

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

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

For the Quarterly Period Ended March 31, 2021

OR

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

For the Transition period from _____ to _____

Commission file number: 001-35444

YELP INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

20-1854266

(I.R.S. Employer Identification No.)

**140 New Montgomery Street, 9th Floor
San Francisco, California 94105**

(Address of principal executive offices) (Zip Code)

(415) 908-3801

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

As of April 30, 2021, there were 74,497,869 shares outstanding of the registrant's common stock, par value \$0.000001 per share.

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QUARTERLY REPORT ON FORM 10-Q
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Signatures

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "*Risk Factors*" included under Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"), such as:

- fluctuations in the number of COVID-19 cases, the pace at which vaccinations are administered in the United States, the timeframe for lifting of pandemic-related shelter-in-place orders, and the pace of economic recovery in local economies and the United States generally;
- our ability to maintain and expand our advertiser base, particularly as many businesses continue to be subject to operating restrictions in connection with the COVID-19 pandemic;
- our ability to execute on our strategic initiatives and the effectiveness thereof;
- our ability to hire, retain, motivate and effectively manage well-qualified employees in a primarily remote work environment;
- our ability to maintain and increase user engagement on our platform, including our ability to generate, maintain and recommend sufficient content that consumers find relevant, helpful and reliable;
- our reliance on third-party service providers and strategic partners;

- our reliance on search engines and application marketplaces, certain providers of which offer products and services that compete directly with our products;
- our ability to maintain the uninterrupted and proper operation of our technology and network infrastructure;
- actual or perceived security breaches as well as errors, vulnerabilities or defects in our software or in products of third-party providers;
- our ability to generate sufficient revenue to regain profitability, particularly in light of our limited operating history in an evolving industry, significant ongoing investments in our strategic initiatives, and the ongoing impact of the COVID-19 pandemic and our relief initiatives;
- our ability to accurately forecast revenue and appropriately plan expenses;
- our ability to operate effectively on mobile devices and other platforms beyond desktop computers;
- our actual or perceived failure to comply with laws and regulations applicable to our business;
- our ability to maintain, protect and enhance the Yelp brand and manage negative publicity that may arise; and
- our ability to successfully manage any strategic opportunities, including the acquisition and integration of any new businesses, solutions or technologies, as well as our ability to monetize the acquired products.

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

NOTE REGARDING METRICS

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

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

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

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

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

YELP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

| | March 31, 2021 | December 31, 2020 |
|---|---------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 588,592 | \$ 595,875 |
| Accounts receivable (net of allowance for doubtful accounts of \$9,680 and \$11,559 at March 31, 2021 and December 31, 2020, respectively) | 88,750 | 88,400 |
| Prepaid expenses and other current assets | 26,004 | 28,450 |
| Total current assets | 703,346 | 712,725 |
| Property, equipment and software, net | 98,004 | 101,718 |
| Operating lease right-of-use assets | 161,967 | 168,209 |
| Goodwill | 106,914 | 109,261 |
| Intangibles, net | 12,806 | 13,521 |
| Restricted cash | 689 | 665 |
| Other non-current assets | 51,652 | 48,848 |
| Total assets | <u>\$ 1,135,378</u> | <u>\$ 1,154,947</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 97,292 | \$ 87,760 |
| Operating lease liabilities — current | 53,564 | 51,161 |
| Deferred revenue | 5,195 | 4,109 |
| Total current liabilities | 156,051 | 143,030 |
| Operating lease liabilities — long-term | 144,238 | 148,935 |
| Other long-term liabilities | 7,989 | 8,448 |
| Total liabilities | 308,278 | 300,413 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Common stock, \$0.000001 par value — 200,000,000 shares authorized, 75,153,089 shares issued and 75,065,259 shares outstanding at March 31, 2021, and 75,371,368 shares issued and 75,272,350 shares outstanding at December 31, 2020 | — | — |
| Additional paid-in capital | 1,428,890 | 1,398,248 |
| Treasury stock | (3,313) | (2,964) |
| Accumulated other comprehensive loss | (9,559) | (6,807) |
| Accumulated deficit | (588,918) | (533,943) |
| Total stockholders' equity | 827,100 | 854,534 |
| Total liabilities and stockholders' equity | <u>\$ 1,135,378</u> | <u>\$ 1,154,947</u> |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|--|---|--------------------|
| | 2021 | 2020 |
| Net revenue | \$ 232,096 | \$ 249,901 |
| Costs and expenses: | | |
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | 14,874 | 16,847 |
| Sales and marketing | 112,909 | 137,297 |
| Product development | 67,992 | 67,113 |
| General and administrative | 31,861 | 43,536 |
| Depreciation and amortization | 13,083 | 12,358 |
| Restructuring | 20 | — |
| Total costs and expenses | <u>240,739</u> | <u>277,151</u> |
| Loss from operations | (8,643) | (27,250) |
| Other income, net | 705 | 2,383 |
| Loss before income taxes | (7,938) | (24,867) |
| Benefit from income taxes | (2,142) | (9,364) |
| Net loss attributable to common stockholders | <u>\$ (5,796)</u> | <u>\$ (15,503)</u> |
| Net loss per share attributable to common stockholders | | |
| Basic | <u>\$ (0.08)</u> | <u>\$ (0.22)</u> |
| Diluted | <u>\$ (0.08)</u> | <u>\$ (0.22)</u> |
| Weighted-average shares used to compute net loss per share attributable to common stockholders | | |
| Basic | <u>75,245</u> | <u>71,548</u> |
| Diluted | <u>75,245</u> | <u>71,548</u> |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|--|---|---------------------------|
| | 2021 | 2020 |
| Net loss | \$ (5,796) | \$ (15,503) |
| Other comprehensive loss: | | |
| Foreign currency translation adjustments | (2,752) | (1,104) |
| Other comprehensive loss | <u>(2,752)</u> | <u>(1,104)</u> |
| Comprehensive loss | <u><u>\$ (8,548)</u></u> | <u><u>\$ (16,607)</u></u> |

See Notes to Condensed Consolidated Financial Statements.

