

**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, 2024

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.)

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

(Address of principal executive offices) (Zip Code)

(415) 908-3801

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 May 3, 2024, there were 67,458,362 shares outstanding of the registrant's common stock, par value \$0.000001 per share.

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

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

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

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "*Risk Factors*" included under Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report"), such as:

- [adverse macroeconomic conditions, including related to inflation, interest rates and supply chain issues, and their impact on consumer behavior, user activity and advertiser spending](#);
- [our ability to maintain and expand our advertiser base, particularly as many businesses continue to face macroeconomic challenges, including labor and supply chain difficulties](#);
- [our ability to execute on our strategic initiatives and the effectiveness thereof](#) ;
- our ability to [hire, retain, motivate](#) and [effectively manage](#) well-qualified employees in a primarily remote work environment;
- [our ability to maintain and increase user engagement on our platform](#) , including [our ability to generate, maintain and recommend sufficient content that consumers find relevant, helpful and reliable](#);
- the rapidly evolving and intensely competitive markets in which we operate;
- [our reliance on third-party service providers and strategic partners](#) ;

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

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

NOTE REGARDING METRICS

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

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

Our metrics that are calculated based on data from Google Analytics, a digital marketing intelligence product from Google LLC (“Google”) — the number of desktop and mobile website unique visitors — are subject to similar limitations. Google Analytics 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 identifiers, an individual who accesses our website from multiple devices with different identifiers may be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single identifier 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. Similarly, Google Analytics also makes periodic changes and updates to their tools and methodologies. Google has announced that it will no longer offer the Universal Analytics version of its Google Analytics product, which we currently use, as of July 1, 2024. We plan to begin reporting our web traffic metrics based on internal measurement tools for the year ending December 31, 2024. These changes to our web traffic metrics will result in inconsistency between new data and previously reported data.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 296,045 | \$ 313,911 |
| Short-term marketable securities | 124,749 | 127,485 |
| Accounts receivable (net of allowance for doubtful accounts of \$ 14,562 and \$13,768 at March 31, 2024 and December 31, 2023, respectively) | 147,685 | 146,147 |
| Prepaid expenses and other current assets | 38,421 | 36,673 |
| Total current assets | 606,900 | 624,216 |
| Property, equipment and software, net | 68,166 | 68,684 |
| Operating lease right-of-use assets | 44,524 | 48,573 |
| Goodwill | 102,833 | 103,886 |
| Intangibles, net | 7,309 | 7,638 |
| Other non-current assets | 163,745 | 161,726 |
| Total assets | \$ 993,477 | \$ 1,014,723 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 144,943 | \$ 132,809 |
| Operating lease liabilities — current | 39,365 | 39,234 |
| Deferred revenue | 6,988 | 3,821 |
| Total current liabilities | 191,296 | 175,864 |
| Operating lease liabilities — long-term | 38,008 | 48,065 |
| Other long-term liabilities | 42,200 | 41,260 |
| Total liabilities | 271,504 | 265,189 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Common stock, \$0.000001 par value — 200,000 shares authorized, 68,330 shares issued and outstanding at March 31, 2024, and 68,864 shares issued and outstanding at December 31, 2023 | — | — |
| Additional paid-in capital | 1,809,530 | 1,786,667 |
| Treasury stock | (8,329) | (282) |
| Accumulated other comprehensive loss | (13,950) | (12,202) |
| Accumulated deficit | (1,065,278) | (1,024,649) |
| Total stockholders' equity | 721,973 | 749,534 |
| Total liabilities and stockholders' equity | \$ 993,477 | \$ 1,014,723 |

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, | |
| | 2024 | 2023 |
| Net revenue | \$ 332,752 | \$ 312,438 |
| Costs and expenses: | | |
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | 27,355 | 26,059 |
| Sales and marketing | 147,791 | 147,455 |
| Product development | 91,227 | 88,197 |
| General and administrative | 45,232 | 46,509 |
| Depreciation and amortization | 9,930 | 10,805 |
| Total costs and expenses | 321,535 | 319,025 |
| Income (loss) from operations | 11,217 | (6,587) |
| Other income, net | 7,724 | 5,212 |
| Income (loss) before income taxes | 18,941 | (1,375) |
| Provision for (benefit from) income taxes | 4,787 | (197) |
| Net income (loss) attributable to common stockholders | \$ 14,154 | \$ (1,178) |
| Net income (loss) per share attributable to common stockholders | | |
| Basic | \$ 0.21 | \$ (0.02) |
| Diluted | \$ 0.20 | \$ (0.02) |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders | | |
| Basic | 68,559 | 69,821 |
| Diluted | 72,247 | 69,821 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------|
| | 2024 | 2023 |
| Net income (loss) attributable to common stockholders | \$ 14,154 | \$ (1,178) |
| Other comprehensive (loss) income: | | |
| Foreign currency translation adjustments, net of tax | (1,542) | 1,454 |
| Unrealized (loss) gain on available-for-sale debt securities, net of tax | (206) | 333 |
| Other comprehensive (loss) income | (1,748) | 1,787 |
| Comprehensive income | <u>\$ 12,406</u> | <u>\$ 609</u> |

See Notes to Condensed Consolidated Financial Statements.

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

| | Common Stock | | Additional Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Equity |
|---|---------------|-------------|----------------------------------|-------------------|---|------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| Balance as of December 31, 2022 | 69,797 | \$ — | \$ 1,649,692 | \$ — | \$ (15,545) | \$ (923,823) | \$ 710,324 |
| Issuance of common stock upon exercises of employee stock options | 685 | — | 14,593 | — | — | — | 14,593 |
| Issuance of common stock upon vesting of restricted stock units ("RSUs"), net | 867 | — | — | — | — | — | — |
| Issuance of common stock for employee stock purchase plan | 1 | — | 18 | — | — | — | 18 |
| Stock-based compensation (inclusive of capitalized stock-based compensation) | — | — | 48,183 | — | — | — | 48,183 |
| Taxes withheld related to net share settlement of equity awards | — | — | (19,563) | — | — | — | (19,563) |
| Repurchases of common stock | — | — | — | (50,036) | — | — | (50,036) |
| Retirement of common stock | (1,701) | — | — | 49,999 | — | (49,999) | — |
| Other comprehensive income | — | — | — | — | 1,787 | — | 1,787 |
| Net loss | — | — | — | — | — | (1,178) | (1,178) |
| Balance as of March 31, 2023 | <u>69,649</u> | <u>\$ —</u> | <u>\$ 1,692,923</u> | <u>\$ (37)</u> | <u>\$ (13,758)</u> | <u>\$ (975,000)</u> | <u>\$ 704,128</u> |
| Balance as of December 31, 2023 | 68,864 | \$ — | \$ 1,786,667 | \$ (282) | \$ (12,202) | \$ (1,024,649) | \$ 749,534 |
| Issuance of common stock upon exercises of employee stock options | 17 | — | 548 | — | — | — | 548 |
| Issuance of common stock upon vesting of RSUs, net | 776 | — | — | — | — | — | — |
| Stock-based compensation (inclusive of capitalized stock-based compensation) | — | — | 44,305 | — | — | — | 44,305 |
| Taxes withheld related to net share settlement of equity awards | — | — | (21,990) | — | — | — | (21,990) |
| Repurchases of common stock | — | — | — | (62,830) | — | — | (62,830) |
| Retirement of common stock | (1,327) | — | — | 54,783 | — | (54,783) | — |
| Other comprehensive loss | — | — | — | — | (1,748) | — | (1,748) |
| Net income | — | — | — | — | — | 14,154 | 14,154 |
| Balance as of March 31, 2024 | <u>68,330</u> | <u>\$ —</u> | <u>\$ 1,809,530</u> | <u>\$ (8,329)</u> | <u>\$ (13,950)</u> | <u>\$ (1,065,278)</u> | <u>\$ 721,973</u> |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2024 | 2023 |
| Operating Activities | | |
| Net income (loss) | \$ 14,154 | \$ (1,178) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,930 | 10,805 |
| Provision for doubtful accounts | 11,645 | 6,784 |
| Stock-based compensation | 42,710 | 46,257 |
| Amortization of right-of-use assets | 3,861 | 7,899 |
| Deferred income taxes | (1,976) | (19,862) |
| Amortization of deferred contract cost | 6,151 | 5,738 |
| Asset impairment | — | 3,555 |
| Other adjustments, net | 161 | 576 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (13,183) | (15,283) |
| Prepaid expenses and other assets | (5,056) | 20,709 |
| Operating lease liabilities | (9,713) | (10,397) |
| Accounts payable, accrued liabilities and other liabilities | 14,171 | 18,641 |
| Net cash provided by operating activities | 72,855 | 74,244 |
| Investing Activities | | |
| Purchases of marketable securities — available-for-sale | (22,419) | (53,157) |
| Sales and maturities of marketable securities — available-for-sale | 25,395 | 23,355 |
| Purchases of other investments | (2,500) | — |
| Purchases of property, equipment and software | (6,987) | (7,518) |
| Other investing activities | 109 | 40 |
| Net cash used in investing activities | (6,402) | (37,280) |
| Financing Activities | | |
| Proceeds from issuance of common stock for employee stock-based plans | 548 | 14,647 |
| Taxes paid related to the net share settlement of equity awards | (21,882) | (19,354) |
| Repurchases of common stock | (62,500) | (49,999) |
| Net cash used in financing activities | (83,834) | (54,706) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (485) | 439 |
| Change in cash, cash equivalents and restricted cash | (17,866) | (17,303) |
| Cash, cash equivalents and restricted cash — Beginning of period | 314,002 | 307,138 |
| Cash, cash equivalents and restricted cash — End of period | \$ 296,136 | \$ 289,835 |
| Supplemental Disclosures of Other Cash Flow Information | | |
| Cash paid (refund received) for income taxes, net | \$ 146 | \$ (181) |
| Supplemental Disclosures of Noncash Investing and Financing Activities | | |
| Purchases of property, equipment and software recorded in accounts payable and accrued liabilities | \$ 1,510 | \$ 2,405 |
| Repurchases of common stock recorded in accounts payable and accrued liabilities | \$ 2,103 | \$ 2,387 |
| Excise tax accrued on net stock repurchases | \$ 330 | \$ 37 |

