAs. However, it is possible that some or all of these DTAs will not be realized. Therefore, unless we are able to generate sufficient taxable income from our operations, a substantial valuation allowance may be required to reduce our DTAs, which would materially increase our expenses in the period in which we recognize the allowance and have a materially adverse impact on our consolidated financial statements. The exact timing and amount of the valuation allowance recognition are subject to change on the basis of the net income that we are able to actually achieve. We will continue to evaluate the possible recognition of a valuation allowance on a quarterly basis.

Our GAAP tax rate is impacted by a number of factors that are not in our direct control and that are subject to quarterly variability, which limits our visibility into the applicable rate for future fiscal periods. While we currently expect our GAAP tax rate for 2022 to be a substantial positive rate — potentially exceeding our previous estimate of 38% — it ultimately depends on, among other things, the status of legislative efforts to repeal the requirement under the U.S. Tax Cuts and Jobs Act (the "Tax Act") to capitalize and amortize research and development expenses, which may result in a substantially lower rate if successful, as well as the amount of our stock-based compensation expense, which fluctuates based on our stock price. We do not plan to provide regular updates to our estimate of our 2022 GAAP tax rate given the uncertainty inherent in it as a result of these factors; however, we note that it may have a material and adverse impact on our cash flows in 2022 as well as future years.

Non-GAAP Financial Measures

Our condensed consolidated financial statements are prepared in accordance with GAAP. However, we have also disclosed below adjusted EBITDA and adjusted EBITDA margin, each of which is a non-GAAP financial measure.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. In particular, adjusted EBITDA should not be viewed as a substitute 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 adjusted EBITDA does not reflect all cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the impact of the recording or release of valuation allowances or tax payments that may represent a reduction in cash available to us;
- 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 impairment charges; and
- other companies, including those in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

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

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate 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 impairment charges.

Adjusted EBITDA margin. Adjusted EBITDA margin is a non-GAAP financial measure that we calculate as adjusted EBITDA divided by net revenue.

The following is a reconciliation of net income to adjusted EBITDA, as well as the calculation of net income margin and adjusted EBITDA margin, for each of the periods indicated (in thousands, except percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Reconciliation of Net Income to Adjusted EBITDA:				
Net income	$ 9,108	$ 18,065	$ 16,202	$ 16,481
Provision for (benefit from) income taxes	7,007	3,911	13,714	(2,982)
Other income, net	(2,691)	(331)	(4,947)	(1,578)
Depreciation and amortization	11,417	12,627	34,165	38,543
Stock-based compensation	38,632	36,442	119,753	116,546
Restructuring	—	—	—	32
Asset impairment[1]	10,464	—	10,464	11,164
Adjusted EBITDA	$ 73,937	$ 70,714	$ 189,351	$ 178,206
Net revenue	$ 308,891	$ 269,155	$ 884,403	$ 758,439
Net income margin	3 %	7 %	2 %	2 %
Adjusted EBITDA margin	24 %	26 %	21 %	23 %

[1] Recorded within general and administrative expenses on our Condensed Consolidated Statements of Operations.

Liquidity and Capital Resources

Sources of Cash

As of September 30, 2022, we had cash and cash equivalents of $331.0 million and marketable securities of $90.9 million. Cash and cash equivalents consist of cash, money market funds and investments with original maturities of three months or less. Our cash held internationally as of September 30, 2022 was $13.7 million. As of September 30, 2022, we also had $10.0 million of investments in certificates of deposit with minority-owned financial institutions.

In July 2022, we began purchasing highly rated debt securities which are classified as available-for-sale on our condensed consolidated balance sheets. Our investment portfolio comprises highly rated marketable securities, and our investment policy limits the amount of credit exposure to any one issuer. The policy generally requires securities to be investment grade (i.e., rated ‘A’ or higher by bond rating firms) with the objective of minimizing the potential risk of principal loss.

To date, we have been able to finance our operations and our acquisitions through proceeds from private and public financings, including our initial public offering in March 2012 and our follow-on offering in October 2013, cash generated from operations, and, to a lesser extent, cash provided by the exercise of employee stock options and purchases under the Employee Stock Purchase Plan, as amended, as well as proceeds from our sale of Eat24 to Grubhub in October 2017.