YELP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

| | Common Stock | | Additional Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Equity |
|--|-------------------|-------------|----------------------------------|-------------------|--|------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| Balance as of December 31, 2019 | 71,185,468 | \$ — | \$ 1,259,803 | \$ — | \$ (11,759) | \$ (493,053) | \$ 754,991 |
| Cumulative effect adjustment upon adoption of ASU 2016-13 | — | — | — | — | — | (34) | (34) |
| Issuance of common stock upon exercises of employee stock options | 200,847 | — | 2,585 | — | — | — | 2,585 |
| Issuance of common stock upon vesting of restricted stock units ("RSUs") | 501,531 | — | — | — | — | — | — |
| Stock-based compensation (inclusive of capitalized stock-based compensation) | — | — | 33,249 | — | — | — | 33,249 |
| Shares withheld related to net share settlement of equity awards | — | — | (11,752) | — | — | — | (11,752) |
| Foreign currency adjustments | — | — | — | — | (1,104) | — | (1,104) |
| Net loss | — | — | — | — | — | (15,503) | (15,503) |
| Balance as of March 31, 2020 | 71,887,846 | \$ — | \$ 1,283,885 | \$ — | \$ (12,863) | \$ (508,590) | \$ 762,432 |
| Balance as of December 31, 2020 | 75,371,368 | \$ — | \$ 1,398,248 | \$ (2,964) | \$ (6,807) | \$ (533,943) | \$ 854,534 |
| Issuance of common stock upon exercises of employee stock options | 523,944 | — | 6,049 | — | — | — | 6,049 |
| Issuance of common stock upon vesting of RSUs | 669,965 | — | — | — | — | — | — |
| Stock-based compensation (inclusive of capitalized stock-based compensation) | — | — | 41,519 | — | — | — | 41,519 |
| Shares withheld related to net share settlement of equity awards | — | — | (16,926) | — | — | — | (16,926) |
| Repurchases of common stock | — | — | — | (49,528) | — | — | (49,528) |
| Retirement of common stock | (1,412,188) | — | — | 49,179 | — | (49,179) | — |
| Foreign currency adjustments | — | — | — | — | (2,752) | — | (2,752) |
| Net loss | — | — | — | — | — | (5,796) | (5,796) |
| Balance as of March 31, 2021 | 75,153,089 | \$ — | \$ 1,428,890 | \$ (3,313) | \$ (9,559) | \$ (588,918) | \$ 827,100 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|---|-------------------|
| | 2021 | 2020 |
| Operating Activities | | |
| Net loss | \$ (5,796) | \$ (15,503) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 13,083 | 12,358 |
| Provision for doubtful accounts | 3,289 | 15,933 |
| Stock-based compensation | 39,245 | 31,750 |
| Noncash lease cost | 10,779 | 10,378 |
| Deferred income taxes | (2,406) | (7,450) |
| Other adjustments, net | 14 | (287) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,639) | 5,024 |
| Prepaid expenses and other assets | 3,892 | (4,118) |
| Operating lease liabilities | (6,871) | (6,663) |
| Accounts payable, accrued liabilities and other liabilities | 7,341 | (636) |
| Net cash provided by operating activities | <u>58,931</u> | <u>40,786</u> |
| Investing Activities | | |
| Sales and maturities of marketable securities — available-for-sale | — | 164,215 |
| Purchases of marketable securities — held-to-maturity | — | (87,438) |
| Maturities of marketable securities — held-to-maturity | — | 93,200 |
| Purchases of property, equipment and software | (6,005) | (7,053) |
| Other investing activities | 29 | 295 |
| Net cash (used in) provided by investing activities | <u>(5,976)</u> | <u>163,219</u> |
| Financing Activities | | |
| Proceeds from issuance of common stock for employee stock-based plans | 6,049 | 2,585 |
| Taxes paid related to the net share settlement of equity awards | (16,803) | (11,514) |
| Repurchases of common stock | (49,528) | — |
| Net cash used in financing activities | <u>(60,282)</u> | <u>(8,929)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 68 | (486) |
| Change in cash, cash equivalents and restricted cash | (7,259) | 194,590 |
| Cash, cash equivalents and restricted cash — Beginning of period | 596,540 | 192,318 |
| Cash, cash equivalents and restricted cash — End of period | <u>\$ 589,281</u> | <u>\$ 386,908</u> |
| Supplemental Disclosures of Other Cash Flow Information | | |
| Refunds received for income taxes, net | \$ (704) | \$ (290) |
| Supplemental Disclosures of Noncash Investing and Financing Activities | | |
| Purchases of property, equipment and software recorded in accounts payable and accrued liabilities | \$ 1,242 | \$ 3,015 |
| Tax liabilities related to net share settlement of equity awards included in accounts payable and accrued liabilities | \$ 43 | \$ 1,043 |
| Operating lease right-of-use assets obtained in exchange for new operating lease liabilities | \$ 4,497 | \$ 11,833 |
| Repurchases of common stock recorded in accrued liabilities | \$ 2,041 | \$ — |

See Notes to Condensed Consolidated Financial Statements.

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

1. DESCRIPTION OF BUSINESS AND BASIS FOR PRESENTATION

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

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

Basis of Presentation

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

The unaudited condensed consolidated balance sheet as of December 31, 2020 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by GAAP, including certain notes to the financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as set forth under "Recently Adopted Accounting Pronouncements" below.

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

Principles of Consolidation

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

Use of Estimates

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

In early March 2020, COVID-19 was declared a global pandemic by the World Health Organization. Governments around the world, including in the United States, have implemented extensive measures in an effort to control the spread of COVID-19, including travel restrictions, limitations on business activity, quarantines and shelter-in-place orders. Due to the COVID-19 pandemic and the uncertainty of the extent of the impacts, certain estimates and assumptions have required and may continue to require increased judgment and carry a higher degree of variability and volatility than they did prior to the pandemic. As events continue to evolve and additional information becomes available, these estimates may materially change in future periods.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies from those described in the Annual Report.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), which simplifies the accounting for income taxes by removing certain exceptions to the general principles for recording income taxes, while also simplifying certain recognition and allocation approaches to accounting for income taxes. The Company adopted ASU 2019-12 on January 1, 2021, and the adoption did not have a material impact on its consolidated financial statements.

2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash as of March 31, 2021 and December 31, 2020 consisted of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| Cash | \$ 78,429 | \$ 85,750 |
| Cash equivalents | 510,163 | 510,125 |
| Total cash and cash equivalents | <u>\$ 588,592</u> | <u>\$ 595,875</u> |
| Restricted cash | 689 | 665 |
| Total cash, cash equivalents and restricted cash | <u>\$ 589,281</u> | <u>\$ 596,540</u> |

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's investments in money market accounts are recorded as cash equivalents at fair value on the condensed consolidated balance sheets.

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

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

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

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

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

The following table represents the fair value of the Company's financial instruments, including those measured at fair value on a recurring basis, as of March 31, 2021 and December 31, 2020 (in thousands):

| | March 31, 2021 | | | | December 31, 2020 | | | |
|--|-------------------|------------------|-------------|-------------------|-------------------|------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents: | | | | | | | | |
| Money market funds | \$ 510,163 | \$ — | \$ — | \$ 510,163 | \$ 510,125 | \$ — | \$ — | \$ 510,125 |
| Other investments: | | | | | | | | |
| Certificates of deposit | — | 10,009 | — | 10,009 | — | 10,933 | — | 10,933 |
| Total cash equivalents and other investments | <u>\$ 510,163</u> | <u>\$ 10,009</u> | <u>\$ —</u> | <u>\$ 520,172</u> | <u>\$ 510,125</u> | <u>\$ 10,933</u> | <u>\$ —</u> | <u>\$ 521,058</u> |

The certificates of deposit are reflected in prepaid expenses and other current assets on the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020.

4. MARKETABLE SECURITIES

In March 2020, the Company changed its investment strategy in response to uncertainties resulting from the COVID-19 pandemic to allow for more flexibility in preserving liquidity, which led to the transfer of \$300.2 million of amortized cost of its investment portfolio from a held-to-maturity classification to available-for-sale. As a result of this transfer, in March 2020, the Company reversed the allowance for credit loss that had been previously recorded upon adoption of Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and measured the securities at fair value as of the transfer date by recording an immaterial allowance for credit loss to other income, net and the remaining adjustment as an immaterial unrealized loss recorded to other comprehensive income.