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. Yelp has operations in the United States, United Kingdom, Canada, Ireland and Germany.

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, 2023 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by GAAP, including certain notes to the financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. Certain prior-period amounts have been reclassified to conform to the current period presentation, including combining transactions revenue into other revenue.

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, judgments 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. Items that require estimates, judgments or assumptions include, but are not limited to, determining variable consideration and identifying the nature and timing of satisfaction of performance obligations, allowance for doubtful accounts and credit losses, fair value and estimated useful lives of long- and indefinite-lived assets, litigation loss contingencies, liabilities related to incurred but not reported insurance claims, fair value and achievement of targets for performance-based restricted stock units (“PRSUs”) and income taxes. These estimates, judgments and assumptions are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management’s estimates due to macroeconomic uncertainty and other factors.

Significant Accounting Policies

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

Recent Accounting Pronouncements Not Yet Effective

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 will be effective for annual periods beginning after December 15, 2023 and interim periods beginning after December 15, 2024 and should be adopted retrospectively. The Company is currently evaluating the impact of ASU 2023-07 on its related disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which requires the disclosure of specific categories in the rate reconciliation and greater disaggregation for income taxes paid. ASU 2023-09 will be effective for annual periods beginning after December 15, 2024 and should be adopted prospectively with the option to be adopted retrospectively. The Company is currently evaluating the impact of ASU 2023-09 on its related disclosures.

2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|--|-------------------|----------------------|
| Cash | \$ 81,415 | \$ 105,959 |
| Cash equivalents | 214,630 | 207,952 |
| Total cash and cash equivalents | 296,045 | 313,911 |
| Restricted cash | 91 | 91 |
| Total cash, cash equivalents and restricted cash | <u>\$ 296,136</u> | <u>\$ 314,002</u> |

Restricted cash is included in other non-current assets on the Company’s condensed consolidated balance sheets.

3. MARKETABLE SECURITIES

Short-term investments and certain cash equivalents consist of investments in debt securities that are classified as available-for-sale. The amortized cost, gross unrealized gains and losses and fair value of investments as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

| | March 31, 2024 | | | |
|--|-------------------|------------------------------|-------------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Short-term marketable securities: | | | | |
| Corporate bonds | \$ 21,210 | \$ 3 | \$ (72) | \$ 21,141 |
| Agency bonds | 7,585 | 4 | (10) | 7,579 |
| U.S. government securities | 96,257 | 46 | (274) | 96,029 |
| Total short-term marketable securities | <u>\$ 125,052</u> | <u>\$ 53</u> | <u>\$ (356)</u> | <u>\$ 124,749</u> |

| | December 31, 2023 | | | |
|--|-------------------|------------------------------|-------------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Cash equivalents: | | | | |
| U.S. government securities | \$ 1,612 | \$ — | \$ — | \$ 1,612 |
| Total cash equivalents | 1,612 | — | — | 1,612 |
| Short-term marketable securities: | | | | |
| Certificates of deposit | 1,537 | — | — | 1,537 |
| Commercial paper | 1,058 | — | — | 1,058 |
| Corporate bonds | 19,833 | 16 | (92) | 19,757 |
| Agency bonds | 17,660 | 4 | (17) | 17,647 |
| U.S. government securities | 87,414 | 241 | (169) | 87,486 |
| Total short-term marketable securities | 127,502 | 261 | (278) | 127,485 |
| Total | \$ 129,114 | \$ 261 | \$ (278) | \$ 129,097 |

The following tables present gross unrealized losses and fair values for those securities that were in an unrealized loss position as of March 31, 2024 and December 31, 2023, aggregated by investment category and the length of time that the individual securities had been in a continuous loss position (in thousands):

| | March 31, 2024 | | | | | |
|----------------------------|---------------------|--------------------|----------------------|--------------------|------------|--------------------|
| | Less Than 12 Months | | 12 Months or Greater | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Corporate bonds | \$ 9,719 | \$ (35) | \$ 9,859 | \$ (37) | \$ 19,578 | \$ (72) |
| Agency bonds | 3,744 | (7) | 1,037 | (3) | 4,781 | (10) |
| U.S. government securities | 58,820 | (274) | — | — | 58,820 | (274) |
| Total | \$ 72,283 | \$ (316) | \$ 10,896 | \$ (40) | \$ 83,179 | \$ (356) |

| | December 31, 2023 | | | | | |
|----------------------------|---------------------|--------------------|----------------------|--------------------|------------|--------------------|
| | Less Than 12 Months | | 12 Months or Greater | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Corporate bonds | \$ 2,130 | \$ (9) | \$ 12,104 | \$ (83) | \$ 14,234 | \$ (92) |
| Agency bonds | 14,409 | (17) | — | — | 14,409 | (17) |
| U.S. government securities | 27,763 | (135) | 6,231 | (34) | 33,994 | (169) |
| Total | \$ 44,302 | \$ (161) | \$ 18,335 | \$ (117) | \$ 62,637 | \$ (278) |

For the three months ended March 31, 2024 and 2023, the Company did not recognize any credit loss related to available-for-sale marketable securities.

The contractual maturities for marketable securities classified as available-for-sale as of March 31, 2024 were as follows (in thousands):

| | Amortized Cost | Fair Value |
|--------------------------|-------------------|-------------------|
| Due in one year or less | \$ 71,723 | \$ 71,477 |
| Due in one to five years | 53,329 | 53,272 |
| Total | \$ 125,052 | \$ 124,749 |

4. FAIR VALUE MEASUREMENTS

The Company's investments in money market accounts are recorded as cash equivalents at fair value on the condensed consolidated balance sheets. Additionally, the Company carries its available-for-sale debt securities at fair value. See [Note 3, "Marketable Securities,"](#) for further details.

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

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

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

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

This hierarchy requires the Company to use observable market data, when available, to minimize the use of unobservable inputs when determining fair value. The Company's money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets. The Company's certificates of deposit, commercial paper, corporate bonds, agency bonds and U.S. government securities 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, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | | | | December 31, 2023 | | | |
|---|-------------------|-------------------|-------------|-------------------|-------------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents: | | | | | | | | |
| Money market funds | \$ 188,206 | \$ — | \$ — | \$ 188,206 | \$ 180,270 | \$ — | \$ — | \$ 180,270 |
| U.S. government securities | — | — | — | — | — | 1,612 | — | 1,612 |
| Marketable securities: | | | | | | | | |
| Certificates of deposit | — | — | — | — | — | 1,537 | — | 1,537 |
| Commercial paper | — | — | — | — | — | 1,058 | — | 1,058 |
| Corporate bonds | — | 21,141 | — | 21,141 | — | 19,757 | — | 19,757 |
| Agency bonds | — | 7,579 | — | 7,579 | — | 17,647 | — | 17,647 |
| U.S. government securities | — | 96,029 | — | 96,029 | — | 87,486 | — | 87,486 |
| Other investments: | | | | | | | | |
| Certificates of deposit | — | 10,000 | — | 10,000 | — | 7,500 | — | 7,500 |
| Total cash equivalents, marketable securities and other investments | <u>\$ 188,206</u> | <u>\$ 134,749</u> | <u>\$ —</u> | <u>\$ 322,955</u> | <u>\$ 180,270</u> | <u>\$ 136,597</u> | <u>\$ —</u> | <u>\$ 316,867</u> |

The certificates of deposit that are categorized as other investments with original maturities of one year or less are reflected in prepaid expenses and other current assets on the condensed consolidated balance sheets. Those with original maturities of more than one year are reflected in other non-current assets.

