WESTPEAK RESEARCH ASSOCIATION

Yelp Inc. (NYSE:YELP)

Technology – Internet Information

A Recipe for Success

September 21, 2018

Yelp (NYSE:YELP) is a platform where consumers can find information, media, and reviews on local restaurants and businesses. Their operations are global; however, they generate 99% of their revenue in the United States. They have 4.6 million claimed business locations world wide and over 160 million reviews since their inception in 2004. Businesses will register with Yelp to advertise, facilitate transactions, or use other services which all help them function in an increasingly technology-enabled society. The local businesses they work with include: home and local services, restaurants, beauty and fitness, health, shopping, and other.

Thesis

We believe Yelp's flat performance over the last year has not been reflective of their future growth. The switch to non-term contracts will be perceived by smaller businesses as less risky of an investment. As a result, business owners will be more likely to use Yelp`s services. Yelp is also doing a great job maintaining a stellar mobile platform. They are ready to take advantage of market trends suggesting users are going mobile. Margin expansion will be driven by increased efficiency in operations after the sale of Eat24 to Grub Hub. We also see potential in Yelp's Request-A-Quote feature which has shown good performance in the last quarter. Yelp's balance sheet is debt free and there is significant cash built up making them able to grow through acquisitions should the right company come along.

Valuation

We believe the attention more popular and higher growth tech companies receive has cast a shadow over Yelp making it hard for investors to see the underlying value. We recommend a buy with a target price of $55.90 which reflects a 20.7% upside. We came up with this value based on a 50% weighting on our DCF valuation and a 50% weighting on our comparable companies valuation.

Analyst: Matthew West, BCom. '20
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Equity Research	Canada
Price Target	**CAD$ 55.90**
Rating	Buy
Share Price (Sep. 21 Close)	CAD$ 46.30
Total Return	20.7%

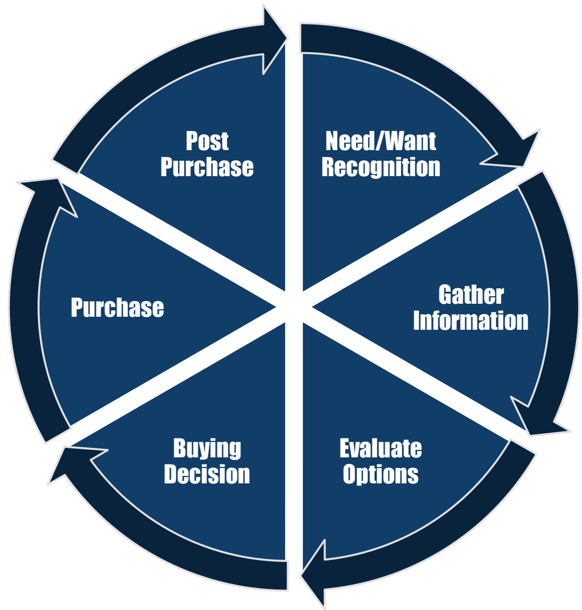
Key Statistics	
52 Week H/L	$51.33/$36.41
Market Capitalization	$3.85B
Average Daily Trading Volume	$2.17M
Net Debt	N/A
Enterprise Value	$2.95B
Net Debt/EBITDA	N/A
Diluted Shares Outstanding	$88M
Free Float	80%
Dividend Yield	N/A

WestPeak's Forecast

	2018E	2019E	2020E
Revenue	$1.02B	$1.38B	$1.63B
EBITDA	$162M	$200M	$237M
Net Income	$23M	$70M	$110M
EPS	$0.27	$0.80	$1.27
P/E	44.8x	32.8x	35.8x
EV/EBITDA	23.1x	19.1x	15.3x

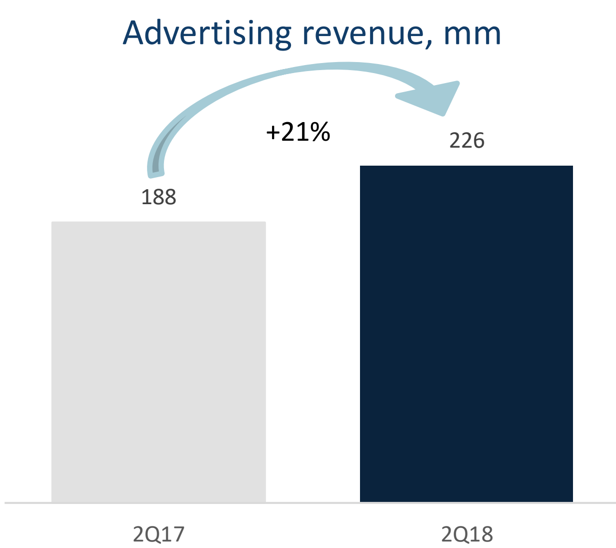
1-Year Price Performance

Business Overview



Yelp is a business review site focused on providing customers, primarily in North America, with local business information. They also provide local business owners with a variety of touchpoints with purchase-intent driven consumers. Connecting consumers with local businesses of all sizes while providing a convenient user-friendly platform for interaction among all stages of the purchasing process is Yelp's overarching mission. They achieve this by offering several main products and services including: advertising, transactions, and other services. By offering these products and services they can integrate themselves into each part of the consumer's purchase cycle. The purchase cycle includes several stages: need/want recognition, gather information, evaluate options, buying decision, purchase, and post-purchase. Yelp targets each one of these areas by offering customers a platform that includes discovery, content, engagement, interaction, transactions, and retention and analytics. Their unique advantage is in the fact that they have reliable information and reviews all accessible on an easy to operate mobile app. Replicating the quality and quantity of reviews Yelp has is difficult. It takes a large number of users to write the reviews and people are only going write them if there is a community to engage with.