Following this transfer, during the three months ended March 31, 2020, the Company sold certain agency bonds that were classified as available-for-sale short- and long-term marketable securities for proceeds of \$135.2 million. The Company reinvested the proceeds from the sales, along with \$65.0 million from maturities and redemptions of marketable securities, into money market funds. The remaining short- and long-term marketable securities were sold during the three months ended June 30, 2020 for proceeds of \$118.2 million. The proceeds, along with \$8.0 million from maturities and redemptions, were also reinvested into money market funds. The Company recorded an immaterial net realized gain to other income, net as a result of the sales within the first six months of 2020.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of March 31, 2021 and December 31, 2020 consisted of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|--|---------------------------|------------------------------|
| Prepaid expenses | \$ 10,343 | \$ 10,438 |
| Certificates of deposit | 10,000 | 10,930 |
| Other current assets | 5,661 | 7,082 |
| Total prepaid expenses and other current assets | \$ 26,004 | \$ 28,450 |

Prepaid expenses include an immaterial amount of capitalized implementation costs incurred related to cloud computing arrangements that are service contracts. There was no amortization expense recognized for the capitalized cloud computing implementation costs for the three months ended March 31, 2021. Other current assets primarily consist of deferred costs related to unsettled share repurchases and income tax receivables.

6. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of March 31, 2021 and December 31, 2020 consisted of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|---|---------------------------|------------------------------|
| Capitalized website and internal-use software development costs | \$ 179,720 | \$ 171,831 |
| Leasehold improvements | 84,364 | 88,687 |
| Computer equipment | 45,725 | 46,581 |
| Furniture and fixtures | 17,894 | 18,339 |
| Telecommunication | 4,974 | 4,951 |
| Software | 1,717 | 1,717 |
| Total | 334,394 | 332,106 |
| Less accumulated depreciation | (236,390) | (230,388) |
| Property, equipment and software, net | \$ 98,004 | \$ 101,718 |

Depreciation expense was \$12.4 million and \$11.7 million for the three months ended March 31, 2021 and 2020, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill is the result of its acquisitions of other businesses, and represents the excess of purchase consideration over the fair value of assets acquired and liabilities assumed. The Company performed its annual goodwill impairment analysis as of August 31, 2020 and concluded that goodwill was not impaired, as the fair value of the reporting unit exceeded its carrying value.

The changes in carrying amount of goodwill during the three months ended March 31, 2021 were as follows (in thousands):

| | | |
|---------------------------------|--|-------------------|
| Balance as of December 31, 2020 | | \$ 109,261 |
| Effect of currency translation | | (2,347) |
| Balance as of March 31, 2021 | | <u>\$ 106,914</u> |

Intangible assets that were not fully amortized as of March 31, 2021 and December 31, 2020 consisted of the following (dollars in thousands):

| | March 31, 2021 | | | |
|---------------------------|-----------------------|--------------------------|---------------------|---------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Remaining Life |
| Business relationships | \$ 9,918 | \$ (4,057) | \$ 5,861 | 7.6 years |
| Developed technology | 7,709 | (6,542) | 1,167 | 1.0 years |
| Licensing agreements | 6,129 | (376) | 5,753 | 8.9 years |
| Domains and data licenses | 2,869 | (2,844) | 25 | 2.2 years |
| Total | <u>\$ 26,625</u> | <u>\$ (13,819)</u> | <u>\$ 12,806</u> | |

| | December 31, 2020 | | | |
|--------------------------|-----------------------|--------------------------|---------------------|---------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Remaining Life |
| Business relationships | \$ 9,918 | \$ (3,814) | \$ 6,104 | 7.8 years |
| Developed technology | 7,709 | (6,238) | 1,471 | 1.2 years |
| Licensing agreements | 6,129 | (215) | 5,914 | 9.2 years |
| Domain and data licenses | 2,869 | (2,837) | 32 | 2.2 years |
| Total | <u>\$ 26,625</u> | <u>\$ (13,104)</u> | <u>\$ 13,521</u> | |

Amortization expense was \$0.7 million in each of the three months ended March 31, 2021 and 2020.

As of March 31, 2021, estimated future amortization expenses were as follows (in thousands):

| | | |
|--------------------|--|------------------|
| Remainder of 2021 | | \$ 2,133 |
| 2022 | | 1,676 |
| 2023 | | 1,359 |
| 2024 | | 1,353 |
| 2025 | | 1,353 |
| 2026 | | 1,353 |
| Thereafter | | 3,579 |
| Total amortization | | <u>\$ 12,806</u> |

8. LEASES

The components of lease cost, net, for the three months ended March 31, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|------------------|
| | 2021 | 2020 |
| Operating lease cost | \$ 13,763 | \$ 13,811 |
| Short-term lease cost (12 months or less) | 137 | 360 |
| Sublease income | (1,628) | (1,960) |
| Total lease cost, net | \$ 12,272 | \$ 12,211 |

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

Supplemental cash flow information related to leases for the three months ended March 31, 2021 and 2020 was as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2021 | 2020 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 9,590 | \$ 10,108 |
| As of March 31, 2021, maturities of lease liabilities were as follows (in thousands): | | |
| Remainder of 2021 | \$ 42,729 | |
| 2022 | 48,665 | |
| 2023 | 45,778 | |
| 2024 | 43,011 | |
| 2025 | 22,444 | |
| 2026 | 7,488 | |
| Thereafter | 17,031 | |
| Total minimum lease payments | 227,146 | |
| Less imputed interest | (29,344) | |
| Present value of lease liabilities | \$ 197,802 | |

As of March 31, 2021 and December 31, 2020, the weighted-average remaining lease terms and weighted-average discount rates were as follows:

| | March 31, 2021 | December 31, 2020 |
|--|---------------------------|------------------------------|
| Weighted-average remaining lease term (years) — operating leases | 4.9 | 5.1 |
| Weighted-average discount rate — operating leases | 5.9 % | 6.0 % |

In October 2020, the Company entered into a lease agreement for an office facility in Toronto, Canada for which the lease term is expected to commence in August 2021 and expire in 2031. The Company expects to classify this as an operating lease and, as of March 31, 2021, expected to recognize operating lease cost of approximately \$9.5 million over the life of the lease.

9. OTHER NON-CURRENT ASSETS

Other non-current assets as of March 31, 2021 and December 31, 2020 consisted of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|---------------------------------------|---------------------------|------------------------------|
| Deferred tax assets | \$ 33,654 | \$ 31,163 |
| Deferred contract costs | 14,490 | 14,522 |
| Other non-current assets | 3,508 | 3,163 |
| Total other non-current assets | \$ 51,652 | \$ 48,848 |

Deferred contract costs as of March 31, 2021 and December 31, 2020, and changes in deferred contract costs during the three months ended March 31, 2021, were as follows (in thousands):

| | Three Months Ended March 31, 2021 |
|---|--|
| Balance, beginning of period | \$ 14,522 |
| Add: costs deferred on new contracts | 3,349 |
| Less: amortization recorded in sales and marketing expenses | (3,381) |
| Balance, end of period | \$ 14,490 |

10. CONTRACT BALANCES

The changes in the allowance for doubtful accounts during the three months ended March 31, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended March 31, | |
|--------------------------------------|---|------------------|
| | 2021 | 2020 |
| Balance, beginning of period | \$ 11,559 | \$ 7,686 |
| Add: provision for doubtful accounts | 3,289 | 15,933 |
| Less: write-offs, net of recoveries | (5,168) | (9,031) |
| Balance, end of period | \$ 9,680 | \$ 14,588 |

The net decrease in the allowance for doubtful accounts in the three months ended March 31, 2021 was primarily a result of a reduction in expected customer delinquencies compared to December 31, 2020, as collection rates continued to improve. The net increase in the allowance for doubtful accounts in the three months ended March 31, 2020 primarily related to an anticipated increase in customer delinquencies due to the COVID-19 pandemic. In calculating the allowance for doubtful accounts as of March 31, 2021 and March 31, 2020, the Company considered expectations of probable credit losses, and with respect to the 2020 period, probable credit losses associated with the COVID-19 pandemic, based on observed trends to date in cancellations, observed changes to date in the credit risk of specific customers, the impact of anticipated closures and bankruptcies using forecasted economic indicators in addition to historical experience and loss patterns during periods of macroeconomic uncertainty.

