NUS INVESTMENT SOCIETY

YELP, Inc. (NYSE:YELP)

BUY: $55.70 (+42.1%)

Equity Research Department - TMT

Date: 27th October 2021

Analysts

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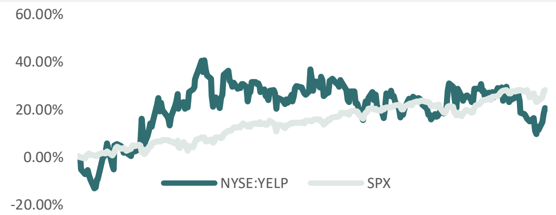
Basic Information

Last Closed Price	$39.20
12M Target Price	$55.70
+/- Potential	+42.1%
Bloomberg Ticker	YELP:US
GICS Sector	Communication Services
GICS Sub-Industry	Interactive Services

1Y Price v Relative Index



Company Description

Yelp Inc. operates a review platform that connects consumers with local businesses in the United States and internationally. It provides free and paid advertising products to businesses through cost-per-click search, multi-location ad products and targeted search advertising

Key Financials

Market Cap	USD$2.83b
Basic Shares O/S	73.5m
Free Float	95.1%
52-Wk High-Low	USD$26.30 -USD$43.86
Fiscal Year End	31-Dec-2021

(USD$ M)	FY19A	FY20A	FY21E	FY22E
Revenue	1014.2	872.9	1159.0	1321.1
Gr Rate (%)	7.6	-13.9	32.8	14.0
NPI	40.9	-19.4	54.6	80.0
Margin (%)	4.0	-2.2	4.7	6.1
ROE	5.4	-2.3	6.0	8.1
ROA	3.8	-1.7	4.6	6.2
D/E	0.42	0.35	0.32	0.30

Key Executives

Stoppelman, Jeremy	Chief Executive Officer
Schwarzbach, David A.	Chief Financial Officer

We are initiating coverage of **YELP, Inc. ("Yelp" or "Company")** with a **BUY** rating and a **$55.70** 12M price target.

2Q21 Earnings Highlight

- Total Revenue saw a 52% YoY growth from US$169M in 2Q20 to US$257M in 2Q21 as US economy recovers from the impact of COVID-19
- Reported Net Profit of US$4M, a sharp turnaround from the net Loss of US$24M reported in 2Q20
- EBITDA margins saw a YoY improvement of 18pp to 25% in 2Q21
- Ad clicks increased by 87% from 2Q20 to 2Q21 while Cost Per Click declined by 20%, reflecting increase in ROI Yelp provides for advertisers

Investment Thesis

- Unique positioning in the advertising industry with large headroom for further monetisation will enable Yelp to grab advertiser dollars shifting away from other platforms
- Effective cost reduction measures will enable Yelp to increase the use of its services at a lower cost, allowing it to expand its margins
- Yelp's transformation into a one-stop platform with expansions into new verticals will enable it to engage more new users

Catalysts

- 3Q21 earnings beat creates juxtaposition with big tech dismal Q3 performance, displaying Yelp's resilient advertising model with strong focus on first party data
- Controversies and regulatory actions against major advertising players like Facebook and Google indicates weakening economic moat and outflow of advertising dollars.
- Bullish US economic indicators bolsters investor's confidence of a strong economic recovery and retail reopening.

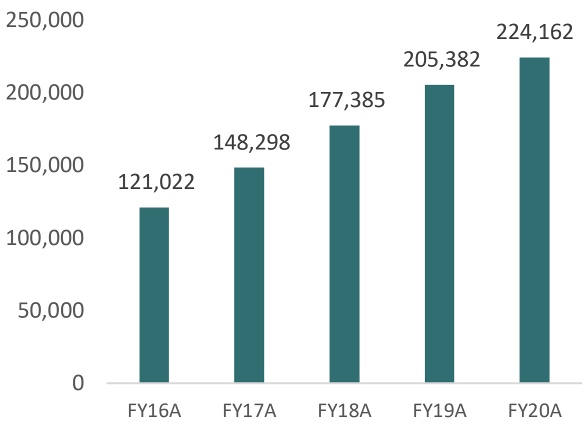
Valuations

Our 12M price target at the date of coverage is **$55.70**. The target price was derived from a blended average of share values calculated from 5Y DCF (Exit Multiple Method) and Relative Valuations based on FY22 EV/EBITDA and FY22 P/E multiples.

Investment Risks

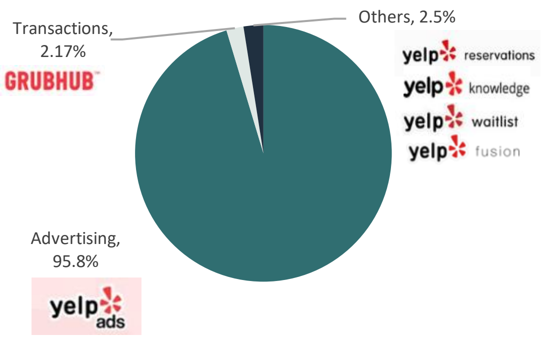
- **Worsening pandemic situation** will result in restrictions that affect SMBs, leading to lower sales and revenue for Yelp.
- **Lower advertisers' confidence in the newly differentiated advertising services** will reduce the advertising revenue.
- **Intense competition from Google** severely disadvantages Yelp, creating difficulties for Yelp to grow its user base.

Figure 1: Yelp's Cumulative Reviews ('000s)



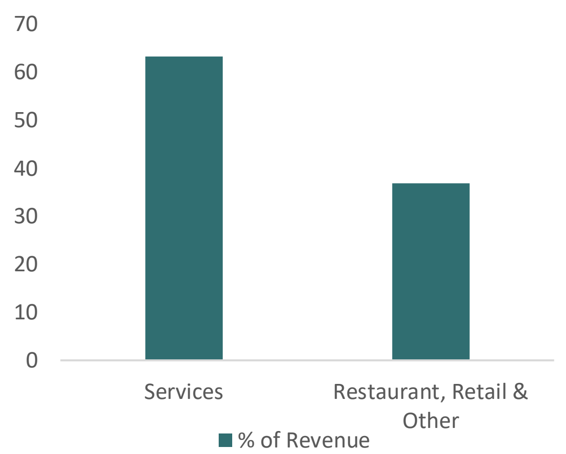
Source: Yelp Annual Report

Figure 2: Yelp Inc. revenue breakdown by segment



Source: Yelp Annual Report

Figure 3: Yelp Inc. revenue breakdown by types of businesses



Source: Yelp Annual Report

Company Overview

Yelp, Inc. ("Yelp") was founded in San Francisco, California in 2014. It is an online review platform that connects consumers with local businesses. Yelp has an international presence however its primary focus is in the US. The company works among various segments which can be broken down into two major categories including Services and Restaurants, Retail & Other. Yelp's main product is advertising where it allows businesses to deliver advertising through targeted search, multi-location ad products, cost-per-click search advertising and business listing products. Yelp also has other products such as Yelp Reservations which allows users to make online reservations at restaurants and venues, Yelp Waitlist which gives consumer the luxury of checking wait times and being able to wait for seats remotely and Yelp Knowledge where business owners can gain analytical insights for their business from historical data. Yelp operates mainly on its mobile app as well as its website where it crowdsources reviews. These reviews go through an algorithm which will screen and sieve out poorly crafted review. This reinforces Yelp's value proposition and creates an authentic environment with a highly trustworthy repository of reviews.

Revenue Mix

Yelp has three main revenue streams: Advertising, Transactions and Others. Yelp's advertising is the main revenue driver which accounted for 95.8% of their FY20 revenue of USD$ 872 million. Yelp's advertising can be separated into three main streams namely Local Sales, Self-serve and Multi-location. Local Sales and Self-serve mainly cater to small medium businesses (SMB) and account for almost half of the Advertising revenue in the latest quarter 2Q21. Yelp's revenue also comes from two main business types – Services and Restaurant, Retail & Other. Since 2019, Yelp has been executing their strategic initiatives to innovate and restructure their business model towards a more budget retentive one.

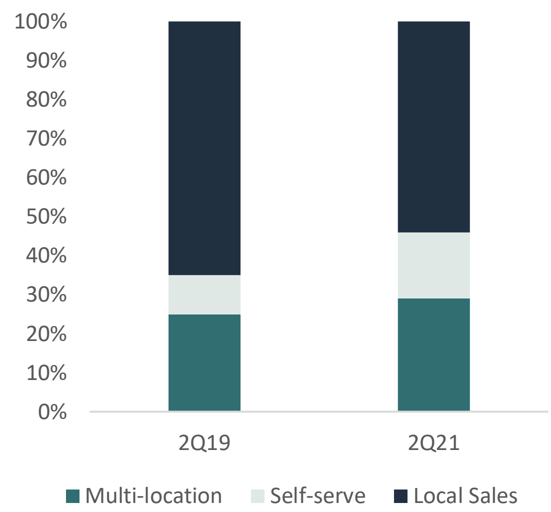
Local Sales Segment

Yelp has traditionally relied on local sales to drive its revenue where their Local Sales team will actively reach out to SMBs through phone calls and market to them the benefits of Yelp. SMBs who are keen to advertise on Yelp will be offered a variety of Full Service programs: Intro, Basic, Standard, Premium, Super and Ultra. These packages range from USD$400 to USD$2250 per month and these programs come with a 12-month lock in period where businesses will incur an early termination fee should they choose to opt out in advance. Notably, the prices of these packages are the maximum that SMBs will pay as Yelp charges on a cost per click (CPC) or cost per thousand impression (CPM) basis. Yelp is also flexible with the SMB's needs where they offer three- and six-months programs as well and allows SMBs to be charged on a performance-based rate. Local Sales has been struggling recently especially with the rise in digitalisation and pandemic where business prefer efficient and low-cost methods. Despite slowing growth rates in this segment, local sales still accounted for more than 50% of Yelp's advertising revenue.

Figure 4: Yelp's variety of Full Service program packages

Source: Yelp Website

Figure 5: Advertising Revenue by Channel (% of Total)



Source: Yelp 2Q21 Report

<u>Self-serve Segment</u>

Yelp recognised that many SMBs do not require the assistance of a sales team employee to assist them in setting up on Yelp, which led Yelp to introduce the Self-serve option. Through this option, SMBs will be able to set up on Yelp without a legally binding contract, flexible budget, and pay-per-use features. Self-serve mainly targets businesses who have low budget and are experimenting with Yelp as Self-service is more cost efficient and budget friendly, with no lock in period. Self-serve has been gaining traction with a rise from 10% to 17% of Advertising revenue in 2Q21, this is largely bolstered by the pandemic recovery and businesses have tighter financial capabilities.

<u>Multi-location Segment</u>

Yelp's multi location segment does not target SMBs unlike Local Sales and Self-serve, instead it mainly caters to businesses that have multiple outlets. These businesses may own stores at different addresses however they are still targeting local audiences, very much in line with Yelp's focal point. Yelp has a different advertising framework for Multi-location advertisers where they provide an omnichannel strategy for businesses by improving the consumer funnel. Yelp consistently introduce innovations such as Yelp Spotlight Ads and Yelp Audiences to improve awareness of the brands and engagement with their consumer base. Multi-location has grown from 25% of the advertising revenue to 27% by comparing Q2 of 2020 and 2021.

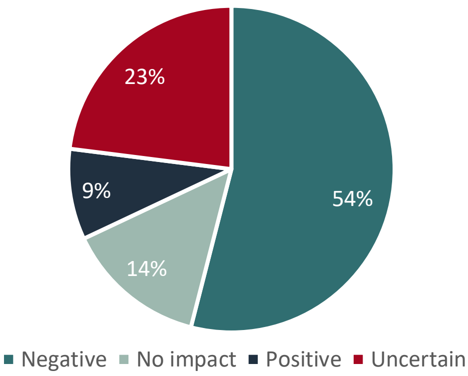
User Base

Yelp's main user base is in America and has a comparably limited presence internationally. In America, these consumers are even distributed by the three age groups: 18-34, 35-54 and 55+ with 31%, 36% and 33% respectively. These consumers have high spending power as more than 55% of them have annual income of more than USD$ 100 thousand, representing the top 33.5% earners in America. These users generally have the intent to spend money which translates to high conversion rates of over 90% for businesses listed on Yelp.

FY20 Earnings Review

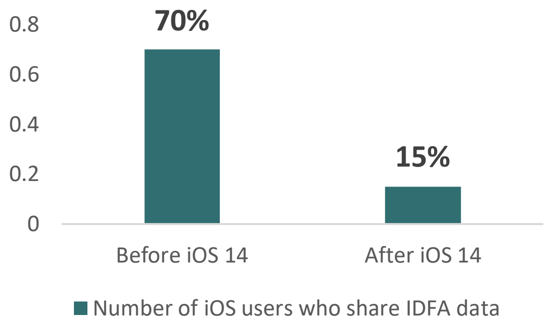
- Total net revenue declined 13.9% to USD$ 873 million largely due to the pandemic restrictions and lockdowns. The only fall in revenue in the past three FYs.
- Revenue was largely driven by advertising revenue of USD$ 836 million which accounted for 95.8% of total net revenue., representing a 14.4% decline year-on-year.
- Gross profit fell 14.3% from USD$ 951.8 in FY19 to USD$ 815.7 million in FY21.
- Gross profit margin however remained relatively constant from 93.8% in FY19 to 93.4% in FY20.
- EBITDA margin turned negative from 6.0% to -1.3% in FY21 as it declined from USD$ 60.7 million to negative USD$ 11.4 million.

Figure 6: Impact of IDFA Changes



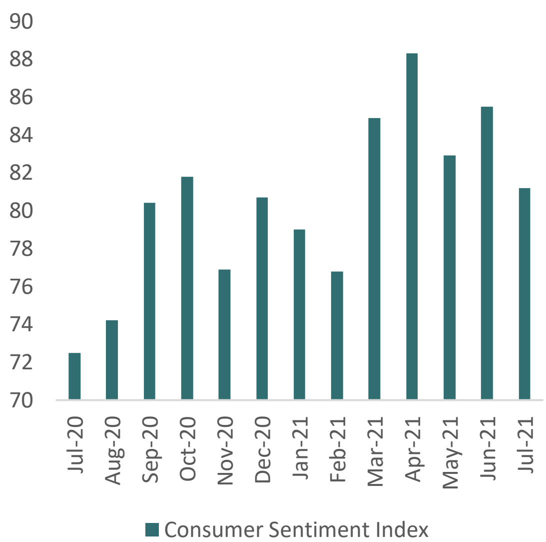
Source: Tinuiti

Figure 7: iOS users who allow IDFA identifier



Source:

Figure 8: USA Consumer Sentiment Index Change



Source: University of Michigan

Industry Outlook

Changes to IFDA since iOS14 release

IDFA refers to Identifier for Advertisers which is a feature that Apple assign to a user's device so that advertisers will be able to track the data to deliver tailored advertisements. Data collected include tracking the user's in-app activity like adverts that the user interacts with or spend more time looking at. IDFA was highly useful for advertisers to have precise data to analyse their campaign effectiveness.