Advertising

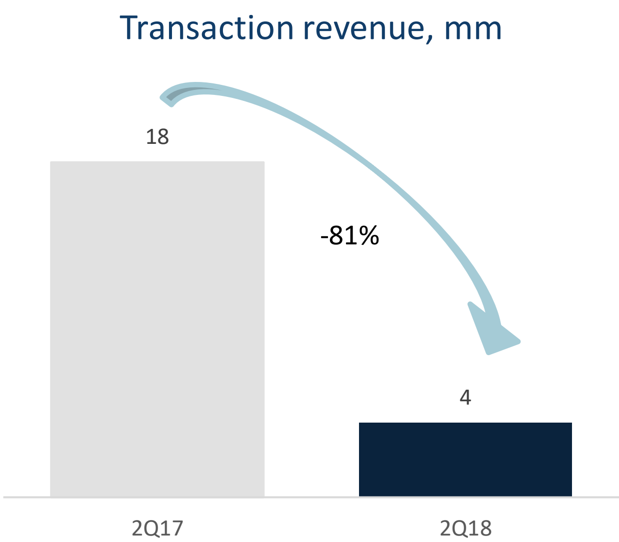


Source: Q2-2018 Shareholder Letter

Since 2009, Yelp's advertising segment has accounted for, on average, 90% of top-line revenue. In their most recent quarter, Q2-2018, this number has increased to 96% after the sale of Eat24 to Grub Hub. Although they have a very concentrated amount of revenue focused on advertisement, their services within this segment are very diverse. Yelp offers a range of accounts to business owners. The cheapest accounts cost owners nothing while enhanced profiles allow business owners increased functionality and control over their business listing page. Yelp has also taken effort to make it less intimidating for business owners to pay for advertising services by transitioning to non-term contracts on their advertising plans. Businesses who may have been too small or who were averse to the longer commitment involved in a traditional paid advertising plan can now assess

Yelp's platform to grow their business. This strategy allows Yelp to get more businesses in the door. Once they are in, they can see statistics, trends, and the performance of their listing, and if Yelp does a good job providing them the analytics and reach their businesses needs, it will be hard for owners to go back to their traditional advertising tactics. We are optimistic with Yelp's ability to retain business on these non-term contracts given the reach, attention, and volume the platform creates for local business owners.

Transactions

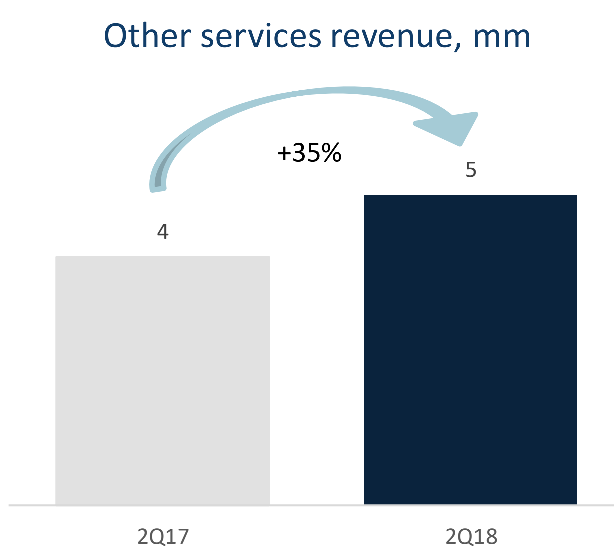


Source: Q2-2018 Shareholder Letter

After the sale of Eat24 to Grubhub, Yelp's transaction revenue has been limited to the Yelp platform ordering service, Yelp Deals and gift certificates. As a result of the divestiture Yelp's revenue in this segment has been cut by 80%. Although they did lose some revenue from the sale, we think the long-term strategic thinking was of sound judgement. Yelp's core competencies are not strongest in the transaction business. Yelp's key resources revolve around intellectual property. Their main focus is to create high quality content for engaged communities. Capturing data and using that with their proprietary technology is what they do best. By divesting non-core operations, they can focus more energy on maintaining and evolving those systems. Additionally, by returning to their core activities Yelp can decrease resources, energy, and time previously spent on their transactions business which will lower thier operating margins.

Other Services

Yelp's other services segment is their smallest segment, accounting for around 2% of top-line revenue. In this segment, Yelp generates revenue off selling subscription services and license agreements for access to data and other analytics information. Other services include: Yelp Reservations, Yelp Nowait, Yelp WiFi, and Yelp Knowledge. These services help businesses operate in the 21st century by enabling them to accept bookings online and manage those reservations through their business listing on Yelp. It also empowers business owners with the ability to gather information on their customers. They can use Yelp's WiFi service to gather information on customers logging on. We see huge potential for growth in their other services segment as advanced data analytic techniques are explored by Yelp's research and development team. Another area we see grow in this segment is the continuation in



Source: Q2-2018 Shareholder Letter

acquisitions that are related to helping businesses increase retention and loyalty of their customers. We think the probability for growth in acquisitions is likely for several reasons. Yelp has shown capacity to successfully integrate acquisitions in the past. Two recent examples include Nowait and Turnstyle Analytics. 113% increase in diners seated via Yelp Reservations and Nowait demonstrate Yelp's ability to integrate acquisitions smoothly into their operations. The amount of start-up companies has increased significantly in the past few years. Over 16% of the adult population aged 18 - 64 in North America are in the process of or have started a business that is less than 42 months old. Another 7.9% and 7% of the same population are currently involved in entrepreneurial activities, which the later percentage have been paying salaries and wages to the owners for more than 42 months. Yelp has a healthy balance sheet with over $380 million in cash and over $410 million in short-term marketable securities. As they take profits from all time highs in the market, this will increase their cash balance further and in the case of a market correction or recession this will put them in a good position to take advantage of cheap acquisitions.