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

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The changes in deferred revenue during the three months ended March 31, 2021 were as follows (in thousands):

| | Three Months Ended March 31, 2021 |
|--|--|
| Balance, beginning of period | \$ 4,109 |
| Less: recognition of deferred revenue from beginning balance | (2,293) |
| Add: net increase in current period contract liabilities | 3,379 |
| Balance, end of period | <u><u>\$ 5,195</u></u> |

The majority of the deferred revenue balance as of March 31, 2021 is expected to be recognized as revenue in the subsequent three-month period ending June 30, 2021. No other contract assets or liabilities are recorded on the Company's condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of March 31, 2021 and December 31, 2020 consisted of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|--|---------------------------|------------------------------|
| Accounts payable | \$ 5,255 | \$ 8,853 |
| Employee-related liabilities | 68,514 | 57,684 |
| Accrued sales and marketing expenses | 6,079 | 2,137 |
| Taxes payable | 1,302 | 975 |
| Accrued cost of revenue | 6,507 | 8,269 |
| Other accrued liabilities | 9,635 | 9,842 |
| Total accounts payable and accrued liabilities | <u><u>\$ 97,292</u></u> | <u><u>\$ 87,760</u></u> |

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings—In January 2018, a putative class action lawsuit alleging violations of the federal securities laws was filed in the U.S. District Court for the Northern District of California, naming as defendants the Company and certain of its officers. The complaint, which the plaintiff amended on June 25, 2018, alleges violations of the Exchange Act by the Company and its officers for allegedly making materially false and misleading statements regarding its business and operations on February 9, 2017. The plaintiff seeks unspecified monetary damages and other relief. On August 2, 2018, the Company and the other defendants filed a motion to dismiss the amended complaint, which the court granted in part and denied in part on November 27, 2018. On October 22, 2019, the Court approved a stipulation to certify a class in this action. The case remains pending. The Company is unable to reasonably estimate either the probability of incurring a loss or an estimated range of such loss, if any, from the lawsuit.

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

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

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

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

Revolving Credit Facility—The Company is a party to a Credit Agreement with Wells Fargo Bank, National Association (the "Credit Agreement"), which provides for a three-year, \$75.0 million senior unsecured revolving credit facility including a letter of credit sub-limit of \$25.0 million. As of March 31, 2021, the Company had \$21.5 million of letters of credit under the sub-limit related to lease agreements for certain office locations, which are required to be maintained and issued to the landlords of each facility, and \$53.5 million remained available under the revolving credit facility as of this date. The Company was in compliance with all covenants associated with the credit facility and there were no loans outstanding under the Credit Agreement as of March 31, 2021. For additional information on the terms of the Credit Agreement, including fees payable by the Company, a minimum liquidity covenant, events of default and other limitations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" included under Part II, Item 7 in our Annual Report.

13. STOCKHOLDERS' EQUITY

The following table presents the number of shares authorized and issued as of the dates indicated:

| | March 31, 2021 | | December 31, 2020 | |
|------------------------------------|-------------------|---------------|-------------------|---------------|
| | Shares Authorized | Shares Issued | Shares Authorized | Shares Issued |
| Stockholders' equity: | | | | |
| Common stock, \$0.000001 par value | 200,000,000 | 75,153,089 | 200,000,000 | 75,371,368 |
| Undesignated preferred stock | 10,000,000 | — | 10,000,000 | — |

Stock Repurchase Program

In July 2017, the Company's board of directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$200.0 million of its outstanding common stock. The Company's board of directors authorized the Company to repurchase up to an additional \$250.0 million of its outstanding common stock in each of November 2018, February 2019 and January 2020, bringing the total amount of authorized repurchases to \$950.0 million as of March 31, 2021, \$195.1 million of which remained available as of March 31, 2021. The Company may purchase shares at management's discretion in the open market, in privately negotiated transactions, in transactions structured through investment banking institutions, or a combination of the foregoing.

During the three months ended March 31, 2021, the Company repurchased on the open market 1,401,000 shares for an aggregate purchase price of \$49.5 million and retired 1,412,188 shares. As of March 31, 2021, the Company had a treasury stock balance of 87,830 shares, which were excluded from its outstanding share count as of such date and subsequently retired in April 2021.

The Company did not repurchase any shares during the three months ended March 31, 2020.

Equity Incentive Plans

Stock Options

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

A summary of stock option activity for the three months ended March 31, 2021 is as follows:

| | <u>Number of Shares</u> | <u>Weighted-Average Exercise Price</u> | <u>Weighted-Average Remaining Contractual Term (in years)</u> | <u>Aggregate Intrinsic Value (in thousands)</u> |
|--|-------------------------|--|---|---|
| Outstanding at December 31, 2020 | 4,622,828 | \$ 29.89 | 4.7 | \$ 30,451 |
| Exercised | (525,194) | 11.52 | | |
| Canceled | (9,046) | 52.14 | | |
| Outstanding at March 31, 2021 | 4,088,588 | \$ 32.20 | 4.9 | \$ 35,920 |
| Options vested and exercisable at March 31, 2021 | 3,608,168 | \$ 31.63 | 4.6 | \$ 34,224 |

Aggregate intrinsic value represents the difference between the closing price of the Company's common stock as quoted on the New York Stock Exchange on a given date and the exercise price of outstanding, in-the-money options. The total intrinsic value of options exercised was approximately \$11.1 million and \$4.2 million for the three months ended March 31, 2021 and 2020, respectively.

There were no options granted during the three months ended March 31, 2021. The weighted-average grant date fair value of options granted during the three months ended March 31, 2020 was \$11.13 per share.

As of March 31, 2021, total unrecognized compensation costs related to nonvested stock options were approximately \$7.5 million, which the Company expects to recognize over a weighted-average time period of 1.8 years.

RSUs

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

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

The shares underlying each PRSU award subject to a market condition will be eligible to vest only if the average closing price of the Company's common stock equals or exceeds \$45.3125 over any 60-day trading period during the four years following the grant date of February 7, 2019. If this market condition is met, the shares underlying each PRSU award will vest according to the Time-Based Vesting Schedule. Any shares subject to the PRSUs that have met the Time-Based Vesting Schedule at the time the market condition is achieved will fully vest as of such date; thereafter, any remaining nonvested shares subject to the PRSUs will continue vesting solely according to the Time-Based Vesting Schedule, subject to the applicable employee's continued service as of each such vesting date.

For PRSUs subject to performance goals, a percentage of the target number of shares, ranging from zero to 200%, will become eligible to vest based on the Company's level of achievement of certain financial targets, subject to the Time-Based Vesting Schedule. The shares subject to performance goals become eligible to vest once the achievement against the financial targets is known, which will be no later than March of the following year. On the quarterly vest date immediately following such determination (or a vest date otherwise specified in the agreement), the eligible shares, if any, will vest to the extent that the employee has met the Time-Based Vesting Schedule as of such date. Thereafter, the eligible shares will continue to vest in accordance with the Time-Based Vesting Schedule, subject to the applicable employee's continued service as of each such vesting date. The Company performed an analysis as of March 31, 2021 to assess the probability of achievement of the PRSU financial targets and, as a result, recorded compensation costs in the three months ended March 31, 2021 for the PRSUs that it expected to vest.