With the release of iOS14, Apple has given users the option to block IDFA and prevent tracking on the app level as apps have to request permission from users to track usage patterns across other apps. Prior to iOS14, about 7 in 10 IOS users share their IDFA with app publishers, however with this move by Apple, numbers are expected to decline to 10 to 15%. To exacerbate the issue, Google is moving to eliminate third party cookies by 2023.

These privacy changes in the advertising industry will result in large advertising players to shift their advertising dollars to platforms that focuses on first party data such as Yelp which owns deterministic information on users' search queries and consumer trends.

Consumer confidence increases spending propensity

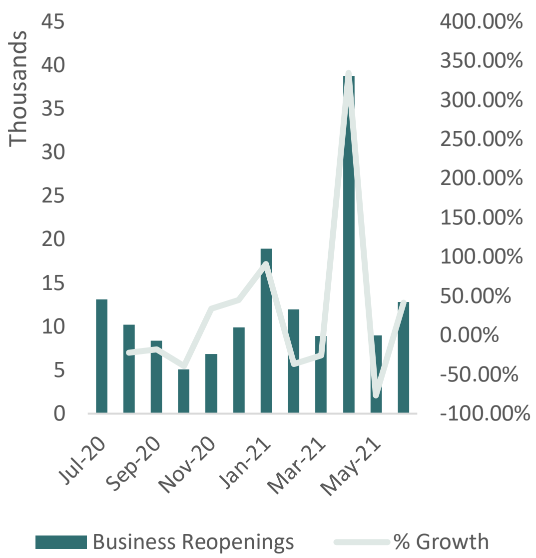
The world economy and specifically the United States economy has been badly affected by the impacts of the COVID-19 pandemic where many businesses were forced to shut down. While some businesses remained resilient, they have cut down on advertising costs during the pandemic due to the economic uncertainties. However, recently the economy is well poised for recovery as unemployment claims has declined to pre-pandemic levels of around 2.1 million. Consumer spending which is the main engine of the US economy has also been growing albeit at a slow rate of 0.8% in August 2021. With the decelerating spread of the Delta Variant, the US economy is expected to grow at 5.7% in 2021, existing businesses are expected to reopen, and more new businesses being created. According to a study conducted by Facebook, only 16% of small businesses remain closed compared to 22% back in February 2021.

In 2Q21, we also saw the largest volume of business reopening in the past year, and the trend is likely to continue especially with the rise in vaccination rollout. Reopening businesses are likely to drive business awareness by channelling more budget towards sales and marketing. From a consumer perspective, the general improvement in consumer confidence as reflected by the US Consumer Sentiment Index will result in a higher propensity for consumers to engage in discretionary spending. This leads to normalisation of review platforms' usage rates such as Yelp and Google Places, which sequentially leads to even more businesses spending money on advertising to capture this rise in demand.

Increasing prevalence in online review platforms

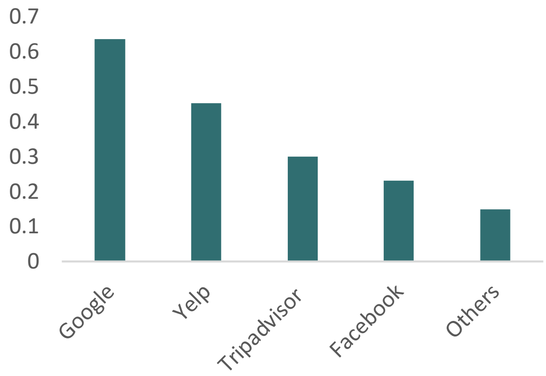
The Facebook survey also found digital tools becoming increasingly prevalent as 88% of small businesses are using them compared to 81% eight months ago. Businesses are now relying on digital methods

Figure 9: USA Business Reopenings in 2021



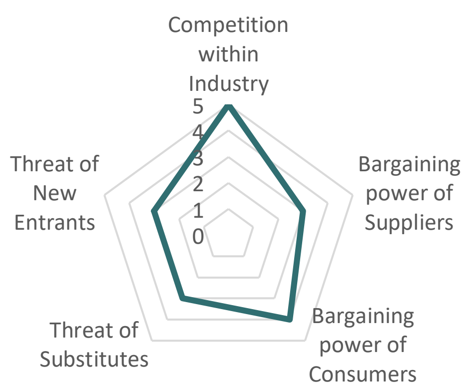
Source: Statista

Figure 10: Most Used Review Platforms



Source: Reviewtrackers

Figure 11: Porter's Five Forces



Source: NUS Investment Society Estimates

to reduce face-to-face contact with customers and to improve efficiency from a cost and operational aspect. This implies an accelerated shift towards digitalisation of businesses and makes online review sites more essential.

More consumers these days will go online to read reviews made by others before visiting a business physically, the proportion amounts to a staggering 91%. Apart from researching on reviews, more than 88% of consumers found online reviews to have the same level of credibility as word-of-mouth recommendations and believed that these reviews are around 12 times more believable compared to marketing materials. While the online review market has a sizeable number of companies, 88% of the reviews come from 4 main players – Google, Yelp, Tripadvisor and Facebook, in descending order. Studies have also shown that review interaction are 50% higher than pre-pandemic level, demonstrating the growth potential of the online review market.

Porter's Five Forces

Competition within industry – High

Companies in the same space as Yelp actively seeks to improve their product functionality for customers and gaining credibility. Yelp has invested in multiple segments of its business to deliver value to its customers through cost cutting measures and product innovations. It is also difficult for new entrants to reach the level of integration that Yelp currently possesses. The online review market is highly fragmented with no dominant players which is largely attributed to buyer's bargaining power. Additionally, big technology companies like Google also have the financial and software capabilities to erode Yelp's market share.

Threat of new entrants - Moderate

Review sites like Yelp are fundamentally software companies where the barrier to entry is relatively low. The capital expenditure needed to create such an online review application is low however new entrants lack the years of data collection that effectively powers Yelp's algorithm and machine learning capabilities. New entrants are also unlikely to replicate Yelp's unique selling point of being focused on local businesses and achieve its level of reputation among users in America.

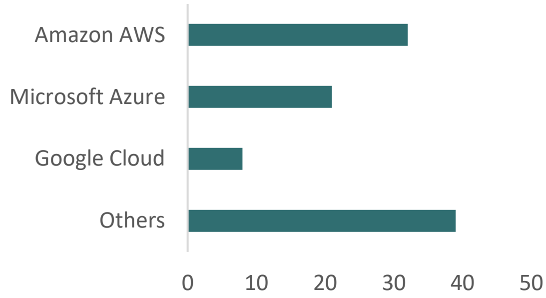
Threat of substitutes - Moderate

With the rise of Ecommerce, online review sites have become more paramount than ever. In this age of digitalisation, it is unlikely that consumers would stop using online review sites and prefer word of mouth recommendations. It I s possible for customers to switch to other review platforms such as Google reviews, but the higher quality of reviews and stricter rate rankings in Yelp will still attract more customers, reducing the threat of substitutes.

Bargaining power of customers - High

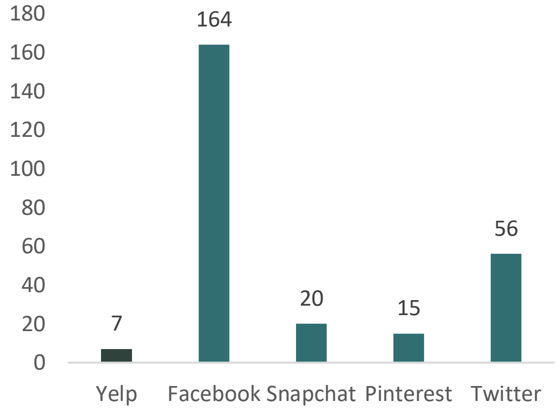
Yelp traditionally work with businesses on a contractual basis however many clients specifically small business owners are not willing to commit this sizeable sum of advertising dollars. This is further exacerbated by the nature of Yelp's platform where effects are

Figure 12: Market share of cloud computing industry



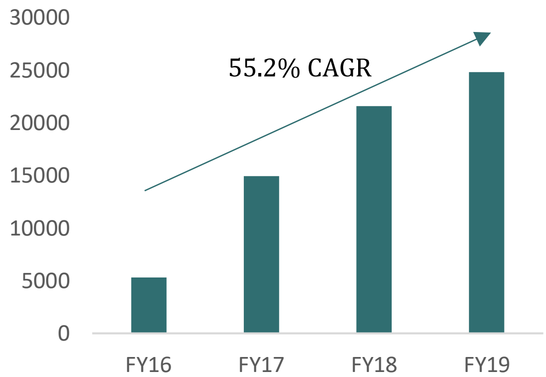
Source: Statista

Figure 13: FY20 ARPU Comparison (Annual)



Source: Company Filings

Figure 14: YOY Growth of "Other Revenue" Segment



Source: Company Filings

more observable in the long term. Thus, Yelp has since noticed this flaw and introduced a non-contractual segment to target this client base. While strategic, this solution also lowered the switching costs for existing clients as they can easily switch to other platforms like Tripadvisor. This pressures Yelp to charge the minimum price for the best functions and product quality.

Bargaining power of suppliers - Moderate

Yelp being an internet software company would mean that it relies on data centres and cloud computing, it also rents office spaces in San Francisco and New York. Yelp used to manage its own data centres but have since switched to Amazon Web Services (AWS) due to the large volume of data involved. The cloud computing industry is dominated by three main players – AWS, Microsoft Azure and Google Cloud, despite the oligopolistic nature of the market, pricing remains competitive as players rival for market share in this high growth market. Yelp has also been reducing its reliance on office spaces; hence the bargaining power of suppliers is quite limited for Yelp.

Investment Thesis

1. Yelp maintains a large user base that is ripe for further monetisation with its unique position to ride on industry tailwinds

Historically low ARPUV despite having an intent-driven user base and non-intrusive monetisation tools

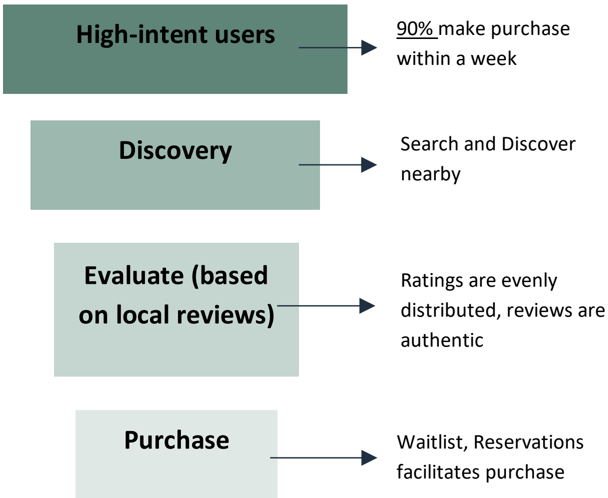
Yelp currently has a total of around 120M Monthly Active Visitors, even after it saw a high churn rate during the COVID period -- much to the dismay of the market. However, 90% of people make a purchase within a week after visiting Yelp. Afterall, the ability to source for inspirations conveniently is exactly what drives users to Yelp. This is what sets Yelp users apart from other Social Media users on Facebook and Instagram, and while they lack in scale, the value which Yelp users bring to the platform advertisers presents a long runway for monetisation. (Fig 13)

More importantly, there remain multiple levers that could be pulled for Yelp to increase to monetise these intent-driven users coming to Yelp -with non-intrusive features like targeted advertisements and vertically integrated solutions which are additive to the user experience. Not only do they not erode the user appeal like what Advertisements do to social media platforms, they help enhance users' decision making and provide accessibility to logistics arrangements. Currently, only 10.7% business owners on Yelp have paid for advertising services, which indicates that there is still a lot of room for monetization. We believe that Yelp will be able to easily increase monetisation from the existing low base, driving strong revenue growth going forward.

Vertically integrated solutions embedded within the same discovery platform provide a strong sales funnel for customer conversion

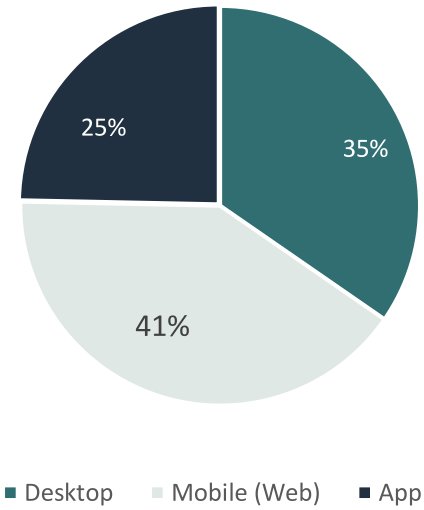
Yelp has strong sales funnel which drive customer conversion. 'Other revenue' segment in Yelp has increased with high compound growth rate of 55.2%. (Fig 14) This segment is mainly contributed by newly established verticals such as Yelp reservations and Yelp waitlist. This illustrates that business owners are likely to use these new features to better communicate with their customers.

Figure 15: Yelp's strong sales funnel facilitates conversion of users to actual customers



Source: Company Filings

Figure 16: Yelp's user base breakdown by device used



Source: Company Filings

What is perhaps underappreciated about this is that this does not only mean a new revenue segment, but it also means that Yelp owns a highly valuable user base of close proximity to the final stage of the customer conversion funnel. There is a large repository of local business reviews and descriptions, and users come on Yelp to actively look for products and services. With a strong sales funnel in place through Yelp Reservation and Yelp Waitlist, users are very likely to make purchases and become much more valuable to businesses when they visit Yelp. At the same time, businesses would be more willing to pay for advertising to convert these users into actual customers within the same ecosystem, allowing Yelp increasingly capture advertising dollars going forward.