Industry Analysis

Yelp operates in the internet media and information industry but is also affected by many other industries in which its customers and users engage in. The internet media industry is highly competitive and is growing as access to and use of the internet increases. The home and local, restaurant, and beauty and fitness industries are Yelp's major ad revenue sources. Each industry is affected by consumer spending which is driven forward as the standard of living improves.

Industry Rivalry

The internet is an accessible platform for anyone to access or utilize at a very low cost. This means companies must be extremely creative when attempting to set themselves apart. Some important factors in keeping a sustaining advantage are sticking to a clear niche market, social recognition, ability to leverage influence and create advertising partnerships, attracting top talent, and protecting intellectual property. Yelp has positioned themselves well in each of these factors. They have stuck to their niche market of local business information and reviews. They have widespread social recognition reflected by growing traffic on their platform and growing cumulative reviews. Yelp's ability to leverage their user base by creating advertising partnerships with local businesses has been proven by a steady increase in local advertising accounts. Headcount at Yelp has also increased with hires in technology development and sales as both areas get investment. Yelp has stated their primary investing activities are going towards purchases of marketable securities, purchases of property plant and equipment to support the ongoing build-out of leasehold improvements for their new facilities in San Francisco and New York, purchases of technology hardware to support their growth in headcount and internally developed software to support website and mobile app development, website operations and their corporate infrastructure. They have also indicated they expect these investments to increase in 2018 compared to 2017.

Source: Q2-2018 Shareholder Letter

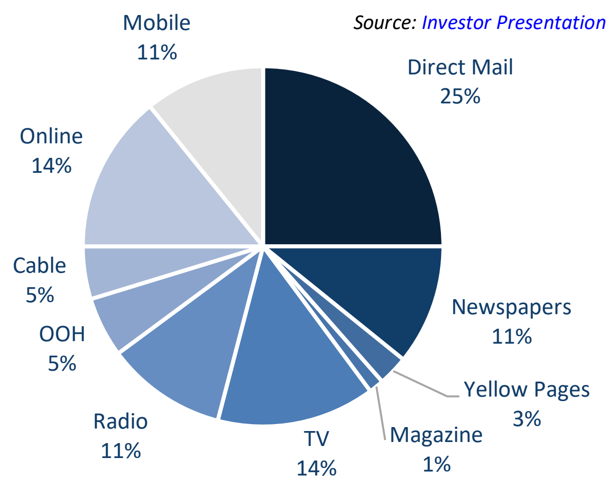
Over the past 3 years, Yelp has invested significant capital in research and development into search and ranking technology, recommendation software, mobile solutions, advertising technologies, infrastructure, and network security. The search and ranking technology uses data stored on their platform to provide users with contextual, relevant and up-to-date results. This ensures their platform continues to return relevant results that makes for a convenient user experience. We think that Yelp has positioned itself well in the industry by creating a platform that protects itself from competitors and offers users a distinct value.

Key External Drivers

Key external drivers for the industry are internet traffic volume, number of mobile internet connections, total advertisement expenditure, and number of broadband connections. We find evidence to suggest each one of these drivers is going to continue to grow and provide more opportunity for Yelp to monetize their services in creative ways. The increased use of the internet has made online advertising more attractive to businesses. For Yelp, this trend is super important because we still haven't seen a shift in total advertising expenditure moving online. For investors, this is good because it means there is still room for Yelp to grow. Currently the U.S. local ad spend is $149 billion with the largest segment being direct mail accounting for $37 billion. Mobile and online advertising together make up that amount. Other large expenditures include newspapers ($16B), TV ($21B), radio ($16B), and cable ($7B). As technology continues to change the local business landscape, the industry will see a massive influx of ad spending being driven through online and mobile platforms. Yelp is situated very well to take advantage of this trend as they are a mobile first platform and have built a user base which is large enough to make it attractive for business owners to see the value. There is also evidence from related industries like TV and radio, travel, and hiring that show the way we interact in all facets of our life is going online.

US Local Advertising 2017

Source: Investor Presentation



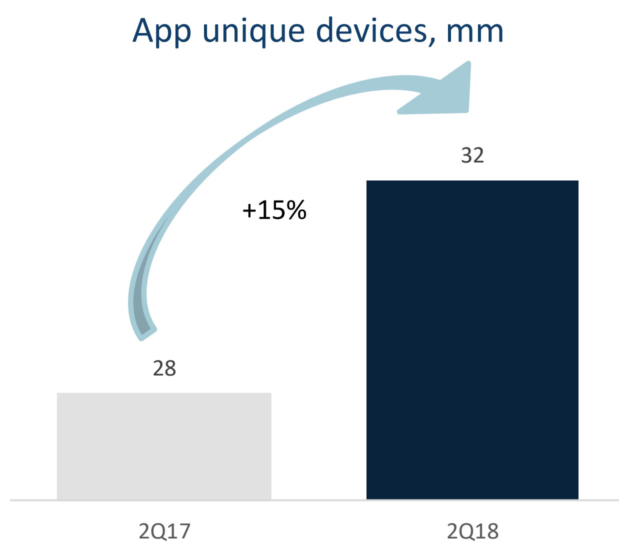
Competitive Advantages

Network Effects

Yelp's platform is only useful to consumers if there is a large amount of reliable information available. Yelp can control some of that by listing as many businesses as possible in each local area. However, their team only has so much capacity before it becomes an inefficient use of their capital and time. This is what makes their crowdsourcing model so important. By empowering the public to make reviews and suggestions on current or new business listings they can grow their platform without having to increase their costs in proportion to the amount of information being created. In other words, the model is scalable, meaning the value created grows at a much faster rate than the capital invested to create that value. Although it may seem like an easy model to start, there is a problem that occurs when there is a dependency on users for content.