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As the PRSU activity during the three months ended March 31, 2021 was not material, it is presented together with the RSU activity in the table below. A summary of RSU and PRSU activity for the three months ended March 31, 2021 is as follows:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|--------------------------------|--------------------------|--|
| Nonvested at December 31, 2020 | 9,757,787 | \$ 29.22 |
| Granted | 4,267,758 | 35.82 |
| Vested ⁽¹⁾ | (1,121,213) | 32.73 |
| Canceled | (705,463) | 31.68 |
| Nonvested at March 31, 2021 | <u><u>12,198,869</u></u> | <u><u>\$ 31.06</u></u> |

⁽¹⁾ Includes 451,223 shares that vested but were not issued due to net share settlement for payment of employee taxes.

The aggregate fair value as of the vest date of RSUs that vested during the three months ended March 31, 2021 and 2020 was \$42.1 million and \$29.1 million, respectively. As of March 31, 2021, the Company had approximately \$367.7 million of unrecognized stock-based compensation expense related to RSUs, which it expects to recognize over the remaining weighted-average vesting period of approximately 2.9 years.

Employee Stock Purchase Plan

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

There were no shares purchased by employees under the ESPP in the three months ended March 31, 2021 and 2020. The Company recognized stock-based compensation expense related to the ESPP of \$0.8 million in each of the three months ended March 31, 2021 and 2020.

Stock-Based Compensation

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

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------------|
| | 2021 | 2020 |
| Cost of revenue | \$ 1,108 | \$ 1,043 |
| Sales and marketing | 8,397 | 7,696 |
| Product development | 20,753 | 17,755 |
| General and administrative | 8,987 | 5,256 |
| Total stock-based compensation recorded to loss before income taxes | 39,245 | 31,750 |
| Benefit from income taxes | (10,065) | (12,557) |
| Total stock-based compensation recorded to net loss | <u><u>\$ 29,180</u></u> | <u><u>\$ 19,193</u></u> |

The Company capitalized \$2.8 million and \$2.3 million of stock-based compensation expense as website development costs in the three months ended March 31, 2021 and 2020, respectively.

14. OTHER INCOME, NET

Other income, net for the three months ended March 31, 2021 and 2020 consisted of the following (in thousands):

| | Three Months Ended March 31, | |
|---|---|------------------------|
| | 2021 | 2020 |
| Interest (expense) income, net | \$ (18) | \$ 2,106 |
| Transaction gain (loss) on foreign exchange | 257 | (68) |
| Other non-operating income, net | 466 | 345 |
| Other income, net | <u><u>\$ 705</u></u> | <u><u>\$ 2,383</u></u> |

15. INCOME TAXES

The Company is subject to income tax in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income tax. The benefit from income taxes for the three months ended March 31, 2021 was \$2.1 million, which was due to \$1.8 million of U.S. federal, state and foreign income tax expense, offset by \$3.9 million of net discrete tax benefit primarily related to stock-based compensation. The benefit from income taxes for the three months ended March 31, 2020 was \$9.4 million, which was due to \$9.6 million of U.S. federal, state and foreign income tax benefit, offset by \$0.2 million of net discrete tax expense.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act includes, among other items, provisions relating to refundable payroll tax credits, deferral of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act allows losses incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding tax years and to offset 100% of regular taxable income. Additionally, the CARES Act accelerates the Company's ability to receive refunds of alternative minimum tax credits generated in prior tax years.

Accounting for income taxes for interim periods generally requires the provision for income taxes to be determined by applying an estimate of the annual effective tax rate for the full fiscal year to income or loss before income taxes, excluding unusual or infrequently occurring discrete items ("Ordinary" income), for the reporting period. For the three months ended March 31, 2021, the difference between the effective tax rate and the federal statutory tax rate primarily related to tax credits, offset by non-deductible expenses. For the three months ended March 31, 2020, the difference between the effective tax rate and the federal statutory tax rate primarily related to net operating loss provisions adopted under the CARES Act and tax credits.

As of March 31, 2021, the total amount of gross unrecognized tax benefits was \$50.5 million, \$22.0 million of which was subject to a full valuation allowance and would not affect the Company's effective tax rate if recognized. In the three months ended March 31, 2021, the Company recorded an immaterial amount of interest and penalties.

As of March 31, 2021, the Company estimated that it had accumulated undistributed earnings generated by its foreign subsidiaries of approximately \$6.9 million. Any taxes due with respect to such earnings or the excess of the amount for financial reporting over the tax basis of the Company's foreign investments would generally be limited to foreign and state taxes. The Company has not recognized a deferred tax liability related to un-remitted foreign earnings, as it intends to indefinitely reinvest these earnings, and expects future U.S. cash generation to be sufficient to meet future U.S. cash needs.

In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service and other tax authorities. The Company's federal and state income tax returns for tax years subsequent to 2003 remain open to examination. In the Company's foreign jurisdictions — Canada, Germany, Ireland and the United Kingdom — the tax years subsequent to 2015 remain open to examination. The Company regularly assesses the likelihood of adverse outcomes resulting from examinations to determine the adequacy of its provision for income taxes and monitors the progress of ongoing discussions with tax authorities and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. As of March 31, 2021, although the timing of the resolution or closure of audits is not certain, the Company believes it is reasonably possible that its unrecognized tax benefits could be reduced by \$6.3 million over the next 12 months.

16. NET LOSS PER SHARE

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

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

| | Three Months Ended March 31, | |
|--|---|-------------------------|
| | 2021 | 2020 |
| Basic net loss per share: | | |
| Net loss | \$ (5,796) | \$ (15,503) |
| Shares used in computation: | | |
| Weighted-average common shares outstanding | 75,245 | 71,548 |
| Basic net loss per share attributable to common stockholders | <u><u>\$ (0.08)</u></u> | <u><u>\$ (0.22)</u></u> |
| | | |
| Diluted net loss per share: | | |
| Net loss | \$ (5,796) | \$ (15,503) |
| Shares used in computation: | | |
| Weighted-average common shares outstanding | 75,245 | 71,548 |
| Diluted net loss per share attributable to common stockholders | <u><u>\$ (0.08)</u></u> | <u><u>\$ (0.22)</u></u> |

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

| | Three Months Ended March 31, | |
|---------------|---|-------------|
| | 2021 | 2020 |
| Stock options | 4,089 | 6,019 |
| RSUs | 12,199 | 9,027 |
| ESPP | 213 | 243 |

17. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

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

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

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Net Revenue

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

| | Three Months Ended March 31, | |
|----------------------------------|---|--------------------------|
| | 2021 | 2020 |
| Net revenue by product: | | |
| Advertising revenue by category: | | |
| Services | \$ 140,687 | \$ 133,082 |
| Restaurants, Retail & Other | 81,300 | 107,011 |
| Advertising | 221,987 | 240,093 |
| Transactions | 3,804 | 2,639 |
| Other | 6,305 | 7,169 |
| Total net revenue | <u><u>\$ 232,096</u></u> | <u><u>\$ 249,901</u></u> |

During the three months ended March 31, 2021 and 2020, no individual customer accounted for 10% or more of consolidated net revenue.

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

During the three months ended March 31, 2021 and 2020, the Company offered a number of relief incentives totaling \$2.2 million and \$4.6 million, respectively, to advertising and other revenue customers most impacted by the COVID-19 pandemic. These incentives were primarily in the form of waived advertising fees and waived subscription fees. The Company accounted for these incentives as price concessions and reduced net revenue recognized in the three months ended March 31, 2021 and 2020 accordingly.