<u>Highly deterministic first party data on users with strong purchase intent will enable Yelp to attract advertiser dollars against the backdrop of third-party data deprecation</u>

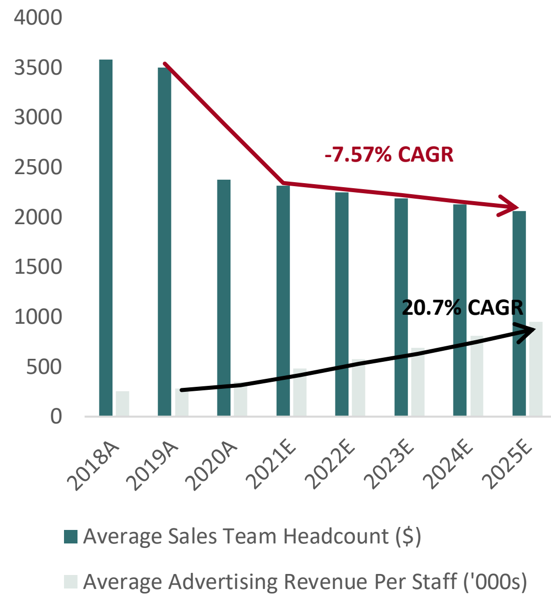
Yelp has historically focused and limited itself to advertising based on first party data such as users' activities on Yelp, and this had largely limited the number of advertisers it can onboard to the business verticals supported by Yelp. However, advertising on Yelp has high ROI with high customer conversion rate because the users come to Yelp with intentions for inspirations and ideas adjacent to what they have searched for.

Furthermore, Targeted advertisements are not based on tracking activities of a user from other domains. It is largely based on user's search activity and behaviour within Yelp, which are highly reflective of their interests and budgets. In addition, Yelp could ride on the tailwinds of 3rd party data removal because 95% of the data used by Yelp is from the first party and only 5 % of the data is from third parties. While it uses a bit of 3rd party data, considering the proportion of Yelp users, most of them are desktop and mobile app users. 35% Desktop users will not be affected by the iOS system update and the 25% mobile app users will not be affected by the google cookies' deprecations, making Yelp more resilient than any other social media platforms. (Fig 16) In comparison, other platforms such as Snapchat and Facebook have already experienced the reduction in advertising revenue because of the iOS system update and they face uncertain future about their advertising services. Currently, Yelp is severely underpenetrated with 520,000 paying locations which contribute to advertising revenue relative to 5.4 million active locations. It is expected that more businesses will put their advertising budgets into Yelp. Hence, Yelp is well positioned to capture more advertising dollars from other platforms, and we projected a 10% compound growth rate for the average revenue per user.

2. Cost reduction measures will lead to margin expansion as Yelp captures demand in the post-COVID environment.

Yelp has been severely penalised with declining gross margins and EBIT margins dropping into the red in FY20. While it has since implemented several measures in a bid to reduce costs, these measures have clearly been dismissed by the markets due to the underappreciation of their impact on its margins and revenue growth. We believe that Yelp's multi-front cost cutting measures are not only margin-accretive but would also drive the top-line growth as Yelp benefits from the post pandemic environment.

Figure 17: Changes to revenue with 50% layoff of sales team

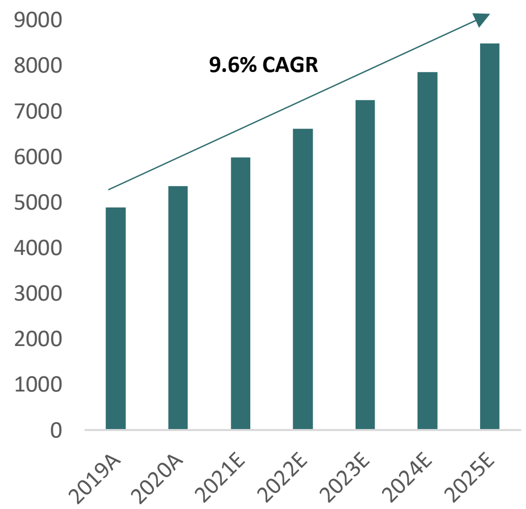


Source: Company Filings

Figure 18: Changes in product offering strategy to monetise untapped customer leads

Source: Company Filings

Figure 19: Number of actively claimed businesses growth rate



Source: Company Filings

Employee Layoff Improves Productivity and Cost Efficiency

As part of the Yelp's strategy towards the pandemic, Yelp has been actively shrinking their manpower for the HQ and sales team. Additionally, Yelp's current revenue growth strategy is to reduce overreliance on their local sales advertising and redirect resources to their Multi-Location and Self-serve segments. We believe that this strategic move will significantly improve Yelp's margins and EBIT as the bulk of their operating expenses comes from Selling General and Administrative (SG&A) expenses which is largely made up of from Sales and Marketing. Prior to these layoffs, Yelp's spending on its Sales and Marketing segment accounted for more than 50% of its revenue i.e. 53.7% in 2016, 51.8% in 2017, 51.3% in 2018 and 49.3% in 2019. On average, these costs also significantly accounted for more than 79% of Yelp's SG&A expenses.

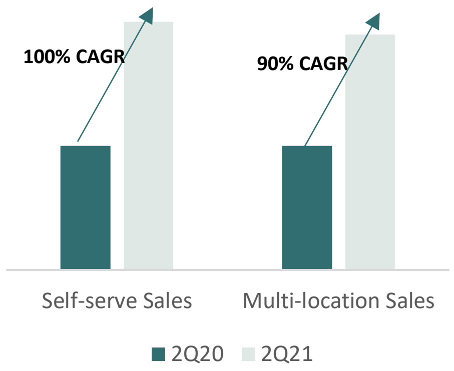
Yelp's sales team shrank by 32.1% from 3500 in FY19 to 2375 in FY20. Advertising Revenue decreased 14.4% from USD$ 977 million to USD$ 836 million. While this ostensibly gives a negative outlook for Yelp's costs cutting measures, we believe these measures will pay off well in the next twelve months from a per unit perspective. In 2019, the average advertising revenue per sales team employee was 279.1 thousand while in 2020 it was 352.0 thousand. This represents a 26.1% year-on-year increase which we believe is highly scalable for Yelp to improve its margins.

These strategic layoffs are also in line with inherently unproductiveness. For instance, the local Sales team has low productivity as the addressable market does not require salesforce of this size. This can be seen with the 50% decrease in local sales manpower however revenue grew more than 50% year on year as mentioned, this is largely due to the shift towards self-serve and multi-location sales which are more cost efficient and a consistent local sales productivity. Comparatively, self-serve sales improved 100% and multi-location 90% from the prior-year period. The proportion of self-serve and multi-location sales take up less than half of advertising revenue, we believe that with the high growth rates Yelp will be able to further leverage on these two segments to better scale their business in a more cost-efficient manner. We believe that Yelp's direction of reducing underperforming staffs and focusing on less cost intensive sales method will help with Yelp's profit margin and operating income.

Opportunities in margin-accretive self-serve advertising

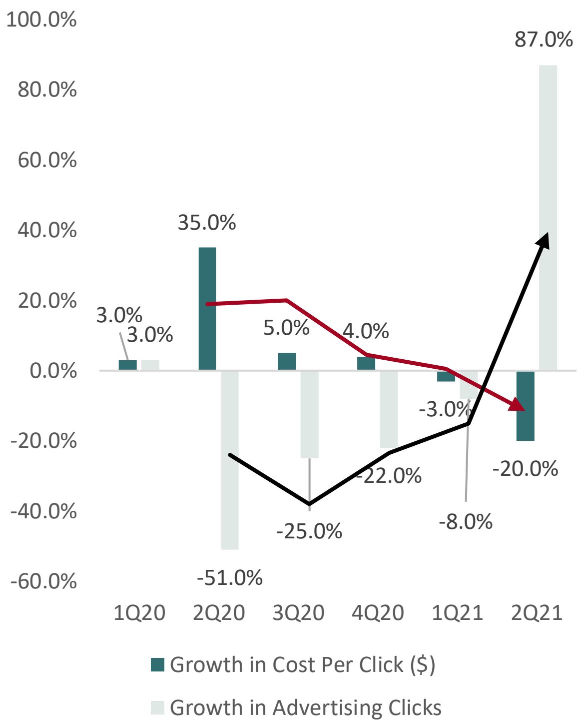
Traditionally, Yelp focus on local sales which requires customers and businesses to have a lock in period of three, six and twelve months and that really deterred many small businesses from taking up these extra costs which left many untapped businesses that Yelp could be monetizing. Local sales are also highly labour intensive as sales representatives will cold call businesses to market Yelp's advertising programs. However, Yelp's shift in strategy in 2019 towards a non-committed business model (Fig 18) gives small businesses the flexibility to use Yelp according to their needs and capabilities which really drives sales for Yelp. This model allows businesses to leave if no tangible improvements are observed.

Figure 20: Growth in revenue segments – Self-serve and Multi-location



Source: Company Filings

Figure 21: Accelerated margin improvements with unrealised upside potential



Source: Company Filings

While this may be seen as having lower customer retention, Yelp has instead flipped this into a winning strategy where they start monetizing untapped leads. In the past, small medium businesses are not willing to sign cost intensive plans with Yelp especially when they are not given a trial period however with the new model, businesses are given that flexibility. Research has also showed that businesses that go on Yelp are inclined to see an increase of 9% in revenue for every star they earned which boosts business confidence and retention. This has in fact allowed Yelp to increase the number of actively claimed local business locations from 4,889,000 in 2019 to 5,357,000 in 2020, and we believe that this will continue to grow at a CAGR of 9.6%. (Fig 19) As seen by the decline in cost per click and growth in advertising clicks, Yelp is beginning to gain traction and we believe that Yelp will ride this momentum to improve its margins and top-line growth.

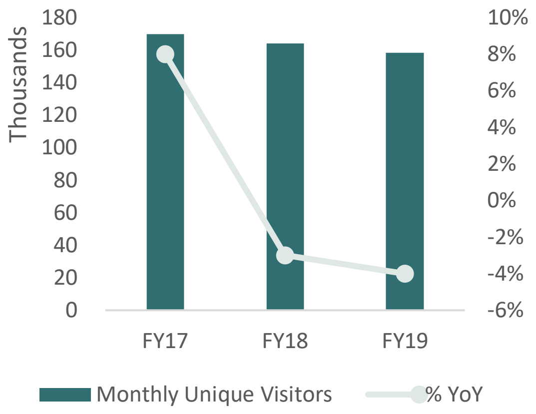
This pay-as-you-go model is the Self-serve model which Yelp is effectively focusing their manpower towards. With Yelp's shift in manpower allocation, Yelp is having its sales team guide small business on the use of the self-serve channel and showing them that Yelp Advertising works. The employees also aim to better customer retention since these are non-contractual revenue streams. Yelp is also actively investing in product development to improve the functionality and tools available so that it is more attractive for small businesses to take up Yelp. We believe that focusing on this self-serve segment which is more cost-efficient will pay off in the next twelve months there are already strong macro tailwinds that promote the spending on advertising dollars on Yelp platform.

Focus on More Profitable Multi-Location Segment

Apart from redirecting their sales team away from local sales, Yelp is also shifting towards multi-location advertising by expanding the suite of products and features available for businesses to optimise their advertising performance for all the different outlets through a single platform. Their recent shift in focus towards this segment allowed Yelp to introduce new features like Yelp Audiences, Yelp Search Ads and Yelp Connect. We believe that the multi-location segment has high growth potential as Yelp is leveraging on their fundamental value proposition to improve revenue generation. For instance, businesses will be able to use Yelp Connect to showcase their business story and post live updates which is a unique selling point that Yelp's competitors do not possess.

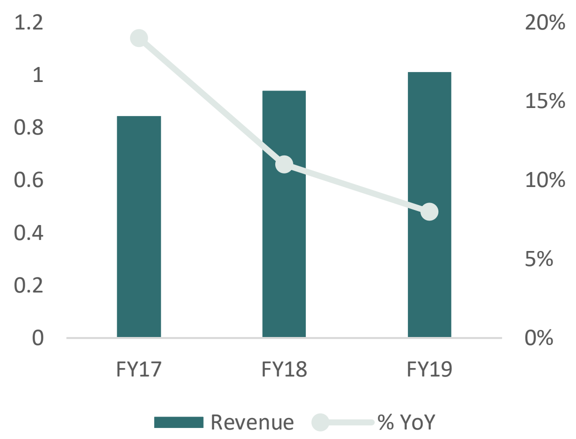
From a cost-per-click (CPC) perspective, Yelp has been able to lower advertising costs for their business through improved machine-learning models and bidding algorithm as average CPC has declined by 20% and ad clicks have improved 87%. We believe that businesses will grow to appreciate the value that Yelp brings and generate growth for Yelp's revenue. Yelp's strategy shift is also more cost efficient for Yelp as less sales team manpower is required for the same geographical coverage. The multi-location channel focuses on local businesses which has multiple outlets. While this channel still requires a sales rep, it is more cost effective for Yelp and from an employee to outlet ratio perspective. Multi-location sales have almost doubled its sales in the past year and still accounted for less than 35% of advertising revenue.

Fig 22: Decrease of Monthly Unique Visitors('000s)



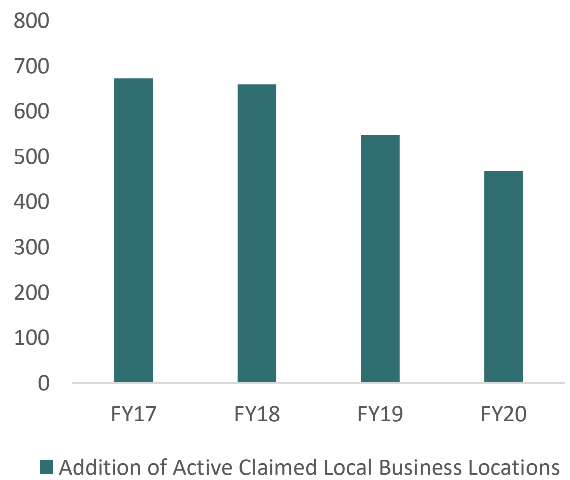
Source: Company Filings

Fig 23: Increase of the Revenue (Millions)



Source: Company Filings

Fig 24: Annual Addition of Local Business Locations (Thousands)



Source: Company Filings

As seen by the decline in the cost per click and growth in advertising clicks (Fig 21), we believe that Yelp will be able to continue this trend. The high year-on-year growth in Self-serve and Multi-location sales also display significant promise that this strategic shift can be further scaled to improve Yelp's margins, especially bolstered by the post pandemic business recovery tailwind.

3. Successful penetration into new verticals will transform Yelp into a one-stop platform that is highly appealing to new users

The market has been extremely pessimistic about Yelp's ability to grow its user base as seen by declining Monthly Unique Visitors over the past Financial Years. However, we maintain our view that Yelp platform remains sticky for its users despite the broader decline in scale measured by the number of unique visits. With continued penetration into new verticals while harnessing its value proposition of authentic local reviews, Yelp is well positioned to evolve into a one-stop platform for leisure and entertainment — driving strong user growth in the long run.