We have the ability to access backup liquidity to fund working capital and for other capital requirements, as needed, through a three-year, $75.0 million senior unsecured revolving credit facility (including a $25.0 million letter of credit sub-limit) as part of our Credit Agreement with Wells Fargo Bank, National Association which we entered into in May 2020 (as amended by the Letter Agreement, dated as of September 27, 2022, the "Credit Agreement"). As of September 30, 2022, we had $20.5 million of letters of credit under the sub-limit related to lease agreements for certain office locations, which are required to be maintained and issued to the landlords of each facility, and $54.5 million remained available under the revolving credit facility as of that date. The cost of capital associated with this credit facility was not significantly more than the cost of capital that we would have expected prior to the onset of the COVID-19 pandemic. As of September 30, 2022, we were in compliance with all covenants and there were no loans outstanding under the Credit Agreement. For more information about

the terms of the Credit Agreement, including financial covenants, events of default and other limitations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" included under Part II, Item 7 in our Annual Report.

Material Cash Requirements

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under "*Risk Factors*" included under Part I, Item 1A in our Annual Report, as updated by Part II, Item 1A of this Quarterly Report. We believe that our existing cash and cash equivalents, together with any cash generated from operations, will be sufficient to meet our material cash requirements in the next 12 months and beyond, including: working capital requirements; our anticipated repurchases of common stock pursuant to our stock repurchase program; payment of taxes related to the net share settlement of equity awards; payment of lease costs related to our operating leases; the potential payment of a higher amount of income taxes beginning in 2022, primarily due to the new requirement to amortize certain research and development expenses under the Tax Act; and purchases of property, equipment and software and website hosting services. However, this estimate is based on a number of assumptions that may prove to be materially different and we could exhaust our available cash and cash equivalents earlier than presently anticipated. We are not able to reasonably estimate the timing of future cash flow related to $29.5 million of uncertain tax position. We may be required to draw down funds from our revolving credit facility or seek additional funds through equity or debt financings to respond to business challenges associated with adverse macroeconomic conditions, including the ongoing COVID-19 pandemic, or other challenges, including the need to develop new features and products or enhance existing services, improve our operating infrastructure or acquire complementary businesses and technologies.

We lease office facilities under operating lease agreements that expire from 2022 to 2031. Our cash requirements related to these lease agreements are $150.1 million, of which $46.4 million is expected to be paid within the next 12 months. The total lease obligations are partially offset by our future minimum rental receipts to be received under non-cancelable subleases of $46.0 million. See Note 8, "*Leases*," of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further detail on our operating lease obligations.

Our cash requirements related to purchase obligations consisting of non-cancelable agreements to purchase goods and services required in the ordinary course of business — primarily website hosting services — are approximately $34.1 million, of which approximately $32.3 million is expected to be paid within the next 12 months.

The cost of capital associated with any additional funds sought in the future might be adversely impacted by macroeconomic conditions, including persistent inflation and continued interest rate hikes, on our business. Additionally, amounts deposited with third-party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits, as applicable. These cash and cash equivalents could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2022	**2021**
Condensed Consolidated Statements of Cash Flows Data:		
Net cash provided by operating activities	$ 147,836	$ 167,735
Net cash used in investing activities	$ (111,307)	$ (21,259)
Net cash used in financing activities	$ (182,024)	$ (210,205)

Operating Activities. Net cash provided by operating activities during the nine months ended September 30, 2022 decreased compared to the prior-year period primarily due to an increase in taxes and employee costs paid as well as the timing of payments to vendors. These movements were partially offset by an increase in cash provided by customers due to higher revenue, an increase in accrued employee costs due to higher performance of sales representatives and timing of payment of payroll taxes.

Investing Activities. Net cash used in investing activities during the nine months ended September 30, 2022 increased compared to the prior-year period primarily due to the purchase of marketable securities. In July 2022, we began investing in

highly rated debt securities as we changed our investment strategy in order to earn a higher overall rate of return from our cash position.

Financing Activities. Net cash used in financing activities during the nine months ended September 30, 2022 decreased compared to the prior-year period primarily due to a decrease in repurchases of the Company's common stock.

Stock Repurchase Program

As of September 30, 2022, our board of directors had authorized us to repurchase up to an aggregate of $1.2 billion of our outstanding common stock since it initially authorized our stock repurchase program in July 2017. During the nine months ended September 30, 2022, we repurchased on the open market 4,639,373 shares for an aggregate purchase price of $150.0 million. During the nine months ended September 30, 2021, we repurchased on the open market 4,687,066 shares for an aggregate purchase price of $177.8 million.