Certain long- and indefinite-lived assets are recognized at fair value on a nonrecurring basis, including assets that are written down as a result of an impairment. The Company recognized an impairment charge related to the write off of right-of-use ("ROU") assets and leasehold improvements associated with certain of its office space that it abandoned during the three months ended March 31, 2023. See [Note 8, "Leases,"](#) for further details. The Company estimated the fair value of these assets as of the abandonment date using an income approach based on discounted cash flows expected to be received for the abandoned properties. This valuation technique relied on certain assumptions made by management based on both internal and external data, such as the incremental borrowing rates used to discount these cash flows to its present values. As a result, these assets are classified within Level 3 of the fair value hierarchy.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Prepaid expenses | \$ 17,397 | \$ 14,922 |
| Certificates of deposit | 7,500 | 5,000 |
| Other current assets | 13,524 | 16,751 |
| Total prepaid expenses and other current assets | <u>\$ 38,421</u> | <u>\$ 36,673</u> |

As of March 31, 2024, other current assets primarily consisted of income taxes receivable, deferred costs related to subleases as well as unsettled share repurchases and short-term deposits.

6. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Capitalized website and internal-use software development costs | \$ 266,444 | \$ 258,059 |
| Leasehold improvements | 57,291 | 57,403 |
| Computer equipment | 46,770 | 50,014 |
| Furniture and fixtures | 10,306 | 10,336 |
| Telecommunication | 4,175 | 4,175 |
| Software | 1,113 | 1,113 |
| Total | <u>386,099</u> | <u>381,100</u> |
| Less accumulated depreciation and amortization | <u>(317,933)</u> | <u>(312,416)</u> |
| Property, equipment and software, net | <u>\$ 68,166</u> | <u>\$ 68,684</u> |

Depreciation and amortization expense related to property, equipment and software was \$ 9.6 million and \$10.5 million for the three months ended March 31, 2024 and 2023, 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, 2023 and concluded that goodwill was not impaired, as the fair value of the reporting unit exceeded its carrying value. Additionally, no triggering events were identified as of March 31, 2024 or December 31, 2023 that would more likely than not reduce the fair value of goodwill below its carrying value.

The change in the carrying amount of goodwill during the three months ended March 31, 2024 was as follows (in thousands):

| | |
|---------------------------------|-------------------|
| Balance as of December 31, 2023 | \$ 103,886 |
| Effect of currency translation | (1,053) |
| Balance as of March 31, 2024 | <u>\$ 102,833</u> |

Intangible assets that were not fully amortized as of March 31, 2024 and December 31, 2023 consisted of the following (dollars in thousands):

| | March 31, 2024 | | | |
|------------------------|-----------------------|--------------------------|---------------------|---------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Remaining Life |
| Business relationships | \$ 9,918 | \$ (6,435) | \$ 3,483 | 4.9 years |
| Licensing agreements | 6,141 | (2,315) | 3,826 | 5.9 years |
| Total | \$ 16,059 | \$ (8,750) | \$ 7,309 | |

| | December 31, 2023 | | | |
|------------------------|-----------------------|--------------------------|---------------------|---------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted Average Remaining Life |
| Business relationships | \$ 9,918 | \$ (6,258) | \$ 3,660 | 5.2 years |
| Licensing agreements | 6,129 | (2,151) | 3,978 | 6.2 years |
| Total | \$ 16,047 | \$ (8,409) | \$ 7,638 | |

Amortization expense related to intangible assets was \$ 0.3 million for each of the three months ended March 31, 2024 and 2023.

As of March 31, 2024, estimated future amortization expense was as follows (in thousands):

| | |
|---------------------------|-----------------|
| Remainder of 2024 | \$ 1,024 |
| 2025 | 1,353 |
| 2026 | 1,353 |
| 2027 | 1,353 |
| 2028 | 1,353 |
| 2029 | 763 |
| Thereafter | 110 |
| Total amortization | \$ 7,309 |

8. LEASES

The components of lease cost, net for the three months ended March 31, 2024 and 2023 were as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| | 2024 | 2023 |
| Operating lease cost | \$ 4,942 | \$ 9,531 |
| Short-term lease cost (12 months or less) | 97 | 105 |
| Sublease income | (3,400) | (3,391) |
| Total lease cost, net | \$ 1,639 | \$ 6,245 |

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, 2024 and 2023 was as follows (in thousands):

| | Three Months Ended | |
|---|--------------------|-----------|
| | March 31, | |
| | 2024 | 2023 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 10,794 | \$ 12,031 |

As of March 31, 2024, maturities of lease liabilities were as follows (in thousands):

| | |
|------------------------------------|-----------|
| Remainder of 2024 | \$ 31,904 |
| 2025 | 22,157 |
| 2026 | 7,219 |
| 2027 | 6,407 |
| 2028 | 6,545 |
| 2029 | 6,687 |
| Thereafter | 2,984 |
| Total minimum lease payments | 83,903 |
| Less imputed interest | (6,530) |
| Present value of lease liabilities | \$ 77,373 |

As of March 31, 2024 and December 31, 2023, the weighted-average remaining lease term and weighted-average discount rate were as follows:

| | March 31, 2024 | December 31, 2023 |
|--|-------------------|----------------------|
| Weighted-average remaining lease term (years) — operating leases | 3.6 | 3.7 |
| Weighted-average discount rate — operating leases | 5.1 % | 5.1 % |

During the three months ended March 31, 2023, the Company abandoned certain office space in San Francisco. The Company evaluated the associated ROU assets and leasehold improvements for impairment as a result of the abandonment in accordance with Accounting Standards Codification Topic 360, "Property, Plant, and Equipment," because the change in circumstances indicated that the carrying amount of such assets may not be recoverable. The Company compared the carrying value of the impacted assets to the fair value to determine the impairment amount and recognized an impairment charge of \$3.6 million during the three months ended March 31, 2023, which is included in general and administrative expenses on its condensed consolidated statement of operations. The Company reduced the carrying amount of the ROU asset and leasehold improvements by \$2.6 million and \$1.0 million, respectively. For more information on the fair values of the ROU asset and leasehold improvements used in the impairment analysis, see [Note 4, "Fair Value Measurements."](#)

9. OTHER NON-CURRENT ASSETS

Other non-current assets as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|--------------------------------|-------------------|----------------------|
| Deferred tax assets | \$ 121,438 | \$ 119,449 |
| Deferred contract costs | 26,713 | 28,203 |
| Other non-current assets | 15,594 | 14,074 |
| Total other non-current assets | \$ 163,745 | \$ 161,726 |

10. CONTRACT BALANCES

The changes in the allowance for doubtful accounts during the three months ended March 31, 2024 and 2023 were as follows (in thousands):

| | Three Months Ended March 31, | |
|--------------------------------------|---------------------------------|-----------------|
| | 2024 | 2023 |
| Balance, beginning of period | \$ 13,768 | \$ 9,277 |
| Add: provision for doubtful accounts | 11,645 | 6,784 |
| Less: write-offs, net of recoveries | (10,851) | (7,430) |
| Balance, end of period | <u>\$ 14,562</u> | <u>\$ 8,631</u> |

In calculating the allowance for doubtful accounts as of March 31, 2024 and 2023, the Company considered expectations of probable credit losses based on observed trends in cancellations, observed changes in the credit risk of specific customers, the impact of anticipated closures and bankruptcies using forecasted economic indicators in addition to historical experience and loss patterns during periods of macroeconomic uncertainty. The increases in the provision for doubtful accounts and write-offs, net of recoveries in the three months ended March 31, 2024 as compared to the prior-year period were a result of the ordinary course of business, reflecting higher aggregate customer delinquencies as well as the increase in net revenue.