The problem is; what comes first, the user base or the content? There cannot be one without the other. This is what gives Yelp a big advantage over competitors and possible new incumbents in the industry. They have already established a network of users and content which is growing on its own. This ecosystem can be used by other business functions, like food delivery, or added onto by introducing complementary products and services to enhance the user experience (Yelp Nowait). The possibility for monetization through partnership, acquisition, or product development is only limited by management's execution capabilities. We see the Yelp platform situated at the center of the local business ecosystem in which all consumers and business owners interact with daily. As each of these groups grow it feeds more value into the ecosystem making each other group grow and repeating the cycle.

Proprietary Technology



Source: *[Q2-2018 Shareholder Letter]*

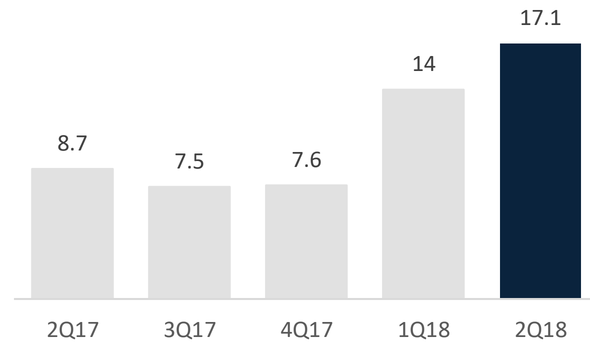
Yelp's mobile-first mindset sets them apart from similar companies like TripAdvisor who are known to run their platform on desktop websites. This is especially important since users who are looking for local businesses are frequently on the go. They need a platform that is easy to use and accessible. Even though consumers can get anything online on their phone it doesn't mean it is easy to use. Yelp has optimized their app design to display information in an easy to access and understandable fashion. They have integrated multiple proprietary systems in their service which make a huge difference in user experience. These systems include search and ranking technology which provides users with contextual, relevant and up-to-date results for their search queries. They also have recommendation software and other advertising technologies that optimize results for local businesses and the user experience. Lastly, Yelp is integrated into many other mobile websites and apps like Google. They frequently come up as one of the top results when people are searching for local business reviews. This advantage is hard to replicate because of the complexities of Google's search algorithims. Yelp's platform of business information and reveiws is validated by users and they have relevant content relating to users searches. This makes their results extremely hard to beat.

Catalysts

Sticky and Expanding Non-Term Contracts

With the recent switch to non-term ad agreements it has allowed more business owners to sign up without making a big commitment. Smaller local businesses experience more turnover and have smaller budgets for advertising than do larger franchises and business. Most of these smaller businesses are struggling to keep the doors open and aren't going to be interested in taking a risk in an advertising app they may not fully understand. By allowing the sales team to close deals without a fixed contract it allows these smaller business owners to have exposure and see what it is like to use Yelp's platform. We think this strategy is great because it now enables Yelp to target businesses who may not be around for too long and still be able to extract value from them. We also see the potential to upsell and create dependency on the Yelp platform. Once business owners sign up they are given access to view analytics about their businesses page and projections on other information useful to business owners. Results have proven that Yelp has helped in driving sales. Four out of five users stated that they visit Yelp when they are prepared to spend money and 35% of Yelp users visit the searched business within 24 hours. Local businesses will become accustomed to the traffic and availability of information they get through Yelp. At the very least they will continue their contract with Yelp, if not upgrading their services.

Net Paying Advertising Account Additions, thousands

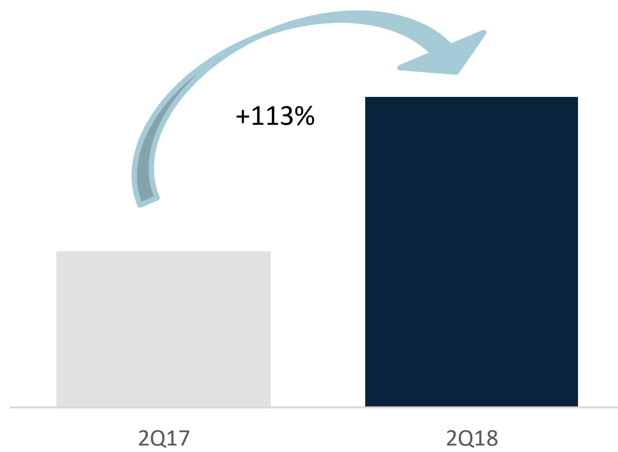


Source: Q2-2018 Shareholder Letter

Strong Cash Balances Used for Growth Initiatives

Since Yelp is a debt-free company, they can use their free cash flows to pursue growth objectives without the drain of debt on their cash balance. Yelp has a history of making smart acquisitions that have complemented their current product and service offerings. An example is Nowait, a waitlist system and seating tool. It further increased the functionality of the Yelp platform for users and gave more incentive for business owners to register with Yelp. Future acquisitions like these can help Yelp increase the value they add to consumer and business owner experiences. Further growing the Yelp ecosystem by enhancing existing operations and leading business from the existing network to these new experiences.

Diners Seated via Yelp Reservations and Nowait



Source: Q2-2018 Shareholder Letter

Stock Repurchases

Strong cash balances allowed Yelp to repurchase 1.6 million shares for an aggregate purchase price of $65.8 million, reflecting an average price of $41.13. If management continues to buy back shares this is a signal that the shares are at an attractive price. The board of directors has authorized up to $200 million of outstanding common stock to be repurchased. Since Yelp is putting significant investment in property plant and equipment, technology hardware, website operations, and corporate infrastructure it shows they are still taking action to set the company up for growth in the future and not just repurchasing shares for the sake of bringing their cash balance down.