On November 1, 2022, our board of directors authorized a $250.0 million increase to our stock repurchase program, bringing the total amount of repurchases authorized under our stock repurchase program since its inception to $1.5 billion. We repurchased $25.8 million of shares subsequent to September 30, 2022, resulting in approximately $305.9 million remaining available for future repurchases following the increase on November 1, 2022.

We may repurchase shares at our discretion in the open market, privately negotiated transactions, in transactions structured through investment banking institutions or a combination of the foregoing. The program is not subject to any time limit and may be modified, suspended or discontinued at any time. The amount and timing of repurchases are subject to a variety of factors, including liquidity, cash flow and market conditions.

We have funded all repurchases to date and expect to fund any future repurchases with cash available on our balance sheet.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of business. These risks primarily include interest rate, foreign exchange risks and inflation, and have not changed materially from the market risks we were exposed to in the year ended December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by the collusion of two or more people or by management override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal proceedings in which we are involved, see "Legal Proceedings" in Note 12, "*Commitments and Contingencies*," of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report, which is incorporated herein by reference. We are also subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently do not believe that the final outcome of any of these other matters will have a material effect on our business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risks factors set forth in the section titled "*Risk Factors*" included under Part I, Item 1A of our Annual Report, which describes various risks and uncertainties that could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock. You should carefully consider the risks and uncertainties described in the Annual Report and below before making an investment decision.

Adverse macroeconomic conditions — such as the COVID-19 pandemic and current uncertain economic environment — have had, and may continue to have, a significant adverse impact on our business and results of operations, and also expose us to other risks.

There is currently an uncertain and inflationary economic environment in the United States, partially as a result of the COVID-19 pandemic and efforts to contain it and manage its impacts, which have created significant macroeconomic disruption and volatility. In addition, the existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, supply shortages, increased costs of labor, as well as weakening exchange rates and other similar effects. These challenging macroeconomic conditions have had, and may continue to have, a significant adverse impact on our business and results of operations. For example, adverse macroeconomic conditions have had, and may continue to have, a negative impact on the ability and willingness of advertisers to spend on our products and services. In 2020, businesses reduced their spending with us as a result of pandemic-related closures and restrictions, resulting in a 14% decrease in net revenue compared to 2019. Although public health restrictions eased in 2021, many businesses continued operating at a limited capacity as a safety precaution or in response to reduced consumer demand, which continued to negatively impact their advertising spending with us as a result. While our business has now surpassed its pre-pandemic performance in many areas and advertiser demand has been strong in 2022, many businesses continue to face supply chain issues, rising commodity prices, and inventory and labor shortages. We have observed increased caution among a subset of multi-location advertisers in the third quarter in response to the macroeconomic environment, which we expect to lead to less incremental spend from such advertisers in the fourth quarter, which may have an adverse impact on our results of operations for the fourth quarter of and full year 2022.

Changes in consumer behavior due to adverse economic conditions may also negatively impact our business. For example, although vaccines became available and public health restrictions eased in 2021, consumer traffic to our platform remained below pre-pandemic 2019 levels as the number of COVID-19 cases continued to fluctuate; this impact was particularly pronounced in certain geographies within the United States and in our Restaurants, Retail & Other categories. Subsequent increases in economic uncertainty and inflationary pressures and the ongoing concerns related to COVID-19 and its variants have continued to negatively impact consumer traffic and user activity in 2022 compared to 2019. Additionally, the impacts of inflation are felt by consumers who face rising prices for a variety of goods and services, which could reduce the amount of discretionary spending that would otherwise be available, which could further impact consumer traffic.

Because traffic to and user engagement on our platform together impact the number of ads we are able to show as well as the value of those ads to businesses, such negative impacts on consumer activity may also make it more difficult to convince existing and prospective advertisers that our products offer them a material benefit and generate a competitive return relative to other alternatives. Strong advertiser demand combined with less robust consumer activity has significantly increased our average CPC in the first three quarters of 2022 compared to the prior-year periods; if the value our products provide to advertisers does not keep pace with any further price increases, our revenue and results of operations could be harmed. This dynamic may be exacerbated if lower consumer activity is combined with a shift in consumer activity from categories with higher advertiser demand to those with lower advertiser demand, which we believe occurred in the first half of 2022 as consumer activity shifted away from our Services categories towards travel and leisure.