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

The changes in short-term deferred revenue during the three months ended March 31, 2024 were as follows (in thousands):

| | Three Months Ended March 31, 2024 | |
|--|--------------------------------------|---------|
| Balance, beginning of period | \$ 3,821 | |
| Less: recognition of deferred revenue from beginning balance | | (2,520) |
| Add: net increase in current period contract liabilities | | 5,687 |
| Balance, end of period | <u>\$ 6,988</u> | |

The majority of the Company's deferred revenue balance as of March 31, 2024 is classified as short-term and is expected to be recognized as revenue in the subsequent three-month period ending June 30, 2024. An immaterial amount of long-term deferred revenue is included in other long-term liabilities as of March 31, 2024. No other contract assets or liabilities were recorded on the Company's condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|--|-------------------|----------------------|
| Accounts payable | \$ 6,083 | \$ 11,868 |
| Employee-related liabilities | 84,327 | 79,081 |
| Accrued legal settlements | 15,000 | 15,085 |
| Other accrued liabilities | 39,533 | 26,775 |
| Total accounts payable and accrued liabilities | <u>\$ 144,943</u> | <u>\$ 132,809</u> |

As of March 31, 2024, other accrued liabilities primarily consisted of accrued operating expenses and cost of revenue, income taxes payable and unsettled share repurchases.

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

CIPA Action

On October 12, 2016, a putative class action lawsuit asserting claims under the California Invasion of Privacy Act was filed against the Company (the "CIPA Action") in the Superior Court of California for the County of San Francisco (the "Superior Court"), in which the plaintiff sought statutory damages and other relief based on alleged unlawful call recording. The Company filed a motion for summary judgment on the basis that it had never recorded the plaintiff, which the Superior Court granted. The plaintiff appealed and, in October 2020, the California Court of Appeal for the First District (the "Court of Appeal") reversed the decision of the Superior Court, holding that the recording of only the Company's consenting sales representatives could violate CIPA, even if the plaintiff was not recorded. The California Supreme Court subsequently denied review of the Court of Appeal's decision and the case was remanded to the Superior Court. On January 18, 2023, the Superior Court granted the plaintiffs' motion for class certification. In February 2023, the Company filed a petition for a writ with the Court of Appeal seeking reversal of the Superior Court's class certification decision. The Court of Appeal summarily denied the writ petition on May 25, 2023, following which the Company filed a petition with the California Supreme Court on June 2, 2023 seeking an order directing the Court of Appeal to review the merits of the Company's writ petition. On July 17, 2023, the Company reached a preliminary agreement with the plaintiffs to settle the CIPA Action for \$15.0 million, which payment the Company expected to be partially funded by insurance proceeds. The parties executed a settlement agreement, which the plaintiff presented to the Superior Court for approval. On April 10, 2024, the Superior Court granted final approval of the settlement, which resolved all claims asserted against the Company in the CIPA Action without any liability or wrongdoing attributed to it.

The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and contingencies, which it will accrue when it believes a loss is probable and the amount can be reasonably estimated. The Company believes the loss is probable and the payment amount of \$15.0 million represents a reasonable estimate of loss contingency as of March 31, 2024. The Company recorded a \$4.0 million accrual for loss contingency related to the CIPA Action as of December 31, 2022 and an additional accrual of \$11.0 million during 2023, resulting in a \$15.0 million accrual for loss contingency within accounts payable and accrued liabilities on the Company's condensed consolidated balance sheet as of March 31, 2024. The Company expects to fund the settlement in the three months ending June 30, 2024. The receivable for loss recovery that was recorded in 2023 for the anticipated insurance proceeds of \$3.9 million was released upon receipt of the proceeds on January 18, 2024.

Other Legal Proceedings

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 the 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

On April 28, 2023, the Company entered into a Revolving Credit and Guaranty Agreement with certain lenders and JPMorgan Chase Bank, N.A., as administrative and collateral agent, which provides for a five-year \$125.0 million senior secured revolving credit facility (the “2023 credit facility”). The 2023 credit facility replaced the Company’s previous \$75.0 million revolving credit facility entered into on May 5, 2020 with Wells Fargo Bank, N.A. (the “2020 credit facility”), which terminated concurrently with the establishment of the 2023 credit facility. The 2023 credit facility includes a letter of credit sub-limit of \$25.0 million, a bilateral letter of credit facility of \$25.0 million and an accordion option, which, if exercised, would allow the Company to increase the aggregate commitments by up to \$250.0 million, plus additional amounts if the Company is able to satisfy a leverage test, subject to certain conditions. The commitments under the 2023 credit facility expire on April 28, 2028.

Loans under the 2023 credit facility bear interest, at the Company’s election, at either (a) an adjusted term Secured Overnight Financing Rate plus 0.10% plus a margin of 1.25% - 1.50%, depending on the Company’s total leverage ratio, or (b) an alternative base rate plus a margin of 0.25% - 0.50%, depending on the Company’s total leverage ratio. The Company is required to pay a commitment fee on the undrawn portion of the aggregate commitments that accrues at 0.20% - 0.25% per annum, depending on the Company’s total leverage ratio, as well as a letter of credit fee on any outstanding letters of credit that accrues at 1.25% - 1.50% per annum, depending on the Company’s total leverage ratio.

The 2023 credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company’s ability to incur indebtedness, grant liens, make distributions, pay dividends, repurchase shares, make investments and engage in transactions with the Company’s affiliates, in each case subject to certain exceptions. The 2023 credit facility also requires the Company to maintain a total leverage ratio of no greater than 3.75 to 1.00, subject to an increase up to 4.25 to 1.00 for a certain period following significant acquisitions, and an interest coverage ratio of no less than 3.00 to 1.00. The obligations under the 2023 credit facility are secured by liens on substantially all of the Company’s domestic assets, including certain domestic intellectual property assets and the equity of its domestic subsidiaries, as well as a portion of the equity interests the Company holds directly in its foreign subsidiaries.

As of March 31, 2024, the Company had \$ 14.1 million of letters of credit outstanding under the 2023 credit facility sub-limit, which were moved from the 2020 credit facility. The letters of credit are primarily related to lease agreements for certain office locations and are required to be maintained and issued to the landlords of each facility. No loans were outstanding under the 2023 credit facility and the Company was in compliance with all conditions and covenants thereunder as of March 31, 2024.

13. STOCKHOLDERS’ EQUITY

The following table presents the number of shares authorized and issued as of March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | | December 31, 2023 | |
|------------------------------------|-------------------|---------------|-------------------|---------------|
| | Shares Authorized | Shares Issued | Shares Authorized | Shares Issued |
| Common stock, \$0.000001 par value | 200,000 | 68,330 | 200,000 | 68,864 |
| Undesignated preferred stock | 10,000 | — | 10,000 | — |

Stock Repurchase Program

As of March 31, 2024, the Board of Directors had authorized the Company to repurchase up to an aggregate of \$ 1.95 billion of its outstanding common stock, \$519.2 million of which remained available as of March 31, 2024. 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, 2024, the Company repurchased on the open market 1,526,366 shares for an aggregate purchase price of \$62.5 million and retired 1,326,887 shares. As of March 31, 2024, the Company had a treasury stock balance of 199,479 shares, which were excluded from its outstanding share count as of such date and subsequently retired in April 2024. As of March 31, 2024, the treasury stock balance included \$0.6 million of excise tax imposed under the Inflation Reduction Act of 2022 on stock repurchases, net of shares issued.

During the three months ended March 31, 2023, the Company repurchased on the open market and subsequently retired 1,700,835 shares for an aggregate purchase price of \$50.0 million. Although there were no shares of treasury stock as of March 31, 2023, the treasury stock balance included an immaterial amount of excise tax on stock repurchases, net of shares issued, during the three months then ended.

Equity Incentive Plans

Stock Options

A summary of stock option activity for the three months ended March 31, 2024 is as follows:

| | Number of Shares (in thousands) | Weighted- Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|--|------------------------------------|--|---|--|
| Outstanding at December 31, 2023 | 2,543 | \$ 34.94 | 3.6 | \$ 33,100 |
| Exercised | (17) | 31.75 | | |
| Canceled | (17) | 72.57 | | |
| Outstanding at March 31, 2024 | 2,509 | \$ 34.71 | 3.3 | \$ 15,790 |
| Options vested and exercisable at March 31, 2024 | 2,483 | \$ 34.69 | 3.3 | \$ 15,722 |

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 \$0.2 million and \$5.4 million for the three months ended March 31, 2024 and 2023, respectively.

There were no options granted during the three months ended March 31, 2024 and 2023.

As of March 31, 2024, total unrecognized compensation costs related to nonvested stock options were approximately \$ 0.4 million, which the Company expects to recognize over a weighted-average time period of 1.4 years.

RSUs

RSUs include PRSUs, which are subject to either (a) a market condition or (b) the achievement of performance goals. As the PRSU activity during the three months ended March 31, 2024 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, 2024 is as follows (in thousands, except per share amounts):

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|--|------------------|--|
| Nonvested at December 31, 2023 | 9,961 | \$ 32.61 |
| Granted | 2,035 | 44.68 |
| Vested ⁽¹⁾ | (1,369) | 32.19 |
| Canceled | (183) | 33.29 |
| Nonvested at March 31, 2024 ⁽²⁾ | 10,444 | \$ 35.00 |

⁽¹⁾ Includes 593,529 shares that vested but were not issued due to the Company's use of net share settlement for payment of employee taxes.