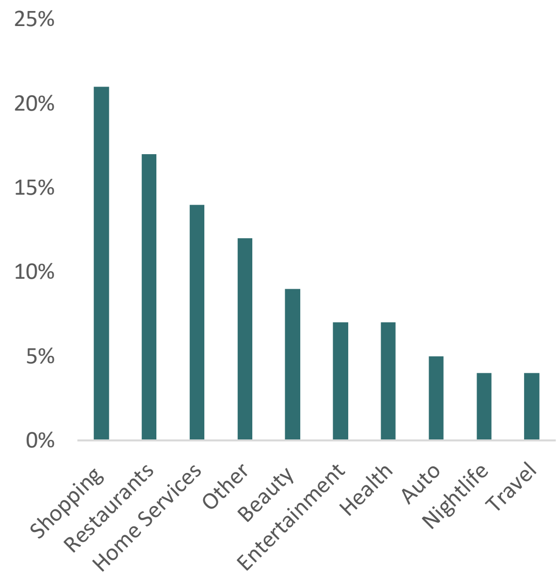
<u>Proportion of App users are higher despite a shrinking total Monthly Unique Visitors</u>

Before COVID-19, Yelp's Monthly Unique Visitors declined by a tepid 3% CAGR from 2017-2019. (Fig 22) While the decline has largely been led by the decrease in Desktop Unique Visitors and a more gradual decline in Mobile Unique Visitors, the increasing proportion of App Users suggests that its user base now has a larger proportion of users which meaningfully contributes to the usage of the platform. Thus, despite the decrease of the total Monthly Unique Visitors, the revenue generated increased by a 9.44% CAGR from 2017-2019 (Fig 23), given that revenue is generated based on the Ad Clicks. This reflects the increased time spent on Yelp. Moreover, Higher proportion of App users also fuels the future usage of Yelp. According to eMarketer, a digital market research company, shows that time spent on Apps is almost 9 times higher than websites in USA which is the main market for Yelp. Thus, it is desirable to see percentage of App users for Yelp increased from 22.5% to 24.7% in 2020. Such longer time spent on Yelp and proportion change imply that the total Monthly Unique Visitors will increase accretively which are stickier in the future, alleviating the existing concern about current stagnant user growth.

<u>Reaping the results of unique community-based marketing plan, the stickier community in yelp has an edge in local business promotion than those bigger platforms.</u>

Another reason that Yelp is viewed negatively be investors is the endeavours to establish review platforms such as Google, Facebook and TripAdvisor. Admittedly, they have the competitive advantage such as larger scale and traffic which Yelp may not possess. However, what may not be appreciated by the market is Yelp's years' community-based expansion plans which have built a sticker community for Yelp to search for local services. More suitable local services suggestions will bring more users in the future. To illustrate, the expansion plan of Yelp is always based on each community. Whenever Yelp expands, business owners and active reviewers will have face to face meetings, and even virtual sessions in 2020 Covid-19 period. Yelp Elite Squad, founded in 2006, a diverse community of passionate reviewers, was formed for more people to discover local business and enhance customer experiences. Yelp's effort to build local business platform is further proven by the 9.57% increase in the Active Claimed Local Business Locations in 2020. (Fig 24) Such step-by-step hands-on expansion plan will give Yelp a better understanding of local services and hence suggest more desirable services for customers, overshadowing the large-scale publication which lacks the in-depth research about local services. Hence, a sticker community will improve the creditability of Yelp in locals' minds in the long-run and improve the user experiences with local services in the future.

Fig 25: Reviewed Business by Category



Source: Company Filings

<u>Coupled with more future users in the Yelp community, a spectrum of local services categories is created and improved, fuelling the growth of Yelp to become the one-stop platform for local business.</u>

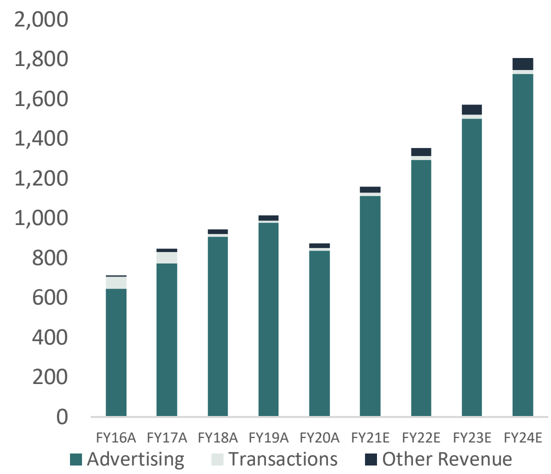
Home and local services expanded tremendously in Yelp in Covid-19 period. Overall, 34 million users come to Yelp for services needs in 2020. Total share of 25% in customer interests in first half of 2020 is related to local services. In particular, in June 2020, more than 900000 projects are created. Such needs tend to last after the Covid-19 period when habits are formed. Tapped on the opportunities of expanded market, Yelp tried to make innovations to address the problems of inefficiency and transparency to better match consumers and professionals in multiple categories. (Fig 25) Such features will enhance their users' experiences and help Yelp to increase their total addressable market. For example, in Aug 2020, recent Improved Request-a-Quote function matches needs of customers more accurately. To expand beyond the traditional restaurant and retail services, Yelp expand the categories of services ranging from salons to plumbers. With more than 32 categories of local services, users' needs of all aspects could be catered to. Furthermore, Nearby Jobs, a brand-new platform for professionals to get local jobs alerts, was created to facilitate a faster match in all service categories. Therefore, with all these features, more customers can find all kinds of local services with competitive pricing and better experiences, making Yelp the future one-stop local services platform.

Hence, with the successful transformation to one-stop platform for local services, Yelp could tap upon a larger total addressable market and have the great prospect of more Monthly Unique Users. Thus, it is expected that the total Monthly Active Visitors will increase by 13.1% CAGR.

Catalysts

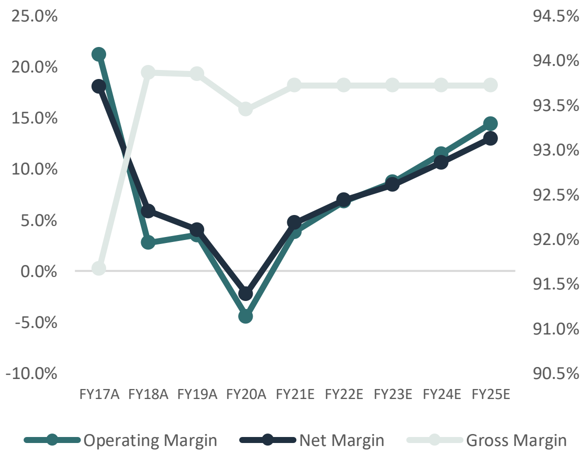
- Against the backdrop of Snapchat's and Facebook's dismal performance in Q3 due to Apple's iOS 14 new privacy features, we believe that the market is now looking past the size of user base and is increasingly focused on platforms' ability to monetise their users amidst uncertainties brought about by new tracking rules. Yelp, with its heavy reliance on search advertising based upon first party data, will be able to prove its resilient advertising business unlike the likes of Facebook and Snapchat.
- It is expected that macro indicators of the US economy recovering and growing to pre pandemic levels would bolster investors' confidence of retail reopening which includes restaurants and services, increasing the demand and revenue for Yelp.
- Regulatory actions and controversies surrounding other major advertising players like Facebook and Google would serve as an

Fig 26: Yelp's forecasted revenue by segment ('000s)



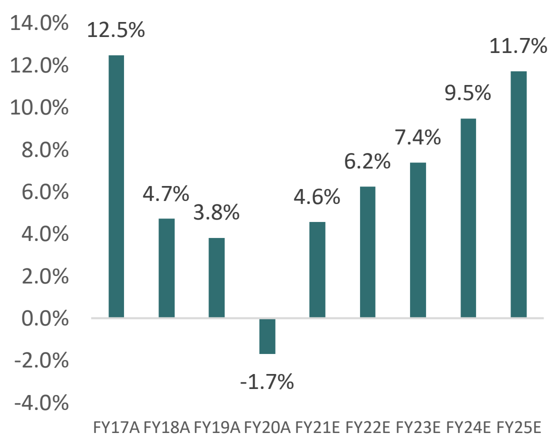
Source: NUS Investment Society Estimates

Fig 27: Margin Expansion post-pandemic



Source: NUS Investment Society Estimates

Fig 28: Improving ROIC as Yelp restructures its business



Source: NUS Investment Society Estimates

indicator to investors of that these big tech companies have weakening economic moat. This would lead them to look for pre-mature and niche alternatives like Yelp which are capturing this outflow of advertising dollars.

Financial Analysis

YELP
Financial Analysis

					Forecast			
Figures in USD thousands	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Growth								
Revenue		8%	-14%	33%	14%	14%	13%	12%
Profitability								
Gross Margin	93.9%	93.8%	93.4%	93.7%	93.7%	93.7%	93.7%	93.7%
EBIT Margin	2.7%	3.5%	-4.4%	3.8%	5.7%	6.8%	9.1%	11.8%
Net Profit Margin	5.9%	4.0%	-2.2%	4.7%	6.1%	6.9%	8.7%	10.9%
Liquidity								
Cash Ratio	11.6	3.1	4.2	4.2	4.4	4.7	5.2	5.9
Quick Ratio	13.0	3.9	4.8	5.0	5.3	5.6	6.1	6.9
Current Ratio	13.3	4.0	5.0	5.2	5.5	5.8	6.3	7.1
Efficiency								
ROA	4.7%	3.8%	-1.7%	4.6%	6.2%	7.4%	9.5%	11.7%
ROE	5.1%	5.4%	-2.3%	6.0%	8.1%	9.4%	11.9%	14.3%
ROIC	4.7%	3.8%	-1.7%	4.6%	6.2%	7.4%	9.5%	11.7%
Leverage								
Debt to Equity Ratio	0.1	0.4	0.4	0.3	0.3	0.3	0.3	0.2
Net Debt (Net Cash) to EBITDA Ratio	-3.4	1.7	-25.0	-3.3	-2.8	-2.7	-2.6	-2.6

Overview

The chart above reveals Yelp's historical financial condition, as well as our assumptions for the next few years. Most indicators yield positive and favourable trends that are supportive of the overall BUY recommendation.

Top Line Growth

We projected strong top-line growth as shelter-in-place restrictions loosen and advertisers expand their ad spend to draw consumers to their businesses. With its non-intrusive monetisation tools as well as its low APRU base, we are confident that the IDFA changes as well as the deprecation of the Google cookies would be huge positives for Yelp. Yelp's strategic move to shift its focus on self-serve and multi-location will also allow it to engage with advertisers which it has never been able to, giving us confidence that Yelp will become increasingly appealing to capture more advertiser dollars.

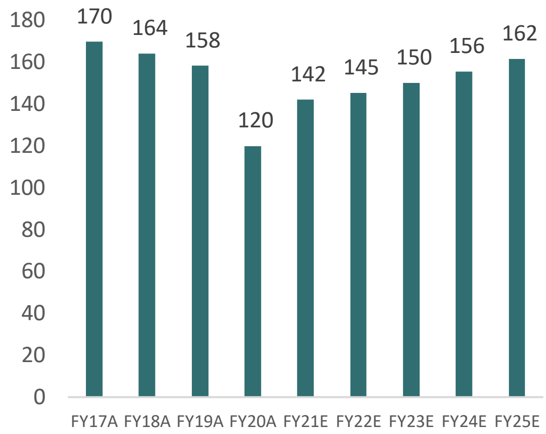
EBIT Margin

We believe that the margin-accretive benefits of Yelp's cost-cutting and business restructuring measures will materialize more quickly and effectively. Riding on the macro tailwinds of shifting advertising dollars to platforms with accurate and deterministic first party data, Yelp's strategic decision to operate with a leaner sales team going forward, will enable it to increasingly capture market share while continuing to tap on the strong cross-side network effects of its large repository of quality reviews. We are optimistic that this would lead to expansions in its EBIT margins going forward, led by reduced sales and marketing and G&A expenses, while it maintains strong top-line growth.

Cash Ratio

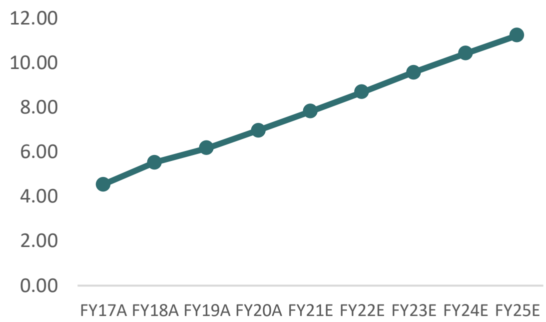
Yelp is currently sitting on a cash pile of 595M USD, giving it an extremely high cash ratio. As ROIC has historically been lower than our calculated WACC of 8.82%, we view Yelp's decision to not mobilise its cash over the past years very positively. Going forward, with Yelp now

Fig 29: Increasing Number of Monthly Unique Visitors (M) as Yelp expands outside of the F&B vertical



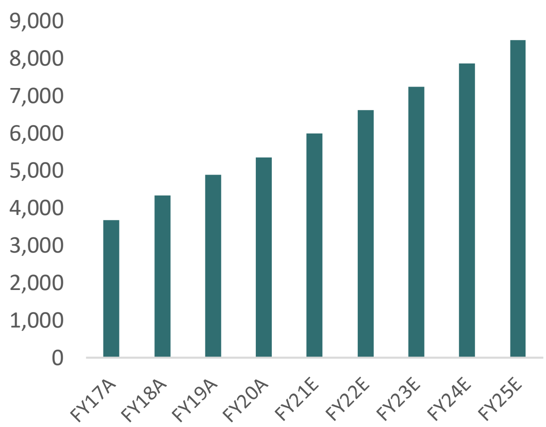
Source: NUS Investment Society Estimates

Fig 30: APRUV (US$) set to increase with strong macro tailwinds and business restructuring



Source: NUS Investment Society Estimates

Fig 31: Increasing Number of Active Claimed Local Business Locations ('000s)



Source: NUS Investment Society Estimates

on the cusp of a turnaround with much more focused strategies, we expect an increase in ROIC and believe that the 595M cash will provide it with a lot more flexibility in investing or acquiring projects that would be much more beneficial for the company.

Valuation

Valuation Price Target: **$55.70**; derived from Discounted Cash Flow analysis and Relative Valuation

DCF Model

We arrived at a 12M target price of USD 55.70, implying a 42.1% upside from the closing price of USD 39.20 as of 27 October 2021. The target price is derived from a blended average of share values calculated from 5Y DCF (Exit Multiple Method) and Relative Valuations based on the FY22 EV/EBITDA and FY22 P/E multiples.