As adverse macroeconomic conditions continue, our business is also exposed to a variety of other risks, including:

- reductions in cash flows from operations and liquidity, which impact our capital allocation strategy in turn;

- setbacks on our progress on our strategic initiatives as we reallocate resources to responding to such adverse conditions;
- increased fluctuation in our operating results and volatility and uncertainty in our financial projections;
- reductions in the quantity and quality of content provided by users, which may further harm traffic to our platform;
- inefficiencies, delays and disruptions in our business due to the illness of key employees or a significant portion of our workforce;
- additional restructuring and impairment charges; and
- operational difficulties due to adverse effects of such conditions on our third-party service providers and strategic partners.

It is not possible for us to predict the remaining duration of the ongoing adverse macroeconomic conditions or of the pandemic, the severity of future COVID-19 variants and resulting restrictions, or the duration or magnitude of any resulting adverse impact on our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table summarizes our stock repurchase activity for the three months ended September 30, 2022 (in thousands, except for price per share):

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
July 1 – July 31, 2022	856	$ 28.78	856	$ 107,019
August 1 – August 31, 2022	274	$ 33.96	274	$ 97,708
September 1 – September 30, 2022	470	$ 34.15	470	$ 81,658

[1] Between July 2017 and September 2021, our board of directors authorized us to repurchase up to $1.2 billion of our outstanding common stock. On November 1, 2022, our board of directors authorized a $250.0 million increase to our stock repurchase program, bringing the total amount of repurchases authorized under our stock repurchase program since its inception to $1.5 billion. We repurchased $25.8 million of shares subsequent to September 30, 2022, resulting in approximately $305.9 million remaining available for future repurchases following the increase on November 1, 2022. The actual timing and amount of repurchases depend on a variety of factors, including liquidity, cash flow and market conditions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Stock Repurchase Program*" included under Part I, Item 2 in this Quarterly Report.

[2] Average price paid per share includes costs associated with the repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Yelp Inc., as Amended.	8-K	001-35444	3.1	7/8/2020	
3.2	Amended and Restated Bylaws of Yelp Inc.	8-K	001-35444	3.1	1/31/2022	
4.1	Reference is made to Exhibits 3.1 and 3.2.					
4.2	Form of Common Stock Certificate.	8-A/A	001-35444	4.1	9/23/2016	
10.1	Amendment to the Credit Agreement dated as of September 27, 2022, by and between Yelp Inc. and Wells Fargo Bank, National Association.					X
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer.					X
101.INS	Inline XBRL Instance Document (embedded within the Inline XBRL document).					
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).					

† The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Yelp Inc. under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	YELP INC.
Date: November 4, 2022	/s/ David Schwarzbach
	David Schwarzbach *Chief Financial Officer* *(Principal Financial and Accounting Officer and Duly Authorized Signatory)*

Exhibit 10.1

WELLS FARGO BANK, NATIONAL ASSOCIATION

September 27, 2022

Yelp Inc.
350 Mission Street, 10th Floor San Francisco, CA 94105 Attention:
David Schwarzbach

Re: Credit Agreement – Amendment

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 5, 2020 (as amended, restated, modified or supplemented and in effect immediately prior to the effectiveness of this letter agree ment, the "Credit Agreement"), by and among Yelp Inc., as Borrower (the "Borrower"), the lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender. Capitalized terms not defined in this letter agreement are used as defined in the Credit Agreement.

The Borrower has requested certain amendments to the Credit Agreement as set forth in the following sentence. Upon effectiveness of this letter agreement, the Administrative Agent and the Required Lenders, hereby agree that:

(i) Section 8.15 of the Credit Agreement hereby amended and restated in its entirety as follows:

"SECTION 8.15 Maintenance of Balances. Fail, at any time, to maintain deposit accounts with at least $125,000,000 in cash on deposit with a depository bank selected by the Borrower ; provided that the Borrower shall deliver to the Administrative Agent such evidence of compliance with this Section 8.15, including copies of statements from the depository bank, as the Administrative Agent may request from time to time."

(ii) Exhibit K (Borrower's Investment Policy) to the Credit Agreement is hereby amended and restated in its entirety with Exhibit K attached hereto as Annex A.

The provisions of this letter agreement shall be effective upon receipt by the Administrative Agent of this letter agreement, duly executed by the Administrative Agent, the Required Lenders and the Borrower. Upon such effectiveness, all references to the Credit Agreement in the Loan Documents shall refer to the Credit Agreement as amended by this letter agreement.