⁽²⁾ Includes 982,724 PRSUs.

The aggregate fair value as of the vest date of RSUs and PRSUs that vested during the three months ended March 31, 2024 and 2023 was \$ 50.7 million and \$46.2 million, respectively. As of March 31, 2024, the Company had approximately \$ 334.6 million of unrecognized stock-based compensation expense related to RSUs and PRSUs, which it expects to recognize over the remaining weighted-average vesting period of approximately 2.3 years.

Employee Stock Purchase Plan

There were no shares purchased by employees under the Employee Stock Purchase Plan (“ESPP”) during the three months ended March 31, 2024. There were 676 shares purchased by employees under the ESPP at a weighted-average purchase price per share of \$ 26.31 during the three months ended March 31, 2023. The Company recognized stock-based compensation expense related to the ESPP of \$1.1 million and \$0.9 million during the three months ended March 31, 2024 and 2023, respectively.

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, | |
|--|---------------------------------|-----------|
| | 2024 | 2023 |
| Cost of revenue | \$ 1,401 | \$ 1,382 |
| Sales and marketing | 8,699 | 9,114 |
| Product development | 23,653 | 25,867 |
| General and administrative | 8,957 | 9,894 |
| Total stock-based compensation recorded to income (loss) before income taxes | 42,710 | 46,257 |
| Benefit from income taxes | (8,395) | (9,604) |
| Total stock-based compensation recorded to net income (loss) attributable to common stockholders | \$ 34,315 | \$ 36,653 |

During the three months ended March 31, 2024 and 2023, the Company capitalized \$ 2.7 million and \$2.9 million, respectively, of stock-based compensation expense as website and internal-use software development costs and, to a lesser extent, implementation costs incurred related to cloud computing arrangements that are service contracts.

14. OTHER INCOME, NET

Other income, net for the three months ended March 31, 2024 and 2023 consisted of the following (in thousands):

| | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | 2024 | 2023 |
| Interest income, net | \$ 5,664 | \$ 4,007 |
| Transaction loss on foreign exchange, net | (142) | (70) |
| Other non-operating income, net | 2,202 | 1,275 |
| Other income, net | \$ 7,724 | \$ 5,212 |

15. INCOME TAXES

The Company is subject to income taxes in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income taxes. The provision for income taxes for the three months ended March 31, 2024 was \$4.8 million, which was due to \$5.1 million of U.S. federal, state and foreign income tax expense, partially offset by \$ 0.3 million of net discrete tax benefit primarily related to stock-based compensation. The benefit from income taxes for the three months ended March 31, 2023 was \$0.2 million, which was due to \$0.5 million of U.S. federal, state and foreign income tax benefit, partially offset by \$0.3 million of net discrete tax expense primarily related to stock-based compensation.

Accounting for income taxes for interim periods generally requires the provision for income taxes to be determined by applying an estimate of the annual effective tax rate for the full fiscal year to income or loss before income taxes, excluding unusual or infrequently occurring discrete items, for the reporting period. For the three months ended March 31, 2024, the difference between the effective tax rate and the federal statutory tax rate primarily related to tax credits, offset by stock-based compensation and other non-deductible expenses. For the three months ended March 31, 2023, the difference between the effective tax rate and the federal statutory tax rate primarily related to stock-based compensation and the inclusion of global intangible low-taxed income (“GILTI”), offset by tax credits. However, the Internal Revenue Service issued guidance in the three months ended September 30, 2023 that effectively relieved the Company from GILTI in 2023.

As of March 31, 2024, the Company had \$36.9 million of unrecognized tax benefits that, if recognized, would affect the Company’s effective tax rate.

As of March 31, 2024, the Company estimated that it had accumulated undistributed earnings generated by its foreign subsidiaries of approximately \$31.3 million. Any taxes due with respect to such earnings or the excess of the amount for financial reporting over the tax basis of the Company’s foreign investments would generally be limited to foreign and state taxes. The Company has not recognized a deferred tax liability related to unremitted foreign earnings, as it intends to indefinitely reinvest these earnings, and expects future U.S. cash generation to be sufficient to meet future U.S. cash needs.

In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service and other tax authorities. The Company’s federal and state income tax returns for tax years subsequent to 2003 remain open to examination. In the Company’s foreign jurisdictions — Canada, Germany, Ireland and the United Kingdom — the tax years subsequent to 2018 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, 2024, although the timing of the resolution or closure of audits is not certain, the Company believes it is reasonably possible that unrecognized tax benefits will not be reduced within the next 12 months.

16. NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic net income (loss) per share attributable to common stockholders is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted net income (loss) per share attributable to common stockholders is computed using the weighted-average number of outstanding shares of common stock and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities include stock options, RSUs (including PRSUs) and, to a lesser extent, ESPP shares. If dilutive, such potentially dilutive securities are reflected in net income (loss) per share attributable to common stockholders using the treasury stock method.

The following tables present the calculation of basic and diluted net income (loss) per share attributable to common stockholders for the periods presented (in thousands, except per share data):

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2024 | 2023 |
| Basic net income (loss) per share: | | |
| Net income (loss) attributable to common stockholders | \$ 14,154 | \$ (1,178) |
| Shares used in computation: | | |
| Weighted-average common shares outstanding | 68,559 | 69,821 |
| Basic net income (loss) per share attributable to common stockholders: | <u>\$ 0.21</u> | <u>\$ (0.02)</u> |

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2024 | 2023 |
| Diluted net income (loss) per share: | | |
| Net income (loss) attributable to common stockholders | \$ 14,154 | \$ (1,178) |
| Shares used in computation: | | |
| Weighted-average common shares outstanding | 68,559 | 69,821 |
| Stock options | 469 | — |
| RSUs | 3,072 | — |
| ESPP | 147 | — |
| Number of shares used in diluted calculation | 72,247 | 69,821 |
| Diluted net income (loss) per share attributable to common stockholders: | \$ 0.20 | \$ (0.02) |

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

| | Three Months Ended March 31, | |
|---------------|---------------------------------|--------|
| | 2024 | 2023 |
| Stock options | 666 | 2,856 |
| RSUs | 1,478 | 14,021 |
| ESPP | — | 299 |

17. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

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

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

Net Revenue

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

| | Three Months Ended March 31, | |
|----------------------------------|---------------------------------|-------------------|
| | 2024 | 2023 |
| Net revenue by product: | | |
| Advertising revenue by category: | | |
| Services | \$ 203,288 | \$ 183,520 |
| Restaurants, Retail & Other | 114,350 | 113,623 |
| Advertising | 317,638 | 297,143 |
| Other ⁽¹⁾ | 15,114 | 15,295 |
| Total net revenue | <u>\$ 332,752</u> | <u>\$ 312,438</u> |

⁽¹⁾ As of the three months ended March 31, 2024, other revenue includes revenue generated from transactions with consumers, which the Company reported separately as transactions revenue in prior periods. Prior period amounts in the table above have been reclassified to conform to the current period presentation.

During the three months ended March 31, 2024 and 2023, no individual customer accounted for 10% or more of consolidated net revenue.

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

| | Three Months Ended March 31, | |
|---------------------|---------------------------------|-------------------|
| | 2024 | 2023 |
| United States | \$ 330,136 | \$ 310,222 |
| All other countries | 2,616 | 2,216 |
| Total net revenue | <u>\$ 332,752</u> | <u>\$ 312,438</u> |

Long-Lived Assets

The following table presents the Company's long-lived assets by major geographic region as of March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|-------------------------|-------------------|----------------------|
| United States | \$ 62,277 | \$ 62,464 |
| All other countries | 5,889 | 6,220 |
| Total long-lived assets | <u>\$ 68,166</u> | <u>\$ 68,684</u> |

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 the more than 260 million ratings and reviews available on our platform 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, 2024, our net revenue was \$332.8 million, up 7% from the three months ended March 31, 2023, and we recorded net income of \$14.2 million and adjusted EBITDA of \$64.5 million. For information on how we define and calculate adjusted EBITDA, and a reconciliation of this non-GAAP financial measure to net income (loss), see "[Non-GAAP Financial Measures](#)" below.