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

| | Three Months Ended March 31, | |
|---------------------|---|--------------------------|
| | 2021 | 2020 |
| United States | \$ 229,995 | \$ 246,527 |
| All other countries | 2,101 | 3,374 |
| Total net revenue | <u><u>\$ 232,096</u></u> | <u><u>\$ 249,901</u></u> |

Long-Lived Assets

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

| | March 31, 2021 | December 31, 2020 |
|-------------------------|---------------------------|------------------------------|
| | 2021 | 2020 |
| United States | \$ 93,965 | \$ 97,548 |
| All other countries | 4,039 | 4,170 |
| Total long-lived assets | <u><u>\$ 98,004</u></u> | <u><u>\$ 101,718</u></u> |

18. RESTRUCTURING

In April 2020, the Company announced a restructuring plan to help manage the near-term financial impacts of the COVID-19 pandemic (the "Restructuring Plan"). In addition to reductions and deferrals in spending, the Restructuring Plan's cost-cutting measures included workforce reductions affecting approximately 1,000 employees and furloughs affecting approximately 1,100 additional employees, as well as salary reductions and reduced-hour work weeks. In July 2020, the Company announced an additional workforce reduction (separate from the Restructuring Plan) affecting approximately 60 employees.

During the three months ended September 30, 2020, the Company restored reduced salaries and returned many of its furloughed employees.

The Company incurred an immaterial amount of restructuring costs during the three months ended March 31, 2021 and does not expect to incur any material additional restructuring costs. The restructuring costs were recorded as restructuring expenses on the Company's condensed consolidated statements of operations.

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

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

Overview

As one of the best known internet brands in the United States, Yelp is a trusted local resource for consumers and a partner in success for businesses of all sizes. Consumers trust us for our more than 200 million ratings and reviews of businesses across a broad range of categories, while businesses advertise with us to reach our large audience of purchase-oriented and generally affluent consumers. We believe our ability to provide value to both consumers and businesses not only fulfills our mission to connect consumers with great local businesses, but also positions us well in the local, digital advertising market in the United States.

We generate substantially all of our revenue from the sale of performance-based advertising products, which our advertising platform matches to individual consumers through auctions priced on a cost-per-click ("CPC") basis. In the three months ended March 31, 2021, our net revenue was \$232.1 million, down 7% from the three months ended March 31, 2020, and we recorded a net loss of \$5.8 million and adjusted EBITDA of \$43.7 million. For information on how we define and calculate adjusted EBITDA, and a reconciliation of this non-GAAP financial measure to net loss, see "[Non-GAAP Financial Measures](#)" below.

As a result of our investments in product, marketing and our Multi-location sales team, we made further progress on our revenue growth initiatives in the first quarter of 2021:

- *Improve monetization of our Services categories.* We continued to differentiate the product experience for businesses and consumers in our Services categories in the first quarter. We developed a new Yelp Connect audience model for Services businesses, allowing them to better target potential customers and improving content relevancy for consumers. We also added new Services-related filters for search results and further improved the Request-A-Quote flow. As a result of these efforts, the percentage of monetized leads in our Services categories increased in the first quarter.
- *Expand our Self-serve and Multi-location sales channels.* Our product and marketing investments drove an increase in year-over-year revenue growth in our Self-serve channel from nearly 25% in the fourth quarter of 2020 to approximately 30% in the first quarter of 2021. Although the first quarter is typically a seasonally softer quarter for our Multi-location channel, as many multi-location advertisers conclude their incremental holiday spend in the fourth quarter, resulting in fewer locations to start the year in January, paying advertising locations improved over the course of the quarter. Paying advertising locations for the month of March were flat compared to the monthly average in the fourth quarter and, by the end of March, multi-location advertising budgets were 40% higher in aggregate compared to the prior-year period.
- *Deliver more value to advertisers.* Increasing our value proposition to advertisers by delivering more value through ad clicks is an important part of our strategy to drive long-term growth. In the first quarter, improvements to our ad system and matching technology, together with a recovery in our consumer traffic, drove more ad clicks to advertisers at a lower average CPC than in the fourth quarter of 2020. The decline in ad clicks improved significantly from (22)% year over year in the fourth quarter to (8)% year over year in the first quarter, and average CPC returned to a year-over-year decline. The resulting increase in the value we delivered to advertisers contributed to our record retention rate of non-term advertisers' budgets in the first quarter.

Our more efficient go-to-market approach and continued expense management, together with recovery in local economies, drove a 63% year-over-year improvement in net loss and 159% year-over-year increase in adjusted EBITDA in the first quarter.

In the second quarter, we expect to move from recovery to year-over-year revenue growth. We plan to further invest in our growth initiatives in the second quarter, with leverage increasing toward the end of the year.

Key Metrics

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

Ad Clicks

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

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

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

| | Three Months Ended March 31, | |
|-----------|---------------------------------|------|
| | 2021 | 2020 |
| Ad Clicks | (8)% | 3% |

Average CPC

We define average CPC as revenue from our performance-based ad products, excluding revenue from our advertising partnerships, divided by the total number of ad clicks for a given three-month period.

Average CPC, when viewed together with ad clicks, provides important insight into the value we deliver to advertisers, which we believe is a significant factor in our ability to retain both revenue and customers. For example, a negative change in average CPC for a given three-month period combined with a positive change in ad clicks over the same period would indicate that we delivered more ad clicks at lower prices, thereby delivering more value to our advertisers; we would expect this to have a positive impact on retention. We believe that average CPC and ad clicks together reflect one of the largest dynamics affecting our advertising revenue performance.

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

| | Three Months Ended March 31, | |
|-------------|---------------------------------|------|
| | 2021 | 2020 |
| Average CPC | (3)% | 3% |

Advertising Revenue by Category

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

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

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

| | Three Months Ended March 31, | | % Change |
|-----------------------------|---------------------------------|-------------------|-------------|
| | 2021 | 2020 | |
| Services | \$ 140,687 | \$ 133,082 | 6% |
| Restaurants, Retail & Other | 81,300 | 107,011 | (24)% |
| Total Advertising Revenue | <u>\$ 221,987</u> | <u>\$ 240,093</u> | <u>(8)%</u> |

Paying Advertising Locations By Category

Paying advertising locations comprise all business locations associated with a business account from which we recognized advertising revenue in a given month, excluding business accounts that purchased advertising through partner programs other than Yelp Ads Certified Partners, averaged over a given three-month period.

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

| | Three Months Ended March 31, | | % Change |
|------------------------------------|---------------------------------|------------|--------------|
| | 2021 | 2020 | |
| Services | 224 | 232 | (3)% |
| Restaurants, Retail & Other | 279 | 330 | (15)% |
| Total Paying Advertising Locations | <u>503</u> | <u>562</u> | <u>(10)%</u> |

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates and assumptions are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from those estimates. Due to the COVID-19 pandemic and the uncertainty regarding the extent and duration of its impacts, certain estimates and assumptions have required and may continue to require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may materially change in future periods.

We believe that the assumptions and estimates associated with revenue recognition, website and internal-use software development costs, the incremental borrowing rate used in recording lease liabilities, business combinations, allowance for doubtful accounts, income taxes and stock-based compensation expense have the greatest potential impact on our consolidated financial statements. There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report.