Increased Traffic Due to the Integration of Grubhub's Restaurant Network

Management has indicated that with the recent sale of Eat24 to Grubhub they have created a partnership where Yelp receives a fee for any online orders placed through the Yelp app that go to Grubhub. Yelp will not generate as much revenue as if they owned Eat24 themselves. However, this means they also do not have to maintain Eat24 and assume all the risk associated with food delivery. Another positive is that by allowing Grubhub to manage the logistics of delivery, Yelp can focus on what they do best; bringing information and word of mouth online. In the last quarter we have seen positive effects of this strategic move. Order-enabled restaurants on Yelp have increased from 42 thousand to over 80 thousand. The partnership with Grubhub has granted them access to Grubhub's network of order-enabled restaurants. Yelp will make less revenue on each transaction compared to when they managed their own delivery service, but the access for consumers to more order-enabled restaurants will create more value for the company in the long-run. Yelp's business model relies on having the largest network of users possible. This makes it attractive for local business owners to pay Yelp for advertising services. The more value and convenience Yelp can offer through its platform to consumers, the more value they can extract from their customers as the reach and influence of their service has become larger. We believe the market has focused on the 80% decrease in transaction due to the sale of Eat24 to Grubhub. Investors have not considered the positive aspects or the partnership with Grubhub. Once they realize Yelp gets access to Grubhub's network and that this will drive more traffic to Yelp's platform, in turn making it more attractive for local businesses to advertising on Yelp's platform will we see an appreciation in the share price.

Strong Performance of Request-A-Quote Feature

Yelp's request-a-quote feature has driven growth in their largest and fastest-growing business segment, Home & Local Services. Lead volume growth of 27% and revenue attributable to Request-A-Quote growth of 50% are all signals to show the market is reacting positively. We believe Yelp is on track to create a norm for Home & Local Service businesses to offer the Request-A-Quote (RAQ) feature. Right now, the Request-A-Quote feature is a point of differentiation for local business, those who offer the RAQ will be more successful in closing business than those who do not. In the future, being able to estimate what a service might cost from the comfort of your phone

Valuation

Revenue Forecasts

Revenue has been forecast based on revenue growth in local advertising, transactions, and other services segments. We have forecasted revenue growth in the next 18 months to grow at a higher rate than in our long term 5-year estimates because of an initial influx of ad revenue due to the switch to non-term contracts. Historically, Yelp has experienced close to 60% total revenue growth year over year; however, in recent years they have only been able to grow 20% year over year. We think that going forward they will be able to, at minimum, maintain these levels, if not grow faster as more monetization of products and services occur. In FY2018 and FY2019 we expect 21% and 35% revenue growth respectively. From 2020 onward we decreased our estimates to around 18% revenue growth year over year. We believe this is achievable given their past track record of high revenue growth as well as recent upgrades in guidance in the most recent press release.

Costs

After the sale of Eat24, operating costs shrank as Yelp had to spend less maintaining systems Eat24 required. They were also able to maintain the same EBITDA margin. We were conservative in our estimates projecting COGS of 7.5% when they have recently dropped down to a level of around 6%. We were also heavy on R&D reflecting our view that Yelp will be spending more on developing new systems and making current ones better. S&M and G&A were kept in line at 50% and 10% respectively as we think compensation for administrative roles and sales and marketing will remain around similar levels it has in the past. Our reasoning is that with all of this considered we have projected an EBITDA margin of 14.5%. This EBITDA margin is lower than it has usually been in recent times; however, we would like to err on the side of caution rather than be overly optimistic.

Depreciation and Amortization

In our projections of depreciation and amortization, we have utilized a depreciation schedule on a straight-line basis. Taking into consideration the historical useful life of PP&E we have come up with an estimated useful life of 2.5 years. We have assumed this useful life does not change through our projections into 2023.

Capital Expenditures

Capital expenditures were forecasted somewhere in between historical lows and highs. We think the company is going to continue to invest in their future by improving their technology and infrastructure. However, we do not think projecting 40% capex would be realistic. There will be periods where they do spend more than others but on average we think 20% is a reasonable assumption.

Effective Tax Rate

Yelp's effective tax rate has been somewhat inconsistent since in some periods they have negative net income. We have projected a 5% tax rate as we think this keeps the absolute value of tax expense at a reasonable level taking into consideration the tax expense in historical periods.

Weighted-Average Cost of Capital (WACC)

Since Yelp is a debt free company we have used the cost of equity as our discount rate. Taking into consideration multiple factors that affect our inputs to the cost of equity we have come up with a discount rate of 8.5%. This is made up of a risk-free rate of 2.9%, an expected market return of 8.75%, and a beta of 0.95. The risk-free rate we have assumed is slightly higher than what the 10-year treasury bill is currently at and this reflects our view on rising interest rates in the near future. The expected market return is a bit lower than the performance of the S&P 500 historically and we think this view is based on the current all-time highs in the market we do see being corrected.

Recommendation

We think Yelp's performance over the last few years has been unfair to their potential for future growth as ad spending continues to move to mobile and online applications. High growth technology stocks have cast a shadow over smaller names like Yelp. Once the market realizes there is more value in these lesser known names, Yelp's true value will be achieved. We believe Yelp offers consumers a value proposition they cannot get elsewhere and that they have protected their competitive advantage by creating a platform that has proprietary technology backing the user experience, making it hard to replicate. We also see the recent switch to non-term contracts to be attractive to many smaller businesses who are on tight budgets and perceive longer term contracts to be too much of an investment. Once Yelp gets people in the door it will be hard for them to leave and we believe in Yelp's ability to maintain these non-term contracts through the pure value they add to local businesses. Yelp's investment in other services such as the request-a-quote feature also prove their ability to monetize the business model in a variety of different ways. Going forward we believe Yelp will be able to continue this innovation and acquire or develop their own new systems to utilize the audience they have already built.