Revenue projections:

Yelp's main revenue sources are from (1) Advertising [~95%], (2) Transactions [~1.5%] and (3) Other Vertically integrated solutions [~3.5%]. For (1), we projected based on the growth of Yelp's Monthly Unique Visitors and Average Revenue per Unique Visitor. For (2), we relied on our projections of Yelp's Monthly Unique Visitors and the Average Transaction per User. Lastly, for (3), we projected based on the number of Active Claimed Local Business Locations and the Average Spending on Vertical Solutions.

Advertising - Monthly Unique Visitors

We first projected a growth in Cumulative Review at an average of the past two years growth rate, then gradually decline it to 9% by 2025E, which is the growth rate during the pandemic year. The increase in Cumulative Review over the 5-year period is reasonable as Yelp expands into other verticals and evolve into a one-stop platform for trusted reviews. We then projected Monthly Unique Visitors as % of the Cumulative Reviews given the strong cross-side network effects of Yelp's platform. In essence, having a larger repository of reviews will help attract more users seeking for authentic and diversified reviews of places they intend to visit (Fig 29).

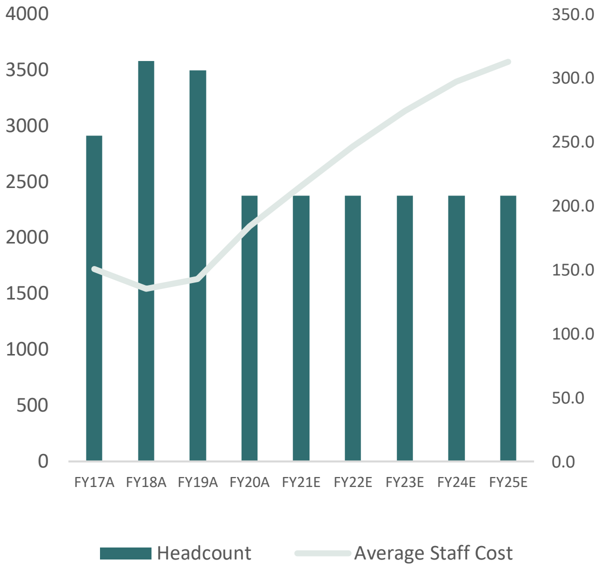
Advertising - Average Revenue per Unique Visitor

The search advertising market is poised to grow strongly at a CAGR 6.7% from 2021-2026, with display advertising falling out of favour due to uncertainties surrounding IDFA and third party cookies. As Yelp holds a dominant position in the search advertising market with intent-driven users who are prepared to head out and spend, Yelp is in a great position to benefit and see an increase in the Average Revenue per Unique Visitor — especially from a much lower base as compared to its peers. We thus projected Average Revenue per Unique Visitor to grow at the average growth rate of past two years, and gradually step down to 6.7% by 2026E (Fig 30).

Transactions - Average Transaction per User

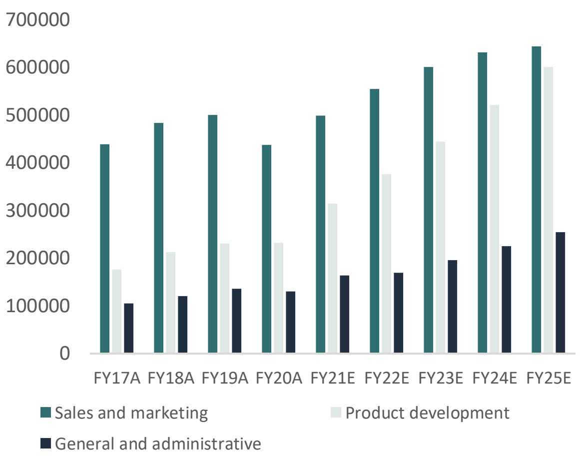
Given limited information on the transactions segment and the specific take rate agreements with GrubHub, we projected a constant Average Transaction Cost per User. The Transactions revenue will therefore be entirely driven by number of platform users.

Fig 32: Shrinking sales team and increasing average staff cost as Yelp focuses on self-serve and multi-location businesses



Source: NUS Investment Society Estimates

Fig 33: Yelp's Operating Expenses ('000s)



Source: NUS Investment Society Estimates

Fig 34: WACC Calculation

WACC	
Cost of Equity	**9.09%**
Cost of Debt	**1.83%**
Cost of Lease Liabilities	**4.75%**
Capital Structure Breakdown	
Market Cap (USD '000)	2,832,251
Market Value of Debt (USD '000)	-
Market Value of Lease Liabilities (USD '000)	184,531
Proportion of Equity Capital	93.9%
Proportion of Debt Capital	0.0%
Proportion of Lease Liabilities	6.1%
WACC	**8.82%**

Source: NUS Investment Society Estimates

Other Vertically Integrated Solutions - Active Claimed Local Business Locations

The number of Active Claimed Local Business locations is projected to see a net increase of 627 every year (Average of 2017-2019 net additions) throughout the 5 forecasted years (Fig 31). 2020 net addition has been omitted as the suspension of business operations had reduced the need for businesses to explore platforms like Yelp. We believe that an increase in the number of Active Claimed Local Business Locations will increase the utilisation of vertically integrated solutions like Yelp Reservation and Yelp Waitlist, contributing to growth in this segment.

Other Vertically Integrated Solutions - Average Spending on Vertical Solutions

As Average Spending on Vertical Solutions saw high fluctuations across the past years, we took the median of the past years (23%) as the near term growth rate before stepping it down to 2% by 2026E. We believe that the increase in Average Spending on such Vertical Solutions can be supported by the increasing number of highly convertible users on the platform — making these solutions which facilitate potential customers' transition to the purchase stage much more appealing to businesses on Yelp.

Operating Expense projections:

Our assumptions for Yelp's Operating Expenses were made based on Yelp's plans to operate with a leaner structure and a more focused strategy.

Sales and Marketing

We projected the Sales and Marketing expenses based on the Salesforce headcount and Average Sales Staff Cost. For the Salesforce headcount, we projected a gradual decline to 2000 by 2026E from 2375 in 2020A, in line with the shift the self-serve and multi-location. For Average Sales Staff Cost, we projected growth rate to be the average of the past two years (17.3%) before stepping it down to inflation rate by 2026E, in line with Yelp's increasing proportion of multi-location staff who command higher salary.

Product Development

As Yelp transits to a pay-as-you-go model through self-serve, we factored in the need for increased spending on engineering and products. Historically, Product Development expenses sat at the low 20% range of the total revenue, and we projected this % of revenue to gradually increase to 30% by 2026E.

WACC

For WACC, we split the capital structure into equity, debt and lease liabilities. For the calculations for Cost of Equity, we used the CAPM formula. For the Risk Free Rate, we used the 10 year treasury yield of 1.63%. We unlevered the industry adjusted Beta (assuming that security's beta will move towards market average of 1 over time), and relevered it with Yelp's Debt/Equity ratio, allowing us to derive a Beta of 1.58. The Market Risk Premium of 4.72% was derived from Damodaran's estimates. Altogether, the Cost of Equity was calculated to be 9.09%.

Cost of Debt was calculated by first calculating the pre-tax cost of debt, where we estimated the company default spread based on its interest coverage ratio and Damodaran ratings. We arrived at a pre-tax cost of

Fig 35: Terminal Value Calculation

Exit Multiple Method	
Total PV of Projected FCFF	**511,789**
Terminal year EBITDA ('000s)	437,092
Exit EV/EBITDA	13.35x
Terminal value ('000s)	5,834,012
PV of terminal value ('000s)	**3,664,648**

Source: NUS Investment Society Estimates

Fig 36: Sensitivity Analysis (Exit Multiple)

		Exit EV/EBITDA				
		11.35x	12.35x	13.35x	14.35x	15.35x
	6.82%	59.97	64.10	68.23	72.36	76.50
	7.82%	57.36	61.28	65.21	69.14	73.06
WACC	8.82%	54.90	58.63	62.36	66.10	69.83
	9.82%	52.58	56.13	59.68	63.23	66.78
	10.82%	50.39	53.77	57.15	60.52	63.90

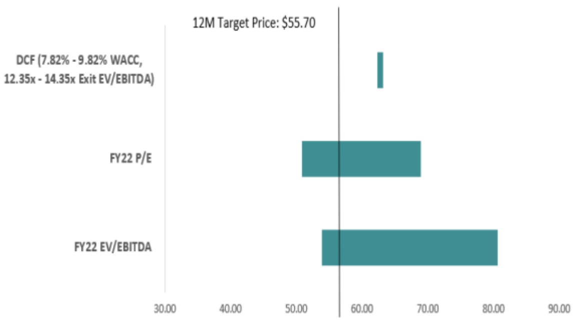
Source: NUS Investment Society Estimates

Fig 37: Comparable Companies' Valuation Metrics

	FY22 EV/EBTIDA	FY22 P/E
Lowest	9.84	19.03
25th Percentile	13.35	23.20
Median	23.42	41.64
75th Percentile	49.98	83.33
Highest	96.34	131.76

Source: NUS Investment Society Estimates

Fig 38: Football Field



Source: NUS Investment Society Estimates

debt of 2.32% after adding the company default spread to the Risk Free Rate. By using US corporate tax rate of 21% as the Effective Tax Rate, the after-tax Cost of Debt was calculated to be 1.83%.

For the Cost of Lease Liabilities, we estimated the pre-tax cost of lease liabilities based on the discount rate of 6.0% given in AR20. With Effective Tax Rate of 21%, the Cost of Lease Liabilities was calculated to be 4.75%.

With the above figures and a (LT Debt + Lease Liabilities)/ Equity Ratio of 0.07, we arrived at a WACC of 8.82%.

Terminal Value

To arrive at the terminal value, the Exit Multiple method was adopted. We believe that Yelp, with a much smaller user base compared to other social media platforms like Snapchat and Meta (formerly Facebook), deserves to trade at a slight discount to its peers. That is because with niche use cases and a small user base, Yelp does not have the same amount of optionality as its peers when it comes to entering new markets like the Metaverse or Cloud. We thus used the 25th percentile +1 FY EV/EBITDA of the industry as the exit multiple to get to the terminal value. We did not use the Perpetuity Growth method as we projected revenue to still be growing at 10% by FY26E, given that Yelp has historically been heavily under monetised.

Relative Valuation

For our Relative Valuation, we selected comparable companies whose revenues are the function of advertising expenditures. Our Relative Valuation shows that Yelp continues to trade at a steep discount as compared to peers, and it has not gotten much credit despite effective restructuring initiatives that are happening behind the scenes. We used FY22 multiples as we believe that near term multiples do not accurately reflect Yelp's restructuring initiatives as well as its comparative advantage over other platforms amidst a shifting advertising landscape. Given that it is well positioned to attract advertiser dollars with the amount of deterministic first-party data it has control over, we believe that it should trade at the median FY22 EV/EBITDA and FY22 P/E of its peers.

Investment Risks

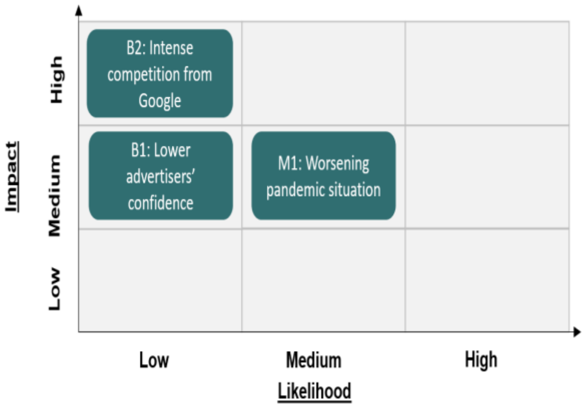
Market Risk 1(M1)

Worsening pandemic situation: if the pandemic situation in America worsens or a new variant emerges, this will result in state lockdowns and restrictions. SMBs which are the main bulk of Yelp's consumer base would be most affected, leading to lower sales and revenue for Yelp. However, it is expected that there is medium likelihood and impact for Yelp with the rise in vaccination rates and Yelp's proven pandemic strategy will well allow Yelp to weather another wave of restrictions.

Business Risk 2 (B2)

Lower advertisers' confidence in the newly differentiated advertising services: The newly differentiated advertising services are based on a pay-as-you-go model in Yelp's Self-serve Channel, which may not gain sufficient traction from the business owners, reducing their willingness to put their advertising budgets onto Yelp. However,

Fig 39: Investment Risk Matrix



Source: NUS Investment Society Estimates

this is mitigated by the sales force that Yelp has. Despite a lower scale, Yelp's sales force is still responsible for publicizing the strengths of Yelp's advertising services, whose capability is proven during the pandemic period. Moreover, once the Returns on Investment of Yelp's advertising products is proven, business owners will be more likely to choose Yelp's differentiated advertising, increasing the advertising revenue in the future.

Business Risk 3 (B3)

Intense competition from Google: Yelp competes directly with Google in the same breadth of search and discovery. Since Yelp's inception, Google has allegedly been violating antitrust laws that severely disadvantages Yelp -- such as manipulating SEO ranking and stealing reviews from Yelp -- which resulted in USD 2.7B fine by the EU in 2017. Google's continued monopoly over search and anticompetitive actions will create difficulties for Yelp to grow its repository of reviews and acquire new users. Despite the high impact, the likelihood of this risk is on the low side as Yelp actively differentiates itself with local authentic reviews which allows it to stand resilient, not to mention the heightened scrutiny of Google's dominance.