In the first quarter of 2024, our strategic investments in product and marketing continued to drive progress on our revenue growth initiatives:

- *Deliver the best Home Services experience for consumers and service professionals* . Advertising revenue from Services businesses increased by 11% year over year in the first quarter, led by approximately 15% year-over-year revenue growth in the Home Services subcategories. Our efforts to acquire Services projects through paid search engine marketing ("paid search"), together with continued strength from organic consumer demand, drove an approximately 20% year-over-year increase in Request-a-Quote projects. Additionally, in April, we launched Yelp Assistant, a conversational artificial intelligence ("AI") feature that uses large language model ("LLM") technology trained on our extensive first-party data to intelligently guide consumers to the right service professionals for their projects. By more accurately interpreting consumers' needs and collecting detailed project information, we believe Yelp Assistant improves matching, driving stronger connections for consumers and helping to deliver even more relevant leads to services professionals.
- *Provide the most trusted local search and discovery platform* . In the first quarter, we released our annual Trust & Safety Report, which details our continuously evolving efforts to maintain the quality and integrity of the content on our platform. These include advancements leveraging LLMs to better detect inappropriate content at scale, enabling our content moderators to prevent thousands of reviews containing such content from ever publishing to Yelp. Additionally, in April, we also introduced the Yelp Fusion AI API, an LLM-powered partner solution that brings our trusted content and information to third-party platforms through natural language search. It is designed to provide contextually relevant responses to end users, allowing them to seamlessly connect with local businesses both on and off the Yelp platform.
- *Optimize advertiser value through our advanced technology* . We continued to deliver value to advertisers through high-quality ad clicks in the first quarter. Ad clicks increased 8% year over year and average CPC declined 1% year over year, driven by enhanced matching capabilities as well as our acquisition of Services projects through paid search. We also recently extended our retargeting initiatives to surface relevant Yelp ads to Facebook users based on their recent Yelp searches and launched a program with Mozilla to provide Firefox users with easier access to Yelp's trusted local business content.
- *Drive profitable growth through our most efficient channels* . Revenue from our Self-serve channel increased by approximately 20% year over year in the first quarter, driven by record customer acquisition as a result of improvements to the ad purchase flow and advertiser marketing. Multi-location revenue increased by approximately 5% year over year, a decrease from approximately 15% year-over-year growth in the fourth quarter of 2023, as businesses in Restaurants, Retail & Other ("RR&O") categories continued to face a challenging operating environment. In addition, as of the first quarter our Multi-location sales team narrowed its focus to businesses with ten or more

locations, with the Local sales team selling to businesses with fewer than ten locations. While this change did not, and is not expected to, materially impact the breakdown of advertising revenue between Local and Multi-location channels, we believe this realignment will enable our Multi-location sales team to more effectively serve national and non-location-based brand advertisers.

Although our RR&O categories exhibited weakness in the first quarter, the strength in our Services categories, particularly Home Services, gives us confidence in our strategy and the opportunities ahead. We expect both net revenue and adjusted EBITDA to increase sequentially in the second quarter. We also expect expenses to increase from the first to the second quarter, reflecting incremental marketing investments, particularly to acquire Services projects through paid search.

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 and Average CPC

The amount of revenue we generate from our pay-for-performance advertising products is determined by the number of ad clicks we deliver to advertisers and the CPCs we charge for those 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, among others. 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. We report the year-over-year percentage change in ad clicks as a measure of our success in monetizing more of our consumer activity and delivering more value to advertisers.

Average CPC is calculated as revenue from our performance-based ad products — excluding certain revenue adjustments that do not impact the outcome of an auction for an individual ad click, such as refunds, as well as revenue from our advertising partnerships — divided by the total number of ad clicks for a given period. Average CPC represents the average amount we charge advertisers for each ad click.

We believe that ad clicks and average CPC together reflect one of the most significant dynamics affecting our advertising revenue performance: the interplay of advertiser demand and consumer activity. At the level of an auction for an individual ad click, advertiser demand — consisting of advertiser budgets and the number of advertisers competing to purchase the ad click — intersects with the supply of consumer activity — consisting of the predicted levels of relevant consumer traffic and engagement — to determine CPC, with higher advertiser demand putting upward pressure on the CPC and higher consumer activity putting downward pressure on the CPC. In aggregate, advertiser demand consists of the number of business locations advertising with us (which we refer to as paying advertising locations, as discussed below) and the aggregate budget they allocate to purchasing our advertising products. Aggregate monetizable consumer activity depends on the levels of consumer traffic and engagement with our ads, the numbers of locations where we can display ads and other monetizable features, and our click-through rate, which is the ratio of ad clicks to the number of times the ads were displayed to consumers. The relative strengths of these factors in aggregate are reflected in average CPC.

Ad clicks and average CPC also provide important insight into the value we deliver to advertisers, which we believe is a significant factor in our ability to retain both revenue and customers. For example, a positive change in ad clicks for a given period combined with lower growth or a negative change in average CPC over the same period would indicate that we delivered more ad clicks at lower prices, thereby delivering more value to our advertisers; we would expect this to have a positive impact on retention. Conversely, growth in average CPC paired with a negative or lower growth rate in ad clicks would indicate we charged more without delivering more ad clicks; we would expect this to have a negative impact on retention unless we are able to increase the value we deliver through higher performing ad clicks.

The following table presents year-over-year changes in our ad clicks and average CPC for the periods presented (each expressed as a percentage):

| | Three Months Ended March 31, | |
|-------------|---------------------------------|------|
| | 2024 | 2023 |
| Ad Clicks | 8% | 1% |
| Average CPC | (1)% | 14% |

In the three months ended March 31, 2024, advertising revenue grew 7%, primarily due to a year-over-year increase in ad clicks driven by improvements to our matching capabilities and our acquisition of Services projects through paid search. Average CPC decreased slightly in the three months ended March 31, 2024, with more substantial decreases across Services categories, reflecting the increased value we delivered to advertisers in the quarter.

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 breakdown of our advertising revenue attributable to businesses in two high-level category groupings: Services and RR&O. Our Services categories consist of home, local, auto, professional, pets, events, real estate and financial services. Our RR&O categories consist of restaurants, shopping, beauty & fitness, health and other.

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

| | Three Months Ended March 31, | | % Change |
|----------------------------------|---------------------------------|-------------------|-----------|
| | 2024 | 2023 | |
| Services | \$ 203,288 | \$ 183,520 | 11% |
| Restaurants, Retail & Other | 114,350 | 113,623 | 1% |
| Total Advertising Revenue | \$ 317,638 | \$ 297,143 | 7% |

Paying Advertising Locations

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

We provide our paying advertising locations as a measure of the reach and scale of our business; however, this metric may exhibit short-term volatility as a result of factors such as seasonality and macroeconomic conditions. For example, macroeconomic factors, including related to inflation, interest rates, and labor and supply chain issues, have had a predominant negative impact on RR&O paying advertising locations in recent quarters. Short-term fluctuations in paying advertising locations may also reflect the acquisition or loss of single advertising accounts associated with large numbers of locations, or the pausing/restarting of advertising campaigns by such multi-location advertisers.

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

| | Three Months Ended March 31, | | % Change |
|---|---------------------------------|------------|-------------|
| | 2024 | 2023 | |
| Services | 252 | 238 | 6% |
| Restaurants, Retail & Other | 278 | 316 | (12)% |
| Total Paying Advertising Locations | 530 | 554 | (4)% |

Paying advertising locations decreased in the three months ended March 31, 2024 compared to the prior-year period. While paying advertising locations in our Services categories increased year over year as advertisers responded positively to our improved matching in these categories, paying advertising locations in our RR&O categories decreased over the same period. We believe the decrease in RR&O paying advertising locations reflects the challenging operating environment facing businesses in these categories as well as strong competition for ad spend from such businesses, including from food ordering and delivery providers.