Risks

Recession

With the markets experiencing all time highs for such an extended period it is inevitable a recession will hit sometime in the near future. For consumers, this means less spending on discretionary goods and services like eating out and shopping. Business owners are affected in two ways, the first being through decreased demand and the second through lower ad spending budgets. To combat this Yelp can use their cash on hand to buy businesses at a discount or find employees in the market who are willing to work for lower wages.

Delivery Services

The recent influx of food delivery services could take revenue away from the restaurants segment as more local restaurants are putting investment into working with food delivery services. Additionally, since food delivery platforms give information on local restaurants they can easily add a review feature to the service and customers no longer have a need to go to Yelp for that word of mouth validation. To combat this, Yelp will have to find new ways to add value to the customers experience on their platform. One way is to focus more on other business besides restaurants where they have already been experiencing the most sales.

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Appendices

Exhibit 1: Valuation Summary

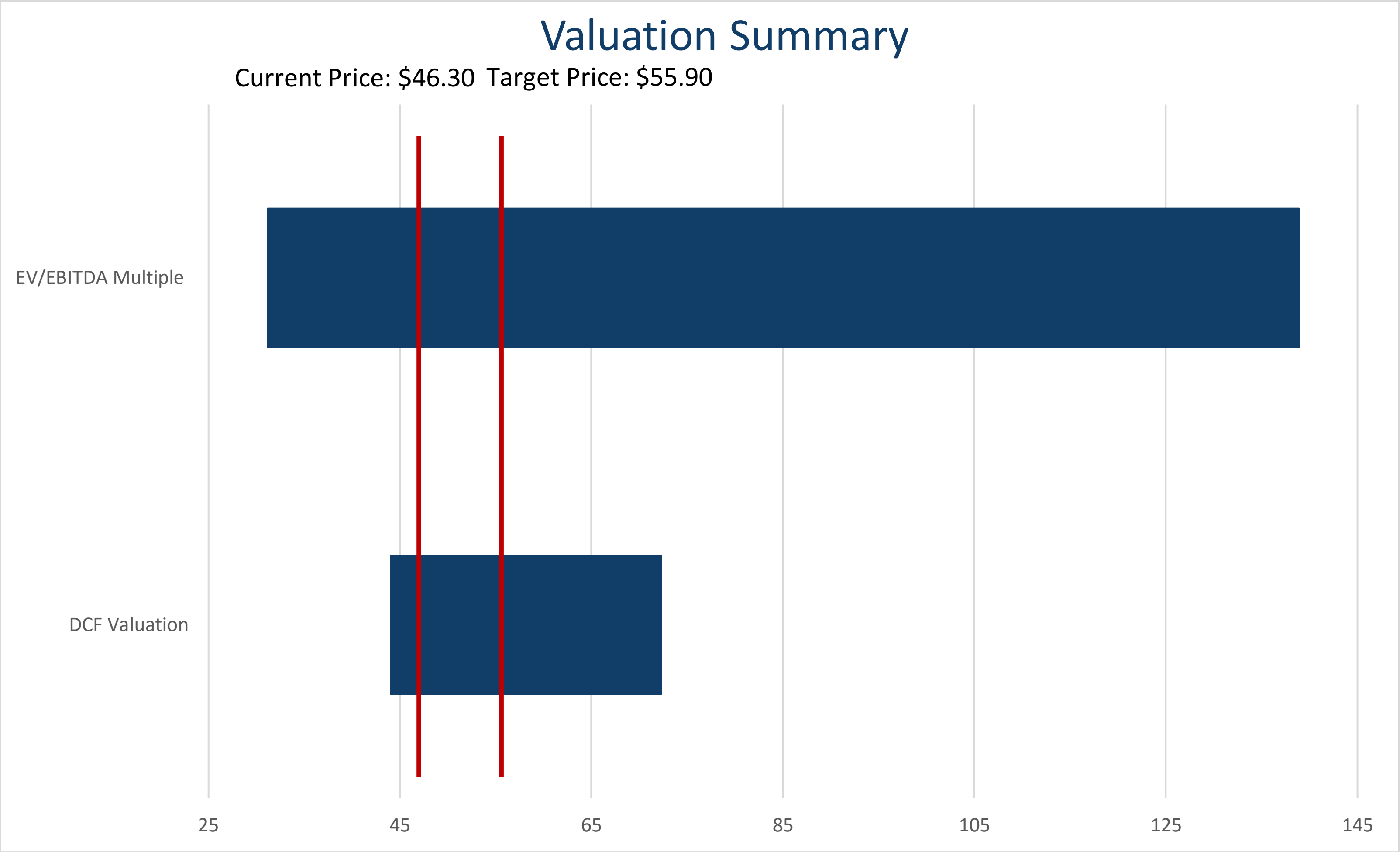

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Exhibit 2: Income Statement

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Income Statement										
Revenue	**377.5**	**549.7**	**713.1**	**846.8**	**1,026.3**	**1,383.0**	**1,632.3**	**1,929.4**	**2,284.4**	**2,710.4**
COGS	23.7	49.9	57.9	66.5	69.9	103.7	122.4	144.7	171.3	203.3
Gross profit	**353.9**	**499.8**	**655.2**	**780.3**	**956.4**	**1,279.3**	**1,509.9**	**1,784.6**	**2,113.1**	**2,507.1**
S&M	186.0	279.8	355.8	410.5	508.9	691.5	816.1	964.7	1,142.2	1,355.2
R&D	50.4	84.4	102.2	128.5	179.2	248.9	293.8	347.3	411.2	487.9
G&A	46.6	66.5	77.1	84.6	106.0	138.3	163.2	192.9	228.4	271.0
EBITDA	**70.9**	**69.1**	**120.1**	**156.6**	**162.3**	**200.5**	**236.7**	**279.8**	**331.2**	**393.0**
D&A	17.6	29.6	35.3	41.2	41.9	36.7	32.2	25.8	20.6	16.5
SBC	42.3	60.8	86.3	100.4	106.5	100.0	100.0	100.0	100.0	100.0