Disclaimer

Appendix:

Pro-Forma Financial Statements

YELP
3 Financial Statements

	Historical					Forecast					+1 Exit FY
Figures in USD thousands	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Income Statement											
Revenue	713,069	846,813	942,773	1,014,194	872,933	1,158,979	1,321,129	1,503,849	1,700,069	1,901,921	2,101,043
Cost of Revenue ex D&A	60,363	70,518	57,872	62,410	57,186	72,796	82,981	94,458	106,782	119,461	131,968
Gross Profit	652,706	776,295	884,901	951,784	815,747	1,086,183	1,238,148	1,409,392	1,593,287	1,782,460	1,969,075
Sales and marketing	382,854	438,643	483,309	500,386	437,060	499,093	554,917	600,292	631,319	644,956	639,484
Product development	138,549	175,787	212,319	230,440	232,561	315,255	366,757	425,900	490,988	559,930	630,313
General and administrative	97,481	105,673	120,569	136,091	130,450	164,358	164,862	187,664	212,150	237,339	262,187
Depreciation and amortization	35,346	41,198	42,807	49,356	50,609	62,941	76,343	93,512	104,671	114,990	81,870
Restructuring	3,455	288	-	-	3,862	-	-	-	-	-	-
Gain on disposal of a business unit	-	(164,779)	-	-	-	-	-	-	-	-	-
Total Operating Expenses	657,685	596,810	859,004	916,273	854,542	1,041,647	1,162,879	1,307,368	1,439,127	1,557,215	1,613,853
						3.8%	5.7%	6.8%	9.1%	11.8%	
Operating Income (loss)	**(4,979)**	**179,485**	**25,897**	**35,511**	**(38,795)**	**44,536**	**75,269**	**102,024**	**154,160**	**225,246**	**355,222**
Other Income, net	1,694	4,864	14,109	14,256	3,670	9,584	10,925	12,436	14,058	15,727	17,374
Interest Expense	-	-	-	-	-	12,006	10,749	10,510	10,271	10,032	9,793
Income (loss) before provision for income tax	(3,285)	184,349	40,006	49,767	(35,125)	66,126	96,942	124,969	178,489	251,005	382,389
(Benefit from) Provision for income taxes	1,385	31,491	(15,344)	8,886	(15,701)	11,551	16,935	21,831	31,180	43,847	66,799
Net Income (loss)	**(4,670)**	**152,858**	**55,350**	**40,881**	**(19,424)**	**54,574**	**80,008**	**103,139**	**147,309**	**207,158**	**315,590**
Balance Sheet											
ASSETS											
Current Assets											
Cash and cash equivalents	272,201	547,850	332,764	170,281	595,875	638,846	722,358	833,386	984,398	1,190,116	1,453,322
Marketable securities	207,332	273,366	423,096	242,000	-	-	-	-	-	-	-
Accounts receivable	68,725	76,173	87,305	106,832	88,400	120,265	137,090	156,051	176,412	197,358	218,020
Prepaid expenses and other current assets	12,921	15,700	17,104	14,196	28,450	25,409	28,366	31,891	35,105	37,985	39,367
Total Current Assets	**561,179**	**913,089**	**860,269**	**533,309**	**712,725**	784,520	887,814	1,021,327	1,195,915	1,425,459	1,710,709
Long-term marketable securities	-	25,032	-	53,499	-	-	-	-	-	-	-
Property, equipment and software											
Property, equipment and software, at cost	168,865	210,039	257,383	295,845	332,106	377,171	431,479	496,641	574,085	664,952	770,004
Less: Accumulated Depreciation	(76,425)	(106,388)	(142,583)	(184,896)	(230,388)	(290,481)	(365,148)	(457,301)	(560,619)	(674,256)	(751,194)
Operating lease right-of-use assets	-	-	-	197,866	168,209	147,258	143,278	139,298	135,318	131,338	127,358
Goodwill	170,667	107,954	105,620	104,589	109,261	109,261	109,261	109,261	109,261	109,261	109,261
Intangibles											
Intangibles, at cost	50,045	25,647	25,515	25,456	31,726	34,384	37,413	40,861	44,760	49,121	53,938
Less: Accumulated Amortization	(17,434)	(8,754)	(12,156)	(15,374)	(18,205)	(21,053)	(22,729)	(24,088)	(25,441)	(26,794)	(31,726)
Restricted cash	17,317	18,554	22,071	22,037	665	665	665	665	665	665	665
Other non-current assets	10,992	40,428	59,444	38,369	48,848	54,351	61,955	70,523	79,725	89,191	98,529
Total Assets	**885,206**	**1,225,601**	**1,175,563**	**1,070,700**	**1,154,947**	1,196,075	1,283,987	1,397,188	1,553,668	1,768,937	2,087,545
LIABILITIES AND SHAREHOLDERS' EQUITY											
Current Liabilities											
Accounts payable	2,003	9,033	6,540	6,002	8,853	8,385	9,558	10,880	12,299	13,760	15,200
Accrued liabilities	55,082	73,665	54,522	66,331	78,907	85,796	95,781	107,682	118,534	128,260	132,925
Current Operating lease liabilities	-	-	-	57,507	51,161	51,161	51,161	51,161	51,161	51,161	51,161
Deferred revenue	3,314	3,469	3,843	4,315	4,109	5,193	5,920	6,739	7,618	8,522	9,414
Total Current Liabilties	**60,399**	**86,167**	**64,905**	**134,155**	**143,030**	150,535	162,420	176,461	189,612	201,703	208,701
Long-term Operating lease liabilities	-	-	-	174,756	148,935	127,984	124,004	120,024	116,044	112,064	108,084
Other long-term liabilities	17,621	30,737	35,140	6,798	8,448	8,448	8,448	8,448	8,448	8,448	8,448
Total Liabilities	**78,020**	**116,904**	**100,045**	**315,709**	**300,413**	286,966	294,871	304,933	314,104	322,215	325,233
Shareholders' equity											
Common stock	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	892,983	1,038,017	1,139,462	1,259,803	1,398,248	1,398,248	1,398,248	1,398,248	1,398,248	1,398,248	1,398,248
Treasury stock	-	(46)	-	-	(2,964)	(2,964)	(2,964)	(2,964)	(2,964)	(2,964)	(2,964)
Accumulated other comprehensive income (loss)	(15,576)	(8,444)	(11,021)	(11,759)	(6,807)	(6,807)	(6,807)	(6,807)	(6,807)	(6,807)	(6,807)
Retained Earnings (loss)	(70,221)	79,170	(52,923)	(493,053)	(533,943)	(479,369)	(399,361)	(296,222)	(148,913)	58,245	373,835
Total shareholders' equity	807,186	1,108,697	1,075,518	754,991	854,534	909,108	989,116	1,092,255	1,239,564	1,446,722	1,762,312
Total liabilities and shareholders' equity	**885,206**	**1,225,601**	**1,175,563**	**1,070,700**	**1,154,947**	1,196,075	1,283,987	1,397,188	1,553,668	1,768,937	2,087,545
Check	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
Statement of Cash Flow											
Operating Activities											
Net (loss) income	(4,670)	152,858	55,350	40,881	(19,424)	54,574	80,008	103,139	147,309	207,158	315,590
Adjustments to reconcile to cash provided by operations:											
Charges and Credit:											
Depreciation and Amortization	35,346	41,198	42,807	49,356	50,609	62,941	76,343	93,512	104,671	114,990	81,870
Provision for doubtful accounts	17,261	18,414	24,515	22,543	32,265	-	-	-	-	-	-
Share-based compensation	86,261	100,415	114,386	121,512	124,574	-	-	-	-	-	-
Non cash lease cost (Amortization)	-	-	-	41,365	42,235	51,672	58,902	67,048	75,797	84,796	93,674
Deferred income taxes	-	-	(15,469)	(2,799)	(11,181)	-	-	-	-	-	-
Other adjustments, net	2,976	(164,798)	(722)	(2,997)	2,193	-	-	-	-	-	-
Changes in working capital items:											
Accounts Receivables	(31,624)	(32,112)	(35,664)	(42,070)	(13,833)	(31,865)	(16,826)	(18,960)	(20,361)	(20,946)	(20,662)
Prepaid expenses and other assets	5,687	(1,362)	(5,192)	(1,349)	164	(2,461)	(10,561)	(12,093)	(12,416)	(12,346)	(10,719)
Operating lease liabilities	-	-	-	(41,808)	(46,283)	-	-	-	-	-	-
Accounts payable, accrued liabilities and other liabilities	15,663	53,034	(19,824)	20,148	15,382	7,505	11,885	14,042	13,151	12,091	6,998
Cash provided by (used in) operating activities	**126,900**	**167,647**	**160,187**	**204,782**	**176,701**	**142,367**	**199,750**	**246,687**	**308,151**	**385,743**	**466,750**
Investing Activities											
Sales and maturities of marketable securities	-	-	-	-	290,395	-	-	-	-	-	-
Purchases of marketable securities	(274,965)	(354,895)	(751,237)	(541,451)	(87,438)	-	-	-	-	-	-
Maturities of marketable securities	265,500	264,000	613,700	674,097	93,200	-	-	-	-	-	-
Purchases of other investments	(8,000)	-	-	-	(10,000)	-	-	-	-	-	-
Purchases of property, equipment and software	(22,994)	(15,598)	(24,849)	(37,522)	(32,002)	(45,065)	(54,307)	(65,162)	(77,444)	(90,868)	(105,052)
Capitalized website and software development costs	(14,191)	(14,647)	(20,123)	-	-	-	-	-	-	-	-
Purchase of intangible asset	(179)	-	-	-	(6,129)	(2,658)	(3,029)	(3,448)	(3,898)	(4,361)	(4,818)
Changes in restricted cash	(831)	-	(3,517)	34	21,372	-	-	-	-	-	-
Other investing activities	-	-	245	461	333	-	-	-	-	-	-
Other adjustments	88	201,039	17,895	28,750	-	-	-	-	-	-	-
Cash provided by (used in) investing activities	**(55,572)**	**79,899**	**(167,886)**	**124,369**	**269,731**	**(47,723)**	**(57,337)**	**(68,610)**	**(81,342)**	**(95,229)**	**(109,870)**
Financing Activities											
Proceeds from issuance of common stock for employee stock-based plans	29,522	40,917	29,779	32,263	27,382	-	-	-	-	-	-
Taxes paid related to the net share settlement of equity awards	-	(1,199)	(50,144)	(42,771)	(23,605)	-	-	-	-	-	-
Repurchases of common stock	-	(12,556)	(187,382)	(481,011)	(24,396)	-	-	-	-	-	-
Net Cash from (to) Revolver	-	-	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities	-	-	-	-	-	(51,672)	(58,902)	(67,048)	(75,797)	(84,796)	(93,674)
Other financing activities	-	-	-	-	(433)	-	-	-	-	-	-
Cash provided by (used in) financing activities	**29,522**	**27,162**	**(207,747)**	**(491,519)**	**(21,052)**	**(51,672)**	**(58,902)**	**(67,048)**	**(75,797)**	**(84,796)**	**(93,674)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(262)	941	360	(115)	214	-	-	-	-	-	-
Net increase (decrease) in cash, cash equivalents, and restricted casl	100,588	275,649	(215,086)	(162,483)	425,594	42,971	83,511	111,028	151,012	205,718	263,206
Cash, cash equivalents, and restricted cash, beginning of period	171,613	272,201	547,850	332,764	170,281	595,875	638,846	722,358	833,386	984,398	1,190,116
Cash, cash equivalents, and restricted cash, end of period	272,201	547,850	332,764	170,281	595,875	638,846	722,358	833,386	984,398	1,190,116	1,453,322

YELP
Revenue Model

Figures in USD thousands	Historical					Forecast					+1 Exit FY
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Revenue Breakdown:											
Advertising	645,241	771,644	907,487	976,925	836,115	1,111,313	1,263,774	1,435,969	1,621,703	1,814,142	2,005,979
YOY Growth		20%	18%	8%	-14%	33%	14%	14%	13%	12%	11%
% Total Revenue	90.5%	91.1%	96.3%	96.3%	95.8%	95.9%	95.7%	95.5%	95.4%	95.4%	95.5%
Transactions	62,495	60,251	13,694	12,436	15,017	17,778	18,189	18,785	19,481	20,221	20,965
YOY Growth		-4%	-77%	-9%	21%	18%	2%	3%	4%	4%	4%
% Total Revenue	8.8%	7.1%	1.5%	1.2%	1.7%	1.5%	1.4%	1.2%	1.1%	1.1%	1.0%
Other Revenue	5,333	14,918	21,592	24,833	21,801	29,888	39,166	49,096	58,885	67,558	74,099
YOY Growth		180%	45%	15%	-12%	37%	31%	25%	20%	15%	10%
% Total Revenue	0.7%	1.8%	2.3%	2.4%	2.5%	2.6%	3.0%	3.3%	3.5%	3.6%	3.5%
Total Revenue	**713,069**	**846,813**	**942,773**	**1,014,194**	**872,933**	**1,158,979**	**1,321,129**	**1,503,849**	**1,700,069**	**1,901,921**	**2,101,043**
YOY Growth		19%	11%	8%	-14%	33%	14%	14%	13%	12%	10%
Advertising Revenue Build											
Paying Locations and Ad Spend											
Active Claimed Local Business Locations ('000s)	3,009	3,682	4,342	4,889	5,357	5,984	6,610	7,237	7,864	8,490	9,117
Additions		673	660	547	468	627	627	627	627	627	627
Services			231	235	224	265	313	364	420	479	542
% Paying Businesses			43%	42%	43%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%
Restaurants, Retail & Others			309	330	296	359	423	493	568	649	734
% Paying Businesses			57%	58%	57%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%
Total Paying Advertising Locations ('000s)	425	478	540	565	520	624	736	858	988	1128	1276
% of Active Claimed locations	14.1%	13.0%	12.4%	11.6%	9.7%	10.4%	11.1%	11.9%	12.6%	13.3%	14.0%
YOY Growth		12%	13%	5%	-8%	20%	18%	17%	15%	14%	13%
Average Revenue Per Advertising Location (US$)	1518	1614	1681	1729	1608	1,782	1,716	1,674	1,641	1,608	1,572
YOY Growth		6%	4%	3%	-7%	11%	-4%	-2%	-2%	-2%	-2%
Visitors and ARPUV (Drives Revenue)											
Cumulative Review ('000s)	121,022	148,298	177,385	205,382	224,162	252,101	281,775	312,990	345,496	378,984	413,092
YOY % Increase		23%	20%	16%	9%	12%	12%	11%	10%	10%	9%
Monthly Unique Visitors ('000s)	157,312	169,814	164,179	158,361	120,010	142,075	145,362	150,121	155,685	161,596	167,543
YOY Growth		8%	-3%	-4%	-24%	18%	2%	3%	4%	4%	4%
Desktop	67,888	76,748	62,140	54,006	41,555	33,912	28,922	25,730	23,837	22,960	22,960
% Total Visitors	43.2%	45.2%	37.8%	34.1%	34.6%	23.9%	19.9%	17.1%	15.3%	14.2%	13.7%
YOY Growth		13.1%	-19.0%	-13.1%	-23.1%	-18.4%	-14.7%	-11.0%	-7.4%	-3.7%	0.0%
Mobile	65,351	64,221	69,148	68,756	48,844	69,664	74,577	79,187	83,380	87,040	90,054
% Total Visitors	41.5%	37.8%	42.1%	43.4%	40.7%	49.0%	51.3%	52.7%	53.6%	53.9%	53.7%
% of Cumulative Review	54.0%	43.3%	39.0%	33.5%	21.8%	27.6%	26.5%	25.3%	24.1%	23.0%	21.8%
App	24,073	28,845	32,891	35,599	29,611	38,499	41,864	45,205	48,468	51,596	54,528
% Total Visitors	15.3%	17.0%	20.0%	22.5%	24.7%	27.1%	28.8%	30.1%	31.1%	31.9%	32.5%
% of Cumulative Review	19.9%	19.5%	18.5%	17.3%	13.2%	15.3%	14.9%	14.4%	14.0%	13.6%	13.2%
Average Revenue Per Unique Visitor (US$)	4.10	4.54	5.53	6.17	6.97	7.82	8.69	9.57	10.42	11.23	11.97
YOY Growth		10.8%	21.6%	11.6%	12.9%	12.3%	11.1%	10.0%	8.9%	7.8%	6.7%
Sales Team Efficiency											
Average Sales Team Headcount	2,413	2,913	3,578	3,500	2,375	2,313	2,250	2,188	2,125	2,063	2,000
YOY Growth		21%	23%	-2%	-32%	-3%	-3%	-3%	-3%	-3%	-3%
Average Advertising Revenue Per Staff ('000s)	267.4	264.9	253.6	279.1	352.0	480.6	561.7	656.4	763.2	879.6	1,003.0
YOY Growth		-1%	-4%	10%	26%	37%	17%	17%	16%	15%	14%
Transactions Revenue Build											
Monthly Unique Visitors ('000s)	157,312	169,814	164,179	158,361	120,010	142,075	145,362	150,121	155,685	161,596	167,543
Average Transaction per Visitor (US$)			0.083	0.079	0.125	0.125	0.125	0.125	0.125	0.125	0.125
YOY Growth				-6%	59%	0%	0%	0%	0%	0%	0%
Other Revenue Build											
Active Claimed Local Business Locations ('000s)	3,009.0	3,682.0	4,342.0	4,889.0	5,357.0	5,983.7	6,610.3	7,237.0	7,863.7	8,490.3	9,117.0
Average Spending on Vertical Solutions (US$)	1.8	4.1	5.0	5.1	4.1	5.0	5.9	6.8	7.5	8.0	8.1
YOY Growth		129%	23%	2%	-20%	23%	19%	14%	10%	6%	2%