Results of Operations

The following table sets forth our results of operations for the periods presented (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 2024 or any future period.

| | Three Months Ended March 31, | | \$ Change | % Change ⁽¹⁾ |
|---|---------------------------------|------------|-----------|-------------------------|
| | 2024 | 2023 | | |
| Condensed Consolidated Statements of Operations Data: | | | | |
| Net revenue by product: | | | | |
| Advertising revenue by category: | | | | |
| Services | \$ 203,288 | \$ 183,520 | \$ 19,768 | 11 % |
| Restaurants, Retail & Other | 114,350 | 113,623 | 727 | 1 % |
| Advertising | 317,638 | 297,143 | 20,495 | 7 % |
| Other ⁽²⁾ | 15,114 | 15,295 | (181) | (1) % |
| Total net revenue | 332,752 | 312,438 | 20,314 | 7 % |
| Costs and expenses: | | | | |
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | 27,355 | 26,059 | 1,296 | 5 % |
| Sales and marketing | 147,791 | 147,455 | 336 | — % |
| Product development | 91,227 | 88,197 | 3,030 | 3 % |
| General and administrative | 45,232 | 46,509 | (1,277) | (3) % |
| Depreciation and amortization | 9,930 | 10,805 | (875) | (8) % |
| Total costs and expenses | 321,535 | 319,025 | 2,510 | 1 % |
| Income (loss) from operations | 11,217 | (6,587) | 17,804 | (270) % |
| Other income, net | 7,724 | 5,212 | 2,512 | 48 % |
| Income (loss) before income taxes | 18,941 | (1,375) | 20,316 | NM ⁽³⁾ |
| Provision for (benefit from) income taxes | 4,787 | (197) | 4,984 | NM ⁽³⁾ |
| Net income (loss) attributable to common stockholders | \$ 14,154 | \$ (1,178) | \$ 15,332 | NM ⁽³⁾ |

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

⁽²⁾ Other revenue now includes revenue generated from transactions with consumers, which we reported separately as transactions revenue in prior periods. Prior period amounts have been reclassified to conform to the current period presentation.

⁽³⁾ Percentage change is not meaningful.

Three Months Ended March 31, 2024 and 2023

Net Revenue

Advertising. We generate advertising revenue from the sale of our advertising products — including business page upgrades and performance-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 advertising inventory through third-party ad networks. We present advertising revenue on a disaggregated basis for our high-level category groupings, Services and RR&O.

Advertising revenue for the three months ended March 31, 2024 increased 7% year over year, primarily driven by an 8% increase in ad clicks.

Other. We generate other revenue through non-advertising contracts, such as our subscription services, which include our Yelp Guest Manager product, and through our Yelp Fusion and Yelp Knowledge programs, which provide access to Yelp data for a fee. In addition, we now report transactions revenue — which was \$2.8 million for the three months ended March 31, 2024 — together with other revenue to reflect that neither transactions revenue nor the underlying business is a core part of our current business model. As a result, other revenue now includes revenue from various transactions with consumers. We generate revenue from such transactions through our partnership integrations, which are mainly revenue-sharing arrangements that provide consumers with the ability to place food orders for pickup and delivery 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.

Other revenue for the three months ended March 31, 2024 decreased compared to the prior-year period, primarily due a lower volume of food takeout and delivery orders. This decrease was partially offset by higher revenue from the continued growth of our Yelp Knowledge and Yelp Fusion programs.

Trends and Uncertainties of Net Revenue. Net revenue decreased slightly in the three months ended March 31, 2024 compared to the three months ended December 31, 2023, in line with historical seasonal trends. Despite ongoing macroeconomic challenges and their impacts on consumer behavior, we expect our strategic initiatives to contribute to continued business momentum and a sequential increase in net revenue in the three months ending June 30, 2024.

Costs and Expenses

Cost of Revenue (exclusive of depreciation and amortization). Our cost of revenue consists primarily of 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 and credit card processing fees.

Cost of revenue for the three months ended March 31, 2024 increased compared to the prior-year period, primarily due to an increase in website infrastructure expense of \$1.6 million as a result of investments in maintaining and improving our infrastructure as well as higher cost of labor.

We expect cost of revenue to increase on an absolute dollar basis in 2024 compared to 2023.

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

Sales and marketing expenses for the three months ended March 31, 2024 increased slightly compared to the prior-year period, primarily due to:

- an increase in marketing spend of \$2.6 million, primarily driven by our increased investments in Services project acquisition through paid search, partially offset by a decrease in costs for business owner marketing; and
- an increase in employee costs of \$1.4 million resulting from higher cost of labor, partially offset by lower average headcount.

These increases were partially offset by a decrease in workplace operating costs of \$3.7 million due to reductions in our leased office space.

We expect sales and marketing expenses to increase in 2024 compared to 2023 as we expand our efforts to acquire Services projects through paid search as well as due to more tenured sales and marketing employees. As a result of our planned expansion of our investments in paid project acquisition, we now expect sales and marketing expenses to increase as a percentage of net revenue in 2024 compared to 2023.

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

Product development expenses for the three months ended March 31, 2024 increased compared to the prior-year period primarily due to an increase in employee costs of \$3.1 million as a result of higher cost of labor, partially offset by lower average headcount.

We expect product development expenses to increase in 2024 compared to 2023 to support our product initiatives. We expect product development expenses as a percentage of net revenue to remain relatively consistent in 2024 compared to 2023.

General and Administrative. Our general and administrative expenses primarily consist of employee costs (including bonuses and 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 allocated workplace and other supporting overhead costs.

General and administrative expenses for the three months ended March 31, 2024 decreased compared to the prior-year period due to:

- the \$3.6 million impairment charge incurred in the prior-year period related to the abandonment of certain office space in San Francisco, which did not recur in the current-year period. See [Note 8, "Leases,"](#) of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further detail; and
- a decrease in employee costs of \$3.1 million, primarily driven by lower average headcount.

These decreases were partially offset by an increase in our provision for doubtful accounts of \$4.9 million primarily due to higher anticipated customer delinquencies and the increase in advertising revenue.

We expect general and administrative expenses to decrease in 2024 compared to 2023. However, adjusting for certain nonrecurring expenses, we expect general and administrative expenses to remain relatively consistent or increase slightly on an absolute dollar basis and remain relatively consistent as a percentage of net revenue in 2024 compared to 2023.

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

Depreciation and amortization expense for the three months ended March 31, 2024 decreased compared to the prior-year period primarily due to a decrease in depreciation expense of leasehold improvements from asset retirements related to lease abandonments and expirations.

Other Income, Net

Other income, net consists primarily of the interest income earned on our cash, cash equivalents and marketable securities, research and development tax credits, the portion of our sublease income in excess of our lease cost, accretion of discounts and amortization of premiums on investments, credit facility fees and foreign exchange gains and losses.

Other income, net for the three months ended March 31, 2024 increased compared to the prior-year period, primarily driven by \$1.7 million of higher interest income earned on our cash, cash equivalents and marketable securities due to increased federal interest rates.

Provision for (Benefit from) Income Taxes

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

Provision for income taxes for the three months ended March 31, 2024 increased from a benefit from income taxes in the prior-year period primarily due to an increase in profit before tax for 2024.

As of December 31, 2023, we had approximately \$119.4 million in net deferred tax assets ("DTAs"). As of March 31, 2024, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize these DTAs. However, it is possible that some or all of these DTAs will not be realized. Therefore, unless we are able to generate sufficient taxable income from our operations, a substantial valuation allowance may be required to reduce our DTAs, which would materially increase our expenses in the period in which we recognize the allowance and have a materially adverse impact on our condensed 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.

Non-GAAP Financial Measures

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). However, we have also disclosed below adjusted EBITDA, adjusted EBITDA margin and free cash flow, each of which is a non-GAAP financial measure.

Adjusted EBITDA and free cash flow have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. In particular, adjusted EBITDA and free cash flow should not be viewed as substitutes for, or superior to, net income (loss) or net cash provided by (used in) operating activities prepared in accordance with GAAP as measures 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 impairment charges and fees related to shareholder activism;
- free cash flow does not represent the total residual cash flow available for discretionary purposes because it does not reflect our contractual commitments or obligations; and
- other companies, including those in our industry, may calculate adjusted EBITDA and free cash flow differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider adjusted EBITDA, adjusted EBITDA margin and free cash flow alongside other financial performance measures, including net income (loss), net cash provided by (used in) operating activities 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 impairment charges and fees related to shareholder activism that we deem not to be indicative of our ongoing operating performance.

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

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

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2024 | 2023 |
| Reconciliation of Net Income (Loss) to Adjusted EBITDA: | | |
| Net income (loss) | \$ 14,154 | \$ (1,178) |
| Provision for (benefit from) income taxes | 4,787 | (197) |
| Other income, net | (7,724) | (5,212) |
| Depreciation and amortization | 9,930 | 10,805 |
| Stock-based compensation | 42,710 | 46,257 |
| Asset impairment ⁽¹⁾ | — | 3,555 |
| Fees related to shareholder activism ⁽¹⁾ | 599 | — |
| Adjusted EBITDA | <u>\$ 64,456</u> | <u>\$ 54,030</u> |
| Net revenue | \$ 332,752 | \$ 312,438 |
| Net income (loss) margin | 4 % | — % |
| Adjusted EBITDA margin | 19 % | 17 % |

⁽¹⁾ Recorded within general and administrative expenses on our condensed consolidated statements of operations.

Free Cash Flow. Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by (used in) operating activities, less cash used for purchases of property, equipment and software.