EBIT	**11.1**	**(21.3)**	**(1.5)**	**15.0**	**13.8**	**63.8**	**104.4**	**154.0**	**210.6**	**276.5**
Interest expense					-	-	-	-	-	-
Other expenses (income)	(0.2)	(0.4)	(1.7)	(4.9)	(11.0)	(10.0)	(12.0)	(12.0)	(12.0)	(12.0)
One-time item	-	-	3.5	(164.5)	-	-	-	-	-	-
EBT	**11.3**	**(20.9)**	**(3.3)**	**184.3**	**24.9**	**73.8**	**116.4**	**166.0**	**222.6**	**288.5**
Income taxes	(25.2)	12.0	1.4	31.5	3.8	15.5	24.5	34.9	46.7	60.6
Net income	**36.5**	**(32.9)**	**(4.7)**	**152.9**	**21.1**	**58.3**	**92.0**	**131.1**	**175.9**	**227.9**
Shares outstanding, basic	71.9	74.7	77.2	81.6	83.8	83.8	83.8	83.8	83.8	83.8
Shares outstanding, diluted	76.7	74.7	77.2	87.2	87.4	87.4	87.4	87.4	87.4	87.4
Earnings per share, basic	**$ 0.51**	**$ (0.44)**	**$ (0.06)**	**$ 1.87**	**$ 0.25**	**$ 0.70**	**$ 1.10**	**$ 1.57**	**$ 2.10**	**$ 2.72**
Earnings per share, diluted	**$ 0.48**	**$ (0.44)**	**$ (0.06)**	**$ 1.75**	**$ 0.24**	**$ 0.67**	**$ 1.05**	**$ 1.50**	**$ 2.01**	**$ 2.61**

WESTPEAK RESEARCH ASSOCIATION

Exhibit 3: Cash Flow Statement

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Cash Flow Statement										
Operating activities										
Net income	36.5	(32.9)	(4.7)	152.9	21.1	58.3	92.0	131.1	175.9	227.9
Depreciation and amortization	17.6	29.6	35.3	41.2	41.9	36.7	32.2	25.8	20.6	16.5
Cash flow before working capital	**73.9**	**89.5**	**137.2**	**148.1**	**132.2**	**95.0**	**124.2**	**156.9**	**196.5**	**244.4**
Cash flow from operating activities	**57.9**	**57.4**	**126.9**	**167.6**	**93.6**	**81.6**	**121.9**	**147.1**	**184.8**	**230.4**
Cash used in investing activities	**(228.7)**	**(158.7)**	**(55.6)**	**79.9**	**(149.1)**	**(18.4)**	**(16.1)**	**(12.9)**	**(10.3)**	**(8.3)**
Cash from financing activities	**29.5**	**26.4**	**29.5**	**27.2**	**(77.5)**	**-**	**-**	**-**	**-**	**-**
FX effect	(1.3)	(0.8)	(0.3)	0.9	0.2	-				
Net change in cash	**(142.5)**	**(75.7)**	**100.6**	**275.6**	**(132.8)**	**63.3**	**105.8**	**134.2**	**174.5**	**222.1**
Beginning cash balance	**389.8**	**247.3**	**171.6**	**272.2**	**566.4**	**433.6**	**496.9**	**602.7**	**736.9**	**911.3**
Ending cash balance	**247.3**	**171.6**	**272.2**	**547.9**	**433.6**	**496.9**	**602.7**	**736.9**	**911.3**	**1,133.4**