YELP
Financial Projections

	Historical					Forecast					+1 Exit FY
Figures in USD thousands	**2016A**	**2017A**	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**
Operating Assumptions											
Cost of Revenue	60,363	70,518	57,872	62,410	57,186	72,796	82,981	94,458	106,782	119,461	131,968
% of total revenue	8%	8%	6%	6%	7%	6%	6%	6%	6%	6%	6%
Gross Margins	**91.5%**	**91.7%**	**93.9%**	**93.8%**	**93.4%**	**93.7%**	**93.7%**	**93.7%**	**93.7%**	**93.7%**	**93.7%**
Sales and marketing	382,854	438,643	483,309	500,386	437,060	499,093	554,917	600,292	631,319	644,956	639,484
Salesforce headcount	2,413	2,913	3,578	3,500	2,375	2,313	2,250	2,188	2,125	2,063	2,000
YOY Growth		21%	23%	-2%	-32%	-3%	-3%	-3%	-3%	-3%	-3%
Average Sales Staff Cost	159	151	135	143	184	216	247	274	297	313	320
Change in Staff Cost		-5.1%	-10.3%	5.8%	28.7%	17.3%	14.3%	11.3%	8.3%	5.3%	2.3%
% of total revenue	54%	52%	51%	49%	50%	43%	42%	40%	37%	34%	30%
Product development	138,549	175,787	212,319	230,440	232,561	315,255	366,757	425,900	490,988	559,930	630,313
% of total revenue	19.4%	20.8%	22.5%	22.7%	26.6%	27.2%	27.8%	28.3%	28.9%	29.4%	30.0%
General and administrative	97,481	105,673	120,569	136,091	130,450	164,358	164,862	187,664	212,150	237,339	262,187
% of total revenue	13.7%	12.5%	12.8%	13.4%	14.9%	14.2%	12.5%	12.5%	12.5%	12.5%	12.5%
Total Operating Expenses (incld. D&A)	657,685	596,810	859,004	916,273	854,542	1,041,647	1,162,879	1,307,368	1,439,127	1,557,215	1,613,853
EBIT Margins	**-0.7%**	**21.2%**	**2.7%**	**3.5%**	**-4.4%**	**3.8%**	**5.7%**	**6.8%**	**9.1%**	**11.8%**	**16.9%**
Non operating Assumptions											
Other Income, net	1,694	4,864	14,109	14,256	3,670	9,584	10,925	12,436	14,058	15,727	17,374
% of total revenue	0.2%	0.6%	1.5%	1.4%	0.4%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Tax Expense (Benefit)	1,385	31,491	(15,344)	8,886	(15,701)	11,551	16,935	21,831	31,180	43,847	66,799
% of EBT	-42%	17%	-38%	18%	45%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Working Capital											
Current Assets											
Accounts Receivable	68,725	76,173	87,305	106,832	88,400	120,265	137,090	156,051	176,412	197,358	218,020
DSO	35.2	31.2	31.6	34.9	40.8	37.9	37.9	37.9	37.9	37.9	37.9
Prepaid expenses and other current assets	12,921	15,700	17,104	14,196	28,450	25,409	28,366	31,891	35,105	37,985	39,367
Prepaid Expense as % OpEx	2.0%	2.6%	2.0%	1.5%	3.3%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Other non-current Asset	10,992	40,428	59,444	38,369	48,848	54,351	61,955	70,523	79,725	89,191	98,529
% of total revenue	1.5%	4.8%	6.3%	3.8%	5.6%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Current Liabilities											
Accounts Payable	2,003	9,033	6,540	6,002	8,853	8,385	9,558	10,880	12,299	13,760	15,200
DPO	12.1	28.6	49.1	36.7	47.4	42.0	42.0	42.0	42.0	42.0	42.0
Accrued expenses and other current liabilities	55,082	73,665	54,522	66,331	78,907	85,796	95,781	107,682	118,534	128,260	132,925
Accrued Liabilities as % OpEx	8.4%	12.3%	6.3%	7.2%	9.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Deferred Revenue	3,314	3,469	3,843	4,315	4,109	5,193	5,920	6,739	7,618	8,522	9,414
Deferred Revenue as % Revenue	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Retained Earnings											
Beg. Balance						(533,943)	(479,369)	(399,361)	(296,222)	(148,913)	58,245
(+) Net Income						54,574	80,008	103,139	147,309	207,158	315,590
End Balance					**(533,943)**	**(479,369)**	**(399,361)**	**(296,222)**	**(148,913)**	**58,245**	**373,835**

YELP
D&A Schedule

Figures in USD thousands	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
	Historical					Forecast					+1 Exit FY
Property, equipment and software build											
Capex											
Purchases of property, equipment and software	22,994	15,598	24,849	37,522	32,002	45,065	54,307	65,162	77,444	90,868	105,052
As % of revenue	*3.2%*	*1.8%*	*2.6%*	*3.7%*	*3.7%*	3.9%	4.1%	4.3%	4.6%	4.8%	5.0%
Property, equipment and software Schedule											
Capitalized website and internal-use software development costs	61,515	81,710	108,590	140,886	171,831	197,978	229,487	267,294	312,227	364,949	425,900
Leasehold improvements	60,101	74,236	83,811	86,089	88,687	97,700	108,562	121,594	137,083	155,256	176,267
Computer equipment	28,551	32,450	40,801	43,626	46,581	53,669	62,211	72,460	84,640	98,933	115,456
Furniture and fixtures	14,162	16,435	17,839	18,403	18,339	20,142	22,314	24,920	28,018	31,653	35,855
Telecommunication	3,457	3,996	4,691	5,154	4,951	5,704	6,612	7,702	8,996	10,515	12,272
Software	1,079	1,212	1,651	1,687	1,717	1,978	2,293	2,671	3,120	3,647	4,256
Total Property, equipment and software at cost	**168,865**	**210,039**	**257,383**	**295,845**	**332,106**	**377,171**	**431,479**	**496,641**	**574,085**	**664,952**	**770,004**
Less: Accumulated depreciation	(76,425)	(106,388)	(142,583)	(184,896)	(230,388)	(290,481)	(365,148)	(457,301)	(560,619)	(674,256)	(751,194)
Net Property, equipment and software	**92,440**	**103,651**	**114,800**	**110,949**	**101,718**	**86,690**	**66,331**	**39,340**	**13,466**	**(9,303)**	**18,811**

FY2020 Property, equipment and software	Value	% of total PES	Avg Useful life	% of capex	
Capitalized website and internal-use software development costs	171,831	51.7%	3.0 yrs	58.0%	*Stated 3 yrs*
Leasehold improvements	88,687	26.7%	10.0 yrs	20.0%	*Stated 10 yrs, increase remote working arrangement*
Computer equipment	46,581	14.0%	4.0 yrs	15.7%	*Stated 3-5 yrs, take avg*
Furniture and fixtures	18,339	5.5%	4.0 yrs	4.0%	*Stated 3-5 yrs, take avg, increase remote working arrangement*
Telecommunication	4,951	1.5%	4.0 yrs	1.7%	*Stated 3-5 yrs, take avg*
Software	1,717	0.5%	4.0 yrs	0.6%	*Stated 3-5 yrs, take avg*
Total Property, equipment and software	**332,106**			**100.0%**	
Weighted Average of useful life			5.1 yrs		

Capex added to:	2021E	2022E	2023E	2024E	2025E	2026E
Capitalized website and internal-use software development costs	26,147	31,509	37,807	44,933	52,721	60,951
Leasehold improvements	9,013	10,861	13,032	15,489	18,174	21,010
Computer equipment	7,088	8,542	10,249	12,181	14,292	16,523
Furniture and fixtures	1,803	2,172	2,606	3,098	3,635	4,202
Telecommunication	753	908	1,089	1,295	1,519	1,756
Software	261	315	378	449	527	609

Depreciation	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Depreciation of existing Property, equipment and software	28,500	34,600	39,300	46,100	48,000	48,000	48,000	48,000	48,000	48,000	-
Depreciation of new Property, equipment and software						12,093	26,667	44,153	55,318	65,637	76,938
Total Depreciation	**28,500**	**34,600**	**39,300**	**46,100**	**48,000**	**60,093**	**74,667**	**92,153**	**103,318**	**113,637**	**76,938**

Depreciation of new Property, equipment and software

Capitalized website and internal-use software development costs

	Capex	2021E	2022E	2023E	2024E	2025E	2026E
FY2021E	26,146.9	8,715.6	8,715.6	8,715.6			
FY2022E	31,509.2		10,503.1	10,503.1	10,503.1		
FY2023E	37,807.1			12,602.4	12,602.4	12,602.4	
FY2024E	44,933.1				14,977.7	14,977.7	14,977.7
FY2025E	52,721.4					17,573.8	17,573.8
FY2026E	60,951.3						20,317.1
Total Depreciation		**8,715.6**	**19,218.7**	**31,821.1**	**38,083.1**	**45,153.8**	**52,868.6**

Leasehold improvements

	Capex	2021E	2022E	2023E	2024E	2025E	2026E
FY2021E	9,013	901.3	901.3	901.3			
FY2022E	10,861		1,086.1	1,086.1	1,086.1		
FY2023E	13,032			1,303.2	1,303.2	1,303.2	
FY2024E	15,489				1,548.9	1,548.9	1,548.9
FY2025E	18,174					1,817.4	1,817.4
FY2026E	21,010						2,101.0
Total Depreciation		**901.3**	**1,987.5**	**3,290.7**	**3,938.3**	**4,669.5**	**5,467.3**

Computer equipment

	Capex	2021E	2022E	2023E	2024E	2025E	2026E
FY2021E	7,088	1,772.0	1,772.0	1,772.0	1,772.0		
FY2022E	8,542		2,135.4	2,135.4	2,135.4	2,135.4	
FY2023E	10,249			2,562.2	2,562.2	2,562.2	2,562.2
FY2024E	12,181				3,045.2	3,045.2	3,045.2
FY2025E	14,292					3,573.0	3,573.0
FY2026E	16,523						4,130.8
Total Depreciation		**1,772.0**	**3,907.4**	**6,469.7**	**9,514.9**	**11,315.9**	**13,311.2**

Furniture and fixtures

	Capex						
FY2021E	1,803	450.7	450.7	450.7	450.7		
FY2022E	2,172		543.1	543.1	543.1	543.1	
FY2023E	2,606			651.6	651.6	651.6	651.6
FY2024E	3,098				774.4	774.4	774.4
FY2025E	3,635					908.7	908.7
FY2026E	4,202						1,050.5
Total Depreciation		**450.7**	**993.7**	**1,645.3**	**2,419.8**	**2,877.8**	**3,385.3**

Telecommunication

	Capex						
FY2021E	753	188.3	188.3	188.3	188.3		
FY2022E	908		227.0	227.0	227.0	227.0	
FY2023E	1,089			272.3	272.3	272.3	272.3
FY2024E	1,295				323.7	323.7	323.7
FY2025E	1,519					379.8	379.8
FY2026E	1,756						439.1
Total Depreciation		**188.3**	**415.3**	**687.6**	**1,011.3**	**1,202.7**	**1,414.8**

Software

	Capex						
FY2021E	261	65.3	65.3	65.3	65.3		
FY2022E	315		78.7	78.7	78.7	78.7	
FY2023E	378			94.4	94.4	94.4	94.4
FY2024E	449				112.2	112.2	112.2
FY2025E	527					131.7	131.7
FY2026E	609						152.3
Total Depreciation		**65.3**	**144.0**	**238.5**	**350.7**	**417.1**	**490.7**

Intangible Assets Build

Amortization Schedule											
Business relationships		9,918	9,918	9,918	9,918	10,948	12,121	13,458	14,968	16,658	18,525
Developed technology		7,832	7,832	7,832	7,709	8,509	9,422	10,460	11,634	12,948	14,399
Licensing agreements		-	-	-	6,129	6,129	6,129	6,129	6,129	6,129	6,129
Content		4,005	3,873	3,814	4,078	4,501	4,984	5,533	6,154	6,849	7,617
Domain and data licenses		2,869	2,869	2,869	2,869	3,167	3,506	3,893	4,330	4,819	5,359
Trademarks		877	877	877	877	968	1,072	1,190	1,324	1,473	1,638
User relationships		146	146	146	146	161	178	198	220	245	273
Total intangible assets, at cost		**25,647**	**25,515**	**25,456**	**31,726**	**34,384**	**37,413**	**40,861**	**44,760**	**49,121**	**53,938**
Less: Accumulated Amortization		(8,754)	(12,156)	(15,374)	(18,205)	(21,053)	(22,729)	(24,088)	(25,441)	(26,794)	(31,726)
Net Intangible Assets		**16,893**	**13,359**	**10,082**	**13,521**	**13,331**	**14,684**	**16,773**	**19,319**	**22,327**	**22,212**
Acquisitions											
% Revenue			**(27)**	**(21)**	**6,048**	**2,658**	**3,029**	**3,448**	**3,898**	**4,361**	**4,818**
			0.0%	**0.0%**	**0.7%**	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Acquisition added to:											
Business relationships						1,029.71	1,173.78	1,336.12	1,510.45	1,689.79	1,866.70
Developed technology						800.37	912.35	1,038.53	1,174.03	1,313.43	1,450.94
Licensing agreements						-	-	-	-	-	-
Content						423.39	482.62	549.37	621.06	694.79	767.54
Domain and data licenses						297.87	339.54	386.50	436.93	488.81	539.99
Trademarks						91.05	103.79	118.15	133.56	149.42	165.06
User relationships						15.16	17.28	19.67	22.23	24.87	27.48