The following is a reconciliation of net cash provided by operating activities to free cash flow for the periods presented (in thousands):

| | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | 2024 | 2023 |
| Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow: | | |
| Net cash provided by operating activities | \$ 72,855 | \$ 74,244 |
| Purchases of property, equipment and software | (6,987) | (7,518) |
| Free cash flow | <u>\$ 65,868</u> | <u>\$ 66,726</u> |
| Net cash used in investing activities | \$ (6,402) | \$ (37,280) |
| Net cash used in financing activities | \$ (83,834) | \$ (54,706) |

Liquidity and Capital Resources

Sources of Liquidity

Our principal sources of liquidity are our cash and cash equivalents, marketable securities and cash generated from operations. As of March 31, 2024, we had cash and cash equivalents of \$296.0 million and marketable securities of \$124.7 million. Cash and cash equivalents consist of cash, money market funds and investments with original maturities of three months or less. Our cash held internationally as of March 31, 2024 was \$15.2 million. As of March 31, 2024, we also had \$10.0 million of investments in certificates of deposit with minority-owned financial institutions.

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

On April 28, 2023, we entered into a Revolving Credit and Guaranty Agreement with the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, which provides for a five-year \$125.0 million senior secured revolving credit facility (the "2023 credit facility"). The 2023 credit facility replaced our previous \$75.0 million

revolving credit facility entered into on May 5, 2020 with Wells Fargo Bank, N.A., which terminated concurrently with the establishment of the 2023 credit facility. The 2023 credit facility includes a \$25.0 million letter of credit sub-limit, a \$25.0 million bilateral letter of credit facility and an accordion option, which, if exercised, would allow us to increase the aggregate commitments by up to \$250.0 million, plus additional amounts if we are able to satisfy a leverage test, subject to certain conditions. The 2023 credit facility provides us with the ability to access backup liquidity to fund working capital and for other capital requirements, as needed.

As of March 31, 2024, we were in compliance with all covenants and there were no loans outstanding under the 2023 credit facility. We had \$14.1 million of letters of credit under the sub-limit primarily related to lease agreements for certain office locations, which are required to be maintained and issued to the landlords of each facility, and \$110.9 million remained available under the 2023 credit facility as of March 31, 2024.

For additional details regarding the 2023 credit facility, see [Note 12, "Commitments and Contingencies,"](#) of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report.

Material Cash Requirements

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under "*Risk Factors*" included under Part I, Item 1A in our Annual Report. We believe that our existing cash, cash equivalents and marketable securities, together with any cash generated from operations, will be sufficient to meet our material cash requirements in the next 12 months and beyond, including: working capital requirements; our anticipated repurchases of common stock pursuant to our stock repurchase program; payment of taxes related to the net share settlement of equity awards; payment of lease costs related to our operating leases; the potential payment of a higher amount of income taxes in 2024 and beyond due to, among other things, the requirement to capitalize and amortize certain research and development expenses under the U.S. Tax Cuts and Jobs Act; and purchases of property, equipment and software and website hosting services. However, this estimate is based on a number of assumptions that may prove to be materially different and we could fully utilize our available cash, cash equivalents and marketable securities earlier than presently anticipated. We are not able to reasonably estimate the timing of future cash flows related to \$36.4 million of uncertain tax positions. We may be required to draw down funds from our revolving credit facility or seek additional funds through equity or debt financings to respond to business challenges associated with the uncertain macroeconomic environment or other challenges, including the need to develop new features and products or enhance existing services, improve our operating infrastructure or acquire complementary businesses and technologies.

We lease office facilities under operating lease agreements that expire from 2024 to 2031. Our cash requirements related to these lease agreements are \$83.9 million, of which \$42.3 million is expected to be paid within the next 12 months. The total lease obligations are partially offset by our future minimum rental receipts to be received under non-cancelable subleases of \$23.0 million. See [Note 8, "Leases,"](#) of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 in this Quarterly Report for further detail on our operating lease obligations.

Our cash requirements related to purchase obligations consisting of non-cancelable agreements to purchase goods and services required in the ordinary course of business — primarily website hosting services — are approximately \$198.9 million, of which approximately \$75.9 million is expected to be paid within the next 12 months.

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

Cash Flows

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

| | Three Months Ended | |
|---|--------------------|-------------|
| | March 31, | |
| | 2024 | 2023 |
| Net cash provided by operating activities | \$ 72,855 | \$ 74,244 |
| Net cash used in investing activities | \$ (6,402) | \$ (37,280) |
| Net cash used in financing activities | \$ (83,834) | \$ (54,706) |

Operating Activities. Net cash provided by operating activities during the three months ended March 31, 2024 decreased by \$1.4 million compared to the prior-year period, primarily as a result of higher employee-related payments of \$14.8 million for salaries, commissions, bonuses and benefits, mainly due to higher cost of labor as well as a shift towards a compensation mix that emphasizes cash over equity. The higher cash outflow was also driven by higher operating expenses, including an increase of \$5.6 million in payments to vendors, as well as other increases that are not individually significant. These cash outflows were partially offset by an increase of \$24.6 million in cash collected from customers primarily due to the increase in revenue.

Investing Activities. Net cash used in investing activities during the three months ended March 31, 2024 decreased compared to the prior-year period primarily due to a decrease in net purchases of marketable securities.

Financing Activities. Net cash used in financing activities during the three months ended March 31, 2024 increased compared to the prior-year period primarily due to a decrease in proceeds from stock option exercises and an increase in repurchases of our common stock during the three months ended March 31, 2024 compared to the prior-year period.

Stock Repurchase Program

Since its initial authorization in July 2017, our board of directors (the "Board") has authorized us to repurchase up to an aggregate of \$1.95 billion of our outstanding common stock, \$492.2 million of which remained available as of May 3, 2024.

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

During the three months ended March 31, 2024, we repurchased on the open market 1,526,366 shares for an aggregate purchase price of \$62.5 million.

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

Critical Accounting Policies and Estimates

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

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

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, 2023.

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, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, 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, 2024 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, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Issuer Purchases of Equity Securities

The following table summarizes our stock repurchase activity for the three months ended March 31, 2024 (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, 2024 | 541 | \$ 45.04 | 541 | \$ 57,281 |
| February 1 - February 29, 2024 | 59 | \$ 44.79 | 59 | \$ 554,659 |
| March 1 - March 31, 2024 | 927 | \$ 38.31 | 927 | \$ 519,159 |

⁽¹⁾ Since the initial authorization of our Stock Repurchase Program in July 2017, our Board authorized us to repurchase up to an aggregate of \$1.95 billion of our outstanding common stock, including the \$500.0 million authorized in February 2024, of which \$492.2 million remained available as of May 3, 2024. 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 but excludes the 1% excise tax accrued on our share repurchases, net of shares issued, as a result of the Inflation Reduction Act of 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

On February 21, 2024, Sam Eaton, our Chief Technology Officer, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The plan provides for the sale of an aggregate of up to (i) 10,242 shares of our common stock and (ii) 117,796 shares of our common stock that may vest during the plan period, net of any shares we withhold to satisfy income tax withholding and remittance obligations in connection with the net settlement of the equity awards, the amount of which cannot currently be determined. The plan will terminate on the earlier of February 28, 2025 or when all shares subject to the plan have been sold, subject to early termination for certain specified events set forth in the plan.

On March 5, 2024, Jed Nachman, our Chief Operating Officer, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The plan provides for the sale of an aggregate of up to 219,299 shares of our common stock, net of any shares we withhold to satisfy income tax withholding and remittance obligations in connection with the net settlement of the equity awards, the amount of which cannot currently be determined. The plan will terminate on the earlier of March 5, 2025 or when all shares subject to the plan have been sold, subject to early termination for certain specified events set forth in the plan.

ITEM 6. EXHIBITS.

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|----------------|--|---------------------------|-----------|---------|-------------|----------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 3.1 | Amended and Restated Certificate of Incorporation of Yelp Inc., as Amended. | 8-K | 001-35444 | 3.1 | 7/8/2020 | |
| 3.2 | Amended and Restated Bylaws of Yelp Inc. | 8-K | 001-35444 | 3.1 | 3/15/2023 | |
| 31.1 | Certification pursuant to Rule 13a-14(a)/15d-14(a). | | | | | X |
| 31.2 | Certification pursuant to Rule 13a-14(a)/15d-14(a). | | | | | X |
| 32.1† | Certifications of Chief Executive Officer and Chief Financial Officer. | | | | | X |
| 101.INS | Inline XBRL Instance Document (embedded within the Inline XBRL document). | | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). | | | | | |

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

SIGNATURES

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

Date: May 10, 2024

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 10, 2024

/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 10, 2024

/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, 2024, 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 10th day of May, 2024.

/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.