Results of Operations

The following table sets forth our results of operations for the periods indicated (in thousands, except percentages). The period-to-period comparison of financial results is not necessarily indicative of the results of operations to be anticipated for the full year 2021 or any future period.

| | Three Months Ended March 31, | | \$ Change | % Change ⁽¹⁾ | | |
|---|---------------------------------|-------------|-----------|-------------------------|--|--|
| | 2021 | 2020 | | | | |
| Consolidated Statements of Operations Data: | | | | | | |
| Net revenue by product: | | | | | | |
| Advertising revenue by category: | | | | | | |
| Services | \$ 140,687 | \$ 133,082 | \$ 7,605 | 6 % | | |
| Restaurants, Retail & Other | 81,300 | 107,011 | (25,711) | (24) % | | |
| Advertising | 221,987 | 240,093 | (18,106) | (8) % | | |
| Transactions | 3,804 | 2,639 | 1,165 | 44 % | | |
| Other | 6,305 | 7,169 | (864) | (12) % | | |
| Total net revenue | 232,096 | 249,901 | (17,805) | (7) % | | |
| Costs and expenses: | | | | | | |
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | 14,874 | 16,847 | (1,973) | (12) % | | |
| Sales and marketing | 112,909 | 137,297 | (24,388) | (18) % | | |
| Product development | 67,992 | 67,113 | 879 | 1 % | | |
| General and administrative | 31,861 | 43,536 | (11,675) | (27) % | | |
| Depreciation and amortization | 13,083 | 12,358 | 725 | 6 % | | |
| Restructuring | 20 | — | 20 | NM ⁽²⁾ | | |
| Total costs and expenses | 240,739 | 277,151 | (36,412) | (13) % | | |
| Loss from operations | (8,643) | (27,250) | 18,607 | (68) % | | |
| Other income, net | 705 | 2,383 | (1,678) | (70) % | | |
| Loss before income taxes | (7,938) | (24,867) | 16,929 | (68) % | | |
| Benefit from income taxes | (2,142) | (9,364) | 7,222 | (77) % | | |
| Net loss | \$ (5,796) | \$ (15,503) | \$ 9,707 | (63) % | | |

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

⁽²⁾ Percentage change is not meaningful.

Three Months Ended March 31, 2021 and 2020

Net Revenue

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

Advertising revenue for the three months ended March 31, 2021 decreased compared to the prior-year period primarily due to lower revenue from businesses in our Restaurants, Retail & Other categories as a result of the ongoing impact of the COVID-19 pandemic and related shelter-in-place orders, which continued to limit the operations of many businesses in these categories. This decrease was partially offset by an increase in revenue from businesses in our Services categories, particularly home services businesses, reflecting an improved retention rate of non-term advertisers' budgets.

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

Transactions revenue for the three months ended March 31, 2021 increased compared to the prior-year period due to a significant increase in takeout and delivery orders, particularly through our partnership with Grubhub, as the COVID-19 pandemic continued to limit the dine-in operations of many restaurants.

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

Other revenue for the three months ended March 31, 2021 decreased compared to the prior-year period primarily due to the relief that we provided to customers that continued to be significantly impacted by the COVID-19 pandemic, which mainly consisted of approximately \$2.0 million in waived fees. This decrease was partially offset by revenue from our Yelp Fusion program, which we introduced in May 2020.

Trends and Uncertainties of Net Revenue. Net revenue decreased slightly in the three months ended March 31, 2021 from the three months ended December 31, 2020, in line with seasonal trends. However, advertiser demand increased steadily over the course of the first quarter and we expect net revenue to increase sequentially in the three months ending June 30, 2021.

Costs and Expenses

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

Cost of revenue decreased during the three months ended March 31, 2021 compared to the prior-year period primarily due to a decline in website infrastructure expense as a result of reduced traffic and cost-cutting measures as well as lower merchant credit card fees due to fewer transactions associated with the decline in advertising revenue.

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

Sales and marketing expenses decreased during the three months ended March 31, 2021 compared to the prior-year period due to:

- a decrease of \$25.7 million in employee costs, which was primarily due to lower sales headcount following the terminations associated with the restructuring plan we announced on April 9, 2020 to help manage the near-term financial impacts of the COVID-19 pandemic ("Restructuring Plan"); and
- a decrease of \$3.6 million in allocated workplace operating costs as a result of our office closures, which began at the end of the first quarter of 2020.

These decreases were partially offset by an increase in marketing and advertising costs of \$4.9 million, primarily reflecting our investment in targeted business owner acquisition.

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

Product development expenses during the three months ended March 31, 2021 remained relatively consistent with the prior-year period, reflecting our continued investments in product initiatives to support long-term growth.

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

General and administrative expenses decreased during the three months ended March 31, 2021 compared to the prior-year period due to a reduction of \$12.6 million in our provision for doubtful accounts. Following a decline in the rate of customer delinquencies during the three months ended March 31, 2021, we released a portion of our bad debt reserves that we had put in place earlier in the pandemic.

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

The increase in depreciation and amortization expense during the three months ended March 31, 2021 was primarily attributable to an increase in depreciation associated with capitalized website and internal use software development costs as we invested in new and enhanced products for business owners and consumers.

Trends and Uncertainties of Costs and Expenses. A majority of our expenses, particularly employee-related costs, increased during the three months ended March 31, 2021 compared to the three months ended December 31, 2020, primarily reflecting our continued investment in our long-term growth initiatives. We expect costs and expenses to further increase in the three months ending June 30, 2021 as we continue to make strategic investments in our products and technology to support the growth of our business. We also anticipate recording impairment charges associated with our operating leases as early as the three months ending June 30, 2021, as we seek to sublease portions of our leased office space.

Other Income, Net

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

The decrease during the three months ended March 31, 2021 compared to the prior-year period was primarily driven by the change in our investment strategy to reduce our holdings of marketable securities in favor of holdings that are more liquid, primarily money market funds, which offer lower interest rates. We changed our strategy to preserve liquidity as a result of the uncertainties surrounding the COVID-19 pandemic and its impact on our business. For more information on this change, see [Note 4, "Marketable Securities,"](#) of the Notes to Consolidated Financial Statements.

Benefit from income taxes

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

The decrease in benefit from income taxes during the three months ended March 31, 2021 compared to the prior-year period was primarily due to a decrease in year-to-date pre-tax losses in 2021 as well as net operating loss benefits in the prior-year period under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") that did not recur in 2021. The CARES Act, which was enacted on March 27, 2020 in response to the COVID-19 pandemic, allowed for net operating losses incurred in 2018, 2019 and 2020 to be carried back to tax years with a 35.0% tax rate. See [Note 15, "Income Taxes,"](#) of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further detail.

As of December 31, 2020, we had approximately \$31.2 million in net deferred tax assets ("DTAs"). At this time, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize these DTAs. However, it is possible that some or all of these DTAs will not be realized. Therefore, unless we are able to generate sufficient taxable income from our operations, a substantial valuation allowance to reduce our U.S. DTAs may be required, which would materially increase our expenses in the period in which we recognize the allowance and have a materially adverse impact on our consolidated financial statements. The exact timing and amount of the valuation allowance recognition are subject to change on the basis of the net income that we are able to actually achieve. We will continue to evaluate the possible recognition of a valuation allowance on a quarterly basis.

Beginning in 2022, we expect additional changes under the U.S. Tax Cuts and Jobs Act (the "Tax Act") to come into effect that could adversely impact our effective tax rate and cash flows in future years. The Tax Act, which was enacted on December 22, 2017, made broad and complex changes to the U.S. tax code, including, among other things, reducing the federal corporate tax rate.

Non-GAAP Financial Measures

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

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. In particular, adjusted EBITDA should not be viewed as a substitute for, or superior to, net income (loss) prepared in accordance with GAAP as a measure of profitability or liquidity. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect all cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the impact of the recording or release of valuation allowances or tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not take into account any income or costs that management determines are not indicative of ongoing operating performance, such as restructuring costs; and
- other companies, including those in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

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

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted to exclude: provision for (benefit from) income taxes; other income, net; depreciation and amortization; stock-based compensation expense; and, in certain periods, certain other income and expense items, such as restructuring costs.