The Borrower hereby represents and warrants that the execution and delivery of this letter agreement (a) are within the power of the Borrower, (b) have been duly authorized by all necessary action on the part of the Borrower and (c) do not violate any Requirement of Law applicable to the Borrower. The Borrower confirms that before and after giving effect to this letter agreement, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (or if qualified by materiality or Material Adverse Effect, in all respects) as of the date

hereof (or if such representation speaks as of an earlier date, as of such earlier date) and no Default or Event of Default has occurred and is continuing.

Except as specifically modified herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the Borrower in all respects. This letter agreement may be executed in any number of counterparts and any party hereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this letter agreement when taken together will be deemed to be but one and the same instrument. Transmission by fax (or an email of a PDF or similar electronic image file) of an executed counterpart of this letter agreement shall be deemed to constitute due and sufficient delivery of such counterpart. This letter agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

[This Space Intentionally Left Blank]

This letter agreement is a Loan Document as defined in the Credit Agreement, and the expense reimbursement, indemnification, waiver of jury trial, consent to jurisdiction and other provisions of the Credit Agreement generally applicable to Loan Documents are applicable hereto and incorporated herein by this reference and this letter agreement shall be interpreted, construed and enforced as if all such provisions were set forth in full in this letter agreement.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent and a Lender

By: /s/ Alexis Saul-Klein
Name: Alexis Saul-Klein
Title: Lead Relationship Manager, Vice President

[Signature Page to Letter Agreement (Yelp)]

Accepted and agreed to:

YELP INC.,
as Borrower

By: /s/ David Schwarzbach
Name: David Schwarzbach Title: CFO

ANNEX A

Exhibit K

[Attached]

CORPORATE CASH INVESTMENT POLICY
June 2, 2022

PURPOSE

Yelp Inc. ("**Company**") maintains cash reserves to accommodate present and future operating and capital cash needs. These cash assets are to be invested in a manner that:

- Preserves capital
- Meets liquidity needs
- Maintains appropriate diversification
- Generates returns relative to these guidelines and prevailing market conditions

The Company's investment policy as described in this document ("**Policy**") is designed to:

- Designate responsibility for investing and reporting and provide appropriate authorizations and indemnification to those individuals
- Provide investment parameters and limitations
- List approved managers

INVESTMENT POLICY

1.0 OBJECTIVES

The Company's investment portfolio shall be maintained in a manner that minimizes risk of the invested capital. These risks include credit risk, interest rate risk and concentration risk. The portfolio must provide liquidity in a timely manner to accommodate operational and capital needs. The portfolio shall also generate a reasonable return given the risk and liquidity guidelines.

1.1 RISK and YIELD

The Company is adverse to incurring market risk or much credit risk, and will generally sacrifice yield in the interest of safety. Care must always be taken to insure that the Company's reported financial statements are never materially affected by decrease in the market value of securities held.

2.0 INVESTMENT AND REPORTING RESPONSIBILITIES

2.1 Approval

This Investment Policy is effective upon approval by the Company's Board of Directors ("**Board**") or, if delegated by the Board, the Audit Committee of the Board. Changes to the Policy may be made only through resolution approved by the Board or the Audit Committee.

2.2 Authorized Personnel

The CFO or such other employee who is responsible for the Company's Finance Department in the event that there is no CFO ("**Head of Finance**") shall be responsible for maintaining the Company's investment portfolio in accordance with this Policy. The Head of Finance is authorized to execute such orders, documents and directives as may be necessary, appropriate, or advisable in order to carry out its responsibilities under this Policy. The Head of Finance may further designate staff members to perform day-to-day operational functions in order to carry out directives that are consistent with the Policy. The Company shall indemnify the Head of Finance and its designees in connection with actions taken pursuant to and consistent with this Policy, unless such actions are unlawful.

2.3 Reporting

The Company shall maintain accounts and records sufficient to allow for tracking and accounting of individual securities in the investment portfolio. The status of the investment portfolio shall be available to the Head of Finance monthly. Reports will include a complete listing of the securities held, maturity dates, credit ratings ,yield analysis and risk analytics on sector exposure, credit ratings, comparisons relative to policy parameters, interest accrual and amortization/accretion reporting and realized and unrealized gain/loss summaries and portfolio returns against benchmarks.