FY2020 IA:	Value	% of IA	% of Acquisition
Business relationships	9,918	31.3%	39%
Developed technology	7,709	24.3%	30%
Licensing agreements	6,129	19.3%	
Content	4,078	12.9%	16%
Domain and data licenses	2,869	9.0%	11%
Trademarks	877	2.8%	3%
User relationships	146	0.5%	1%
Total Intangible Assets	**31,726**	**100.0%**	

Amortization Expenses	6,846	6,598	3,507	3,256	2,609	2,848	1,676	1,359	1,353	1,353	4,932

Right of Use Assets Build

Operating lease right-of-use assets	197,866	168,209	147,258	143,278	139,298	135,318	131,338	127,358
Sales Team Headcount	3,500	2,375	2,313	2,250	2,188	2,125	2,063	2,000
Right-of-Use Assets: Sales Team Ratio	56.5	70.8	63.7	63.7	63.7	63.7	63.7	63.7
Amortization of Right-of-Use Assets	41,365	42,235	51,672	58,902	67,048	75,797	84,796	93,674
As a % of Revenue	4.1%	4.8%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Addition of Right-of-Use Assets		12,578	30,721	54,922	63,068	71,817	80,816	89,694

YELP
Debt Schedule

		Historical					Forecast					+1 Exit FY
Figures in USD thousands		2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Debt Schedule												
Minimum Cash Balance		272,201	547,850	332,764	170,281	595,875	366,307	366,307	366,307	366,307	366,307	366,307
Cashflow before revolver borrowings												
Cash from operations							142,367	199,750	246,687	308,151	385,743	466,750
Cash from investing							(47,723)	(57,337)	(68,610)	(81,342)	(95,229)	(109,870)
Cash from financing (ex debt)							(51,672)	(58,902)	(67,048)	(75,797)	(84,796)	(93,674)
(+) Beginning cash balance							595,875	638,846	722,358	833,386	984,398	1,190,116
(-) Target minimum cash balance							(366,307)	(366,307)	(366,307)	(366,307)	(366,307)	(366,307)
Available cash before short-term borrowings							**272,540**	**356,051**	**467,079**	**618,091**	**823,809**	**1,087,016**
Revolving Credit Facility												
LIBOR	0.32%											
Average interest rate:	**1.57%**											
Credit Limit	**75,000**											
Beg. Balance							-	-	-	-	-	-
(+) Drawdown							0.00	0.00	0.00	0.00	0.00	0.00
(-) Repayment							0.00	0.00	0.00	0.00	0.00	0.00
End. Balance						-	-	-	-	-	-	-
Interest Expense from Revolving Credit Facility							-	-	-	-	-	-
Lease Liabilities												
Current Portion					57,507	51,161	51,161	51,161	51,161	51,161	51,161	51,161
Non-Current Portion					174,756	148,935	127,984	124,004	120,024	116,044	112,064	108,084
Total					**232,263**	**200,096**	**179,145**	**175,165**	**171,185**	**167,205**	**163,225**	**159,245**
Additional Lease Liabilities Incurred						12,578	30,721	54,922	63,068	71,817	80,816	89,694
Repayment of Lease Liabilities							(51,672)	(58,902)	(67,048)	(75,797)	(84,796)	(93,674)
Interest Expense from Lease Liabilities							12,006	10,749	10,510	10,271	10,032	9,793
Discount Rate						6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

YELP
DCF Calculation

Model Assumptions

Effective Tax Rate	20.8%
Discount Rate	8.82%
Valuation Date	27-Oct-21
Current Share Price	39.20
Basic Shares Outstanding ('000)	73,565

Free Cash Flow Calculation

						Forecasted					+1 FY Exit
Figures in USD thousands	**2016A**	**2017A**	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**
Revenue	713,069	846,813	942,773	1,014,194	872,933	1,158,979	1,321,129	1,503,849	1,700,069	1,901,921	2,101,043
YOY % Growth		*18.8%*	*11.3%*	*7.6%*	*-13.9%*	*32.8%*	*14.0%*	*13.8%*	*13.0%*	*11.9%*	*10.5%*
EBITDA	30,367	220,683	68,704	84,867	11,814	107,477	151,612	195,536	258,831	340,236	437,092
Margin (%)	*4.3%*	*26.1%*	*7.3%*	*8.4%*	*1.4%*	*9.3%*	*11.5%*	*13.0%*	*15.2%*	*17.9%*	*20.8%*
EBIT	(4,979)	179,485	25,897	35,511	(38,795)	44,536	75,269	102,024	154,160	225,246	355,222
Margin (%)	*-0.7%*	*21.2%*	*2.7%*	*3.5%*	*-4.4%*	*3.8%*	*5.7%*	*6.8%*	*9.1%*	*11.8%*	*16.9%*
Income Tax	1,385	31,491	(15,344)	8,886	(15,701)	11,551	16,935	21,831	31,180	43,847	66,799
Tax Rate (%)	*-27.8%*	*17.5%*	*-59.3%*	*25.0%*	*40.5%*	*25.9%*	*22.5%*	*21.4%*	*20.2%*	*19.5%*	*18.8%*
NOPAT	(6,364)	147,994	41,241	26,625	(23,094)	32,985	58,334	80,193	122,980	181,398	288,423
Margin (%)	*-0.9%*	*17.5%*	*4.4%*	*2.6%*	*-2.6%*	*2.8%*	*4.4%*	*5.3%*	*7.2%*	*9.5%*	*13.7%*
Add: D&A	35,346	41,198	42,807	49,356	50,609	62,941	76,343	93,512	104,671	114,990	81,870
% of Revenue	5.0%	4.9%	4.5%	4.9%	5.8%	5.4%	5.8%	6.2%	6.2%	6.0%	3.9%
Less: Capex	(23,173)	(15,598)	(24,849)	(37,522)	(38,131)	(47,723)	(57,337)	(68,610)	(81,342)	(95,229)	(109,870)
% of Revenue	-3.2%	-1.8%	-2.6%	-3.7%	-4.4%	-4.1%	-4.3%	-4.6%	-4.8%	-5.0%	-5.2%
Less: Increase in NWC	(10,274)	19,560	(60,680)	(65,079)	(44,570)	(26,821)	(15,502)	(17,012)	(19,626)	(21,201)	(24,384)
% of Revenue	-1.4%	2.3%	-6.4%	-6.4%	-5.1%	-2.3%	-1.2%	-1.1%	-1.2%	-1.1%	-1.2%
Free Cash Flow to Firm (FCFF)	**(4,465)**	**193,154**	**(1,481)**	**(26,620)**	**(55,186)**	**21,382**	**61,838**	**88,083**	**126,683**	**179,958**	**236,039**
Discount Period						0.5	1.5	2.5	3.5	4.5	5.5
Discount Factor						0.96	0.88	0.81	0.74	0.68	0.63
Discounted Cash Flow						**20,497**	**54,473**	**71,302**	**94,235**	**123,013**	**148,269**

DCF Valuation

Exit Multiple Method	
Total PV of Projected FCFF	**511,789**
Terminal year EBITDA ('000s)	437,092
Exit EV/EBITDA	13.35x
Terminal value ('000s)	5,834,012
PV of terminal value ('000s)	**3,664,648**
Enterprise value	**4,176,437**
Less: Market Value of Lease Liabilities (USD '00(	(184,531)
Add: Cash	595,875
Implied equity value	**4,587,781**
Number of shares outstanding	73,565
Implied stock price	62.36
Current Price	39.20
Upside/ Downside	59.1%

		Exit EV/EBITDA				
		11.35x	12.35x	13.35x	14.35x	15.35x
	6.82%	59.97	64.10	68.23	72.36	76.50
	7.82%	57.36	61.28	65.21	69.14	73.06
WACC	8.82%	54.90	58.63	62.36	66.10	69.83
	9.82%	52.58	56.13	59.68	63.23	66.78
	10.82%	50.39	53.77	57.15	60.52	63.90

YELP
WACC Calculation

WACC Derivation

WACC		
Cost of Equity	**9.09%**	
Risk Free Rate	1.63%	*US 10 Year Treasury*
Beta	1.58	*Bottom up approach, social media platforms that generate revenue from advertisement*
Market Risk Premium	4.72%	*Damodaran estimates*
Cost of Debt	**1.83%**	
Pre-tax cost of debt	2.32%	*Synthetic Aaa/AAA Rating Default Spread + RFR*
Tax rate	21.00%	*US Corporate Tax Rate*
Cost of Lease Liabilities	**4.75%**	
Pre-Tax Cost of Lease Liabilities	6.0%	
Tax Rate	20.8%	
2021 Interest Expense (USD '000)	12,006	
Weighted Average Maturity	5.1	
Book Value of Lease Liabilities (USD '000)	179,145	
Market Value of Lease Liabilities (USD '000)	**184,531**	
Capital Structure Breakdown		
Market Cap (USD '000)	2,832,251	
Market Value of Debt (USD '000)	-	
Market Value of Lease Liabilities (USD '000)	184,531	
Proportion of Equity Capital	93.9%	
Proportion of Debt Capital	0.0%	
Proportion of Lease Liabilities	6.1%	
WACC	**8.82%**	

	Comparables	.evered Beta	Adjusted Beta	D/E	Effective Tax Rate	Unlevered Beta
YELP	**Yelp**	1.52	1.35	0.23	20.8%	**1.14**
SNAP	Snapchat	1.24	1.16	0.76	20.8%	0.73
FB	Facebook	0.97	0.98	0.09	20.8%	0.91
TWTR	Twitter	1.32	1.21	0.83	20.8%	0.73
PINS	Pinterest	1.46	1.31	0.05	20.8%	1.26
TTGT	TechTarget	1.16	1.10	1.15	20.8%	0.58
GRPN	Groupon	3.11	2.41	7.73	20.8%	0.34
ROKU	Roku	1.37	1.24	0.18	20.8%	1.09
SPOT	Spotify	0.81	0.87	0.67	20.8%	0.57
TRIP	TripAdvisor	0.87	0.92	1.23	20.8%	0.46
Average		**1.38**	**1.26**	**1.29**	**20.8%**	**0.78**
					Target D/E	1.29
					Relevered Beta	**1.58**

YELP
Relative Valuation

Name	Ticker	Mkt Cap (Mn USD)	FY22 EV/EBITDA	FY22 EV/Sales	FY22 P/S	FY22 P/E
YELP INC	YELP US	2,832	9.84	2.17	2.49	20.79
SNAP INC	SNAP US	88,764	96.34	20.01	20.15	125.42
FACEBOOK INC	FB US	915,220	12.06	6.41	6.77	19.03
TWITTER INC	TWTR US	49,665	26.54	7.97	8.32	58.26
PINTEREST INC	PINS US	37,427	36.41	10.91	11.50	46.31
TECHTARGET	TTGT US	2,452	23.42	8.54	8.16	36.24
MEDIAALPHA INC	MAX US	1,097	13.35	1.38	1.26	41.64
TRADE DESK INC	TTD US	35,403	68.15	25.50	25.77	108.41
PUBMATIC INC	PUBM US	1,335	17.04	5.25	5.71	51.13
MAGNITE INC	MGNI US	3,403	25.74	8.31	7.24	36.39
ALPHABET INC	GOOGL US	1,841,722	15.42	7.37	7.81	22.84
TRIPADVISOR INC	TRIP US	4,640	12.55	3.52	3.39	23.57
LIVERAMP HOLDINGS INC	RAMP US	3,297	63.55	6.80	6.50	131.76

	FY22 EV/EBTIDA	FY22 P/E
Lowest	9.84	19.03
25th Percentile	13.35	23.20
Median	23.42	41.64
75th Percentile	49.98	83.33
Highest	96.34	131.76

Shares Outstanding 73,565

Relative Valuation (EV/EBITDA)	
Median FY22 EV/EBITDA	23.42
FY22 EBITDA (USD '000)	151,612
Implied Enterprise Value (US '000)	3,551,479
Less: Market Value of Lease Liabilities (US	(184,531)
Add: Cash	595,875
Implied Equity Value (US '000)	3,962,823
Implied Share Value (US)	53.87
Lower End of Range	
25th Percentile FY22 EV/EBITDA	13.35
Implied EV (US '000)	2,023,615
Implied Equity Value (US '000)	2,434,959
Implied Share Value (US)	33.10
Upper End of Range	
75th Percentile FY22 EV/EBITDA	36.41
Implied EV (US '000)	5,519,643
Implied Equity Value (US '000)	5,930,987
Implied Share Value (US)	80.62

Relative Valuation (P/E)	
Median FY22 P/E	41.64
+1 FY Net Income (USD '000)	80,008
Implied Enterprise Value (US '000)	3,331,152
Less: Market Value of Lease Liabilities (US '000)	(184,531)
Add: Cash	595,875
Implied Equity Value (US '000)	3,742,496
Implied Share Value (US)	50.87
Lower End of Range	
25th Percentile FY22 P/E	23.57
Implied EV (US '000)	1,885,558
Implied Equity Value (US '000)	2,296,902
Implied Share Value (US)	31.22
Upper End of Range	
75th Percentile FY22 P/E	58.26
Implied EV (US '000)	4,660,853
Implied Equity Value (US '000)	5,072,197
Implied Share Value (US)	68.95

YELP
Football Field Analysis

	Low	Medium-Low	High-Medium
FY22 EV/EBITDA	33.10	20.77	26.75
FY22 P/E	31.22	19.65	18.08
DCF (7.82% - 9.82% WACC, 12.35x - 14.35x Exit EV/EBITDA)	61.28	1.08	0.86

	Low	Medium	High
FY22 EV/EBITDA	33.10	53.87	80.62
FY22 P/E	31.22	50.87	68.95
DCF (7.82% - 9.82% WACC, 12.87x - 14.87x Exit EV/EBITDA)	61.28	62.36	63.23

	Target Price	
DCF (Exit Multiple)	62.36	
RV (+1FY EV/EBITDA)	53.87	
RV (+1FY EV/Sales)	50.87	
Blended Target Price	**55.70**	
Current Price		**39.20**
Upside/ Downside		**42.1%**