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

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

| | Three Months Ended March 31, | |
|---|---|------------------|
| | 2021 | 2020 |
| Reconciliation of Net Loss to Adjusted EBITDA: | | |
| Net loss | \$ (5,796) | \$ (15,503) |
| Benefit from income taxes | (2,142) | (9,364) |
| Other income, net | (705) | (2,383) |
| Depreciation and amortization | 13,083 | 12,358 |
| Stock-based compensation | 39,245 | 31,750 |
| Restructuring | 20 | — |
| Adjusted EBITDA | \$ 43,705 | \$ 16,858 |
| | | |
| Net revenue | \$ 232,096 | \$ 249,901 |
| Net loss margin | (2)% | (6)% |
| Adjusted EBITDA margin | 19 % | 7 % |

Liquidity and Capital Resources

As of March 31, 2021, we had cash and cash equivalents of \$588.6 million, which consisted of cash and money market funds. Our cash held internationally as of March 31, 2021 was \$6.4 million.

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

We continue to hold the majority of our investments in highly liquid money market funds following the liquidation of our portfolio of marketable securities in the first half of 2020, which we undertook as a result of our change in investment strategy to preserve liquidity in response to the COVID-19 pandemic. Our remaining investments that were not held in money market

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funds as of March 31, 2021 were held in certificates of deposit. See [Note 4, "Marketable Securities,"](#) of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further details.

We have the ability to access backup liquidity to fund working capital and for other capital requirements, as needed, through a three-year, \$75.0 million senior unsecured revolving credit facility (including a \$25.0 million letter of credit sub-limit) as part of our Credit Agreement with Wells Fargo Bank, National Association which we entered into in May 2020 (the "Credit Agreement"). As of March 31, 2021, we had \$21.5 million of letters of credit under the sub-limit related to lease agreements for certain office locations, which are required to be maintained and issued to the landlords of each facility, and \$53.5 million remained available under the revolving credit facility as of this date. The cost of capital associated with this credit facility was not significantly more than the cost of capital that we would have expected prior to COVID-19. As of March 31, 2021, we were in compliance with all covenants and there were no loans outstanding under the Credit Agreement. For more information about the terms of the Credit Agreement, including a minimum liquidity covenant, events of default and other limitations, see ["Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"](#) included under Part II, Item 7 in our Annual Report.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under ["Risk Factors"](#) included under Part I, Item 1A in our Annual Report. We believe that, as a result of the steps we have taken in response to the COVID-19 pandemic, our existing cash and cash equivalents, together with any cash generated from operations, will be sufficient to meet our material cash commitments, including: working capital requirements; our anticipated repurchases of common stock pursuant to our stock repurchase program; payment of taxes related to the net share settlement of equity awards; payment of lease costs related to our operating leases; and purchases of property, equipment and software and website hosting services for at least the next 12 months. However, this estimate is based on a number of assumptions that may prove to be materially different and we could exhaust our available cash and cash equivalents earlier than presently anticipated. We may be required to draw down funds from our revolving credit facility or seek additional funds through equity or debt financings in the next 12 months to respond to business challenges associated with the COVID-19 pandemic or other challenges, including the need to develop new features and products or enhance existing services, improve our operating infrastructure or acquire complementary businesses and technologies. The cost of capital associated with any additional funds sought in the future might be adversely impacted by the extent and duration of the impact of the COVID-19 pandemic on our business.

Amounts deposited with third-party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits, as applicable. These cash and cash equivalents could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Cash Flows

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

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2021 | 2020 |
| Condensed Consolidated Statements of Cash Flows Data: | | |
| Net cash provided by operating activities | \$ 58,931 | \$ 40,786 |
| Net cash (used in) provided by investing activities | \$ (5,976) | \$ 163,219 |
| Net cash used in financing activities | \$ (60,282) | \$ (8,929) |

Operating Activities. Net cash provided by operating activities during the three months ended March 31, 2021 increased compared to the prior-year period primarily as a result of lower operating expenses during the period and a decrease in cash outflows as result of timing of payments to key vendors, partially offset by a decrease in cash inflows from customers due to lower revenue.

Investing Activities. Net cash (used in) provided by investing activities during the three months ended March 31, 2021 increased compared to the prior-year period primarily due to the sale of our marketable securities portfolio in 2020 following the change in our investment strategy to preserve liquidity.

Financing Activities. Net cash used in financing activities during the three months ended March 31, 2021 increased compared to the prior-year period primarily due to repurchases of common stock pursuant to our stock repurchase program and, to a lesser extent, higher taxes paid related to net share settlement of equity awards for our employees resulting from an increase in both the number of shares released and the average stock price upon release.

Stock Repurchase Program

As of March 31, 2021, our board of directors had authorized us to repurchase up to an aggregate of \$950.0 million of our outstanding common stock since it initially authorized our stock repurchase program in July 2017. As of April 30, 2021, approximately \$172.3 million remained available for stock repurchases under these authorizations.

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

We have funded all repurchases to date and expect to fund any future repurchases with cash available on our balance sheet. During the three months ended March 31, 2021, we repurchased on the open market 1,401,000 shares for an aggregate purchase price of \$49.5 million. We did not repurchase any shares during the three months ended March 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the U.S. Securities and Exchange Commission ("SEC") under the Securities Act.

Contractual Obligations

There have been no material changes to our contractual obligations and other commitments as disclosed in our Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of business. These risks primarily include interest rate, foreign exchange risks and inflation, and have not changed materially from the market risks we were exposed to in the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

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

ITEM 1A. RISK FACTORS

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table summarizes our stock repurchase activity for the three months ended March 31, 2021 (in thousands except for price per share):

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid per Share ⁽²⁾ | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program |
|--------------------------------|---|---|--|---|
| January 1 – January 31, 2021 | 560 | \$ 31.69 | 560 | \$ 226,849 |
| February 1 – February 28, 2021 | 307 | \$ 35.19 | 307 | \$ 216,040 |
| March 1 – March 31, 2021 | 534 | \$ 39.29 | 534 | \$ 195,064 |

⁽¹⁾ Since July 2017, our board of directors has authorized us to repurchase up to \$950.0 million of our outstanding common stock, of which \$172.3 million remained available as of April 30, 2021. The actual timing and amount of repurchases depend on a variety of factors, including liquidity, cash flow and market conditions. See "[Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Stock Repurchase Program](#)" included under Part I, Item 2 in this Quarterly Report.

⁽²⁾ Average price paid per share includes costs associated with the repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

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

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

SIGNATURES

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

Date: May 7, 2021

YELP INC.

/s/ David Schwarzbach

David Schwarzbach

Chief Financial Officer

(Principal Financial and Accounting Officer and Duly Authorized Signatory)

CERTIFICATION

I, Jeremy Stoppelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yelp Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Jeremy Stoppelman

Jeremy Stoppelman
Chief Executive Officer

CERTIFICATION

I, David Schwarzbach, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yelp Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ David Schwarzbach

David Schwarzbach
Chief Financial Officer

CERTIFICATION

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

1. The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2021, to which this Certification is attached as Exhibit 32.1 (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 7th day of May, 2021.

/s/ Jeremy Stoppelman

Jeremy Stoppelman
Chief Executive Officer

/s/ David Schwarzbach

David Schwarzbach
Chief Financial Officer

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