3.0 INVESTMENT PARAMETERS/LIMITATIONS

3.1 Allowable Investments

The following investment types, minimum credit ratings, percentage limitations and maturity restrictions are approved:

Investment Type	Rating	Maximum % Limit*	Maximum Maturity
U.S. Treasuries	N/A	No maximum	2 years
U.S. Gov't Agencies	N/A	No maximum	2 years
Commercial Paper	A1 and P1	85%** 5% issuer	397 days
Corporate Obligations, including Notes, Bonds, and MTNs	A2 or A	85%** 5% issuer	2 years
Municipal Securities*** (as tax situation permits)	Aa2 or AA Mig1 and P1	20% 5% issuer	2 years
Institutional U.S. Treasury or Institutional U.S. Government Agency Funds	AAAm and Aaa	Minimum 3% of fund assets	Overnight
Asset-Backed Securities	AAA	10%**	2 years

* At time of purchase
** Combined
*** Non re-rated, pre-refunded municipals collateralized by U.S. Treasuries are approved

For Certificate of Deposits, the minimum assets of the issuing bank should be at least $1B. All marketable securities shall be rated by at least two nationally recognized Statistical Rating Organizations (NRSO's), one of which must be Standard and Poor's, Moody's Investor Services or Fitch Ratings. In case of split rating, the lowest rating shall be used for purposes of compliance with the Policy.

The overall portfolio must maintain a minimum average rating of AA- / Aa3 (Standard and Poor's, Moody's investor Services or Fitch Ratings).

3.2 Changes in current investment allocation

If the Head of Finance, in consultation with the Investment Manager, determines that the current investment allocation should change, the Audit Committee should be notified. For example, if the current investment is in T-Bills, and the investment allocation is changed to be invested in T-Bills and Commercial Paper, the Audit Committee will be notified. Note that the change in allocation still has to be in accordance with the investment policy.

3.3 Out of Compliance Investments

The Head of Finance must notify the Audit Committee of any investment that falls outside the scope of this Policy within 30 days of the date of noncompliance. All such investments will be assessed on an individual basis by the Audit Committee with any guidance from the Head of Finance that may be requested.

3.4 Security Downgrade

If securities are downgraded by one of the rating agencies, notification of the downgrade and recommendation of action should be sent to the Treasurer or designee within 2 business days of the downgrade event, or soon after as reasonably predictable. If a security rating drops below the minimum ratings, it may be held with approval of the CFO.

4.0 LIQUIDITY

Investments in securities shall be made so as to provide the liquidity necessary to meet the Company's operating and capital needs. The weighted average duration of the portfolio shall not exceed 1 year.

5.0 APPROVED INVESTMENT MANAGER

The company will seek the advice of a Registered Investment Advisor (the "**Investment Manager**") that specializes in corporate cash investing to direct a portion or all of the investment activities of the Company. We will only do business with brokers from firms that are stable and well established.

6.0 RESPONSIBILITIES OF INVESTMENT MANAGER

6.1 Adherence to Policy

6.1.1 Investment Manager is expected to observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments or instructions.

6.1.2 Investment Manager's acceptance of the responsibility of managing these funds will constitute a ratification of this Policy, affirming its belief that it is realistically capable of achieving the investment guidelines and limitations stated herein.

6.2 Communication

6.2.1 Investment Manager will be expected to keep the Company informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting its investment policies or philosophy.

6.2.2 Whenever Investment Manager believes that any particular guideline should be altered or deleted, it will be the Investment Manager's responsibility to communicate with the Company expressing its views and recommendations.

6.2.3 Investment Manager will provide timely notices of transaction activity as well as monthly performance reports.

6.2.4 Investment Manager will provide an SSAE16 SOC1 report annually.

6.2.5 Any information needed to assist the Company in conducting an evaluation of portfolio management will be provided on a timely basis.

7.0 REVIEW AND/OR MODIFICATION DATE

This Policy shall be reviewed regularly (at least annually) and modified to remain current with Company goals and the changing securities marketplace.

EXHIBIT 31.1

CERTIFICATION

I, Jeremy Stoppelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yelp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Jeremy Stoppelman

Jeremy Stoppelman
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David Schwarzbach, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yelp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ David Schwarzbach

David Schwarzbach
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Jeremy Stoppelman, Chief Executive Officer of Yelp Inc. (the "Company"), and David Schwarzbach, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 4th day of November, 2022.

/s/ Jeremy Stoppelman	/s/ David Schwarzbach
Jeremy Stoppelman	David Schwarzbach
Chief Executive Officer	*Chief Financial Officer*

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Yelp Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.