

YELP INC  
Form 10-Q  
August 03, 2015

**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 June 30, 2015

OR

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

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35444

**YELP INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**20-1854266**

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

**140 New Montgomery Street, 9<sup>th</sup> Floor  
San Francisco, CA**

(Address of Principal Executive Offices)

**94105**

(Zip Code)

**(415) 908-3801**

(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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 July 24, 2015, there were 65,797,617 shares of registrant's Class A common stock, par value \$0.000001 per share, issued and outstanding and 9,455,216 shares of registrant's Class B common stock, par value \$0.000001 per share, issued and outstanding.

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**YELP INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
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Unless the context otherwise indicates, where we refer in this Quarterly Report on Form 10-Q (the "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 both the U.S. and international versions of our website, as well as the versions of our website that are optimized for mobile-based browsers.

In the fourth quarter of 2014, we acquired Restaurant Kritik, a German review website, and Cityvox SAS, a French review website. Following these acquisitions, we migrated the content and redirected the websites of Restaurant Kritik and Cityvox to the Yelp platform. Accordingly, the traffic, content and local business activity of Restaurant Kritik and Cityvox are included in the key metrics presented in this Quarterly Report as of and for the quarter ended June 30, 2015.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2015	December 31, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 181,460	\$ 247,312
Short-term marketable securities	186,673	118,498
Accounts receivable (net of allowance for doubtful accounts of \$2,343 and \$1,627 at June 30, 2015 and December 31, 2014, respectively)	41,339	35,593
Prepaid expenses and other current assets	22,713	19,355
Total current assets	432,185	420,758
Long-term marketable securities		38,612
Property, equipment and software, net	72,603	62,761
Goodwill	173,296	67,307
Intangibles, net	42,458	5,786
Restricted cash	16,285	17,943
Other assets	4,560	16,483
Total assets	\$ 741,387	\$ 629,650
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,706	\$ 1,398
Accrued liabilities	37,716	29,581
Deferred revenue	2,546	2,994
Total current liabilities	41,968	33,973
Long-term liabilities	13,254	7,527
Total liabilities	55,222	41,500
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$0.000001 par value 500,000,000 shares authorized; 75,232,705 and 72,920,582 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively		
Additional paid-in capital	734,867	627,742
Accumulated other comprehensive loss	(12,130)	(5,609)
Accumulated deficit	(36,572)	(33,983)
Total stockholders' equity	686,165	588,150
Total liabilities and stockholders' equity	\$ 741,387	\$ 629,650

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net revenue	\$ 133,913	\$ 88,787	\$ 252,421	\$ 165,194
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	13,057	5,845	21,756	10,922
Sales and marketing	68,014	47,798	131,280	92,919
Product development	26,345	14,726	50,305	28,708
General and administrative	19,280	13,257	39,217	26,427
Depreciation and amortization	7,167	4,034	14,062	7,695
Total costs and expenses	133,863	85,660	256,620	166,671
Income (loss) from operations	50	3,127	(4,199)	(1,477)
Other income (expense), net	329	(15)	891	(17)
Income (loss) before income taxes	379	3,112	(3,308)	(1,494)
Benefit (provision) for income taxes	(1,684)	(369)	719	1,602
Net income (loss) attributable to common stockholders (Class A and B)	\$ (1,305)	\$ 2,743	\$ (2,589)	\$ 108
Net income (loss) per share attributable to common stockholders (Class A and Class B)				
Basic	\$ (0.02)	\$ 0.04	\$ (0.03)	\$ 0.00
Diluted	\$ (0.02 )	\$ 0.04	\$ (0.03 )	\$ 0.00
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders (Class A and Class B)				
Basic	74,631	71,714	74,009	71,444
Diluted	74,631	77,056	74,009	76,903

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (1,305)	\$ 2,743	\$ (2,589)	\$ 108
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,344	(338)	(6,521)	(422)
Other comprehensive income (loss)	1,344	(338)	(6,521)	(422)
Comprehensive income (loss)	\$ 39	\$ 2,405	\$ (9,110)	\$ (314)

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2015	2014
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (2,589)	\$ 108
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,062	7,695
Provision for doubtful accounts and sales returns	6,076	2,581
Stock-based compensation	29,187	19,539
Loss (gain) on disposal of assets and website development costs	144	(5)
Premium amortization, net, on securities held-to-maturity	481	93
Excess tax benefit from stock-based award activity	(3,952)	(460)
Changes in operating assets and liabilities:		
Accounts receivable	(7,855)	(6,716)
Prepaid expenses and other assets	(7,079)	(5,980)
Accounts payable, accrued expenses, and long-term liabilities	15,616	3,567
Deferred revenue	(426)	(433)
Net cash provided by operating activities	43,665	19,989
<b>INVESTING ACTIVITIES:</b>		
Acquisition, net of cash received	(73,422)	
Purchases of property, equipment and software	(18,059)	(7,212)
Capitalized website and software development costs	(6,012)	(4,327)
Proceeds from sale of property and equipment	109	14
Purchases of intangible assets	(314)	
Maturities of investment securities, held-to-maturity	63,870	
Purchases of investment securities, held-to-maturity	(93,914)	(122,226)
Changes in restricted cash	1,672	(397)
Net cash used in investing activities	(126,070)	(134,148)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from exercise of employee stock options	8,534	10,841
Proceeds from issuance of common stock for Employee Stock Purchase Plan	5,061	4,087
Excess tax benefit from stock-based award activity	3,952	460
Repurchase of common stock	(396)	(642)
Net cash provided by financing activities	17,151	14,746
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(598)	35
CHANGE IN CASH AND CASH EQUIVALENTS	(65,852)	(99,378)
CASH AND CASH EQUIVALENTS Beginning of period	247,312	389,764
CASH AND CASH EQUIVALENTS End of period	\$ 181,460	\$ 290,386
<b>SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:</b>		
Cash paid for income taxes, net of refunds	\$ (4)	\$ 260
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		