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Exhibit 4: Balance Sheet

	Dec-14	*Dec-15*	*Dec-16*	*Dec-17*	*Dec-18*	*Dec-19*	*Dec-20*	*Dec-21*	*Dec-22*	*Dec-23*
	FY2014	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**
Balance Sheet										
Current assets										
Cash and cash equivalents	247.3	171.6	272.2	547.9	433.6	496.9	602.7	736.9	911.3	1,133.4
Total current assets	**420.8**	**443.3**	**561.2**	**913.1**	**971.8**	**1,078.7**	**1,192.1**	**1,358.2**	**1,570.8**	**1,838.7**
Non-current assets										
Property and equipment	62.8	80.5	92.4	103.7	99.0	80.6	64.5	51.6	41.3	33.0
Total non-current assets	**208.9**	**312.1**	**324.0**	**303.4**	**262.9**	**244.6**	**228.4**	**215.5**	**205.2**	**197.0**
Total assets	**629.7**	**755.4**	**885.2**	**1,216.5**	**1,234.7**	**1,323.3**	**1,420.5**	**1,573.8**	**1,776.1**	**2,035.7**
Current liabilities										
Accounts payable	1.4	3.4	2.0	4.6	5.2	7.0	7.3	8.7	10.3	12.2
Accrued liabilities	29.6	43.5	55.1	73.7	80.9	109.3	114.3	135.1	159.9	189.7
Deferred revenue	3.0	2.9	3.3	3.5	3.7	3.7	3.7	3.7	3.7	3.7
Total current liabilities	**34.0**	**49.8**	**60.4**	**86.2**	**89.8**	**120.0**	**125.3**	**147.4**	**173.9**	**205.6**
Non-current liabilities										
Long-term liabilities	7.5	12.0	17.6	30.7	33.8	33.8	33.8	33.8	33.8	33.8
Total non-current liabilities	**7.5**	**12.0**	**17.6**	**30.7**	**33.8**	**33.8**	**33.8**	**33.8**	**33.8**	**33.8**
Total liabilities	**41.5**	**61.8**	**78.0**	**116.9**	**123.6**	**153.9**	**159.1**	**181.2**	**207.7**	**239.4**
Shareholders' equity										
Common stock					-	-	-	-	-	-
Additional paid-in capital	627.7	774.0	893.0	1,038.0	1,086.7	1,086.7	1,086.7	1,086.7	1,086.7	1,086.7
Retained earnings (accumulated deficit)	(5.6)	(13.5)	(15.6)	(8.4)	2.6	60.9	152.9	284.0	459.9	687.8
Accumulated other comprehensive income (loss)	(34.0)	(66.9)	(70.2)	70.1	21.7	21.7	21.7	21.7	21.7	21.7
Total shareholders' equity	**588.2**	**693.6**	**807.2**	**1,099.6**	**1,111.1**	**1,169.4**	**1,261.4**	**1,392.5**	**1,568.4**	**1,796.3**
Total equity	**588.2**	**693.6**	**807.2**	**1,099.6**	**1,111.1**	**1,169.4**	**1,261.4**	**1,392.5**	**1,568.4**	**1,796.3**

Exhibit 5: WACC Calculation and Sensitivity Analysis

WACC Calculations	
Cost of Equity	
Risk-free rate	2.9%
Expected market return	8.8%
Market risk premium	5.9%
Beta	0.95
Cost of equity	**8.5%**
Cost of Debt	
Pre-tax cost of debt	0.0%
Effective tax rate	21.0%
Cost of debt	**0.0%**
WACC	
Total shareholders' equity	1,098.4
Total outstanding debt	-
Total capitalization	1,098.4
Cost of equity	8.5%
Cost of debt	0.0%
WACC	**8.5%**

		WACC				
		9.46%	**8.96%**	**8.46%**	**7.96%**	**7.46%**
Perpetuity Growth Rate	**1.00%**	$ 44.05	$ 46.48	$ 49.23	$ 52.39	$ 56.05
	1.50%	$ 45.61	$ 48.29	$ 51.36	$ 54.92	$ 59.08
	2.00%	$ 47.38	$ 50.37	$ 53.82	$ 57.87	$ 62.66
	2.50%	$ 49.40	$ 52.76	$ 56.70	$ 61.36	$ 66.97
	3.00%	$ 51.73	$ 55.56	$ 60.10	$ 65.56	$ 72.25

Exhibit 6: DCF Analysis

	Dec-14	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
	FY2014	**FY2015**	**FY2016**	**FY2017**	**Q1-2018**	**Q2-2018**	**Q3-2018**	**Q4-2018**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**
Free Cash Flow														
EBIT	11.1	(21.3)	(1.5)	15.0	(4.8)	7.6	4.5	6.5	13.8	63.8	104.4	154.0	210.6	276.5
Less: Tax expense	(2.3)	4.5	0.3	(3.1)	1.0	(1.6)	(1.0)	(1.4)	(2.9)	(13.4)	(21.9)	(32.3)	(44.2)	(58.1)
Add: Depreciation and amortization	17.6	29.6	35.3	41.2	10.0	10.5	11.0	10.4	41.9	36.7	32.2	25.8	20.6	16.5
Add: Stock-based compensation	42.3	60.8	86.3	100.4	27.7	28.8	25.0	25.0	106.5	100.0	100.0	100.0	100.0	100.0
Less: Capital expenditures	(29.1)	(31.1)	(23.0)	(15.6)	(10.9)	(4.1)	(5.5)	(5.2)	(25.7)	(18.4)	(16.1)	(12.9)	(10.3)	(8.3)
Less: Change in net working capital	(16.0)	(32.1)	(10.3)	19.6	(4.4)	(32.8)	(0.1)	(1.3)	(38.6)	(13.4)	(2.3)	(9.8)	(11.7)	(14.1)
Unlevered free cash flow	**23.6**	**10.3**	**87.1**	**157.4**	**18.6**	**8.4**	**34.0**	**34.1**	**95.1**	**155.4**	**196.3**	**224.7**	**265.0**	**312.6**
Discount factor					-	0.25	0.50	0.75	0.75	1.75	2.75	3.75	4.75	5.75
Present value of unlevered free cash flow					**-**	**8.2**	**32.6**	**32.0**	**72.9**	**138.7**	**157.0**	**165.7**	**180.2**	**196.0**

Perpetuity Growth Method	
Perpetuity growth rate	**2.0%**
PV sum of unlevered FCF	910.6
PV of terminal value	3,035.5
Enterprise value	**3,946.1**
Add: Cash	825.5
Less: Debt	-
Less: Other EV adjustments	-
Equity value	**4,771.6**
Shares outstanding	88.7
Implied share price	**$ 53.82**

Current price	$ 45.26
Implied price	**$ 53.82**
Total return	**18.9%**

Exhibit 7: Comparable Companies Analysis

Comparable Company Analysis

Company	Ticker	Equity Value	Enterprise Value	NTM EV/EBITDA	2018E EV/EBITDA	2019E EV/EBITDA	NTM P/E	2018E P/E	2019E P/E
				EV/EBITDA Multiple			P/E Multiple		
Alphabet Inc.	NASDAQ:GOOG	828,140.2	817,973.2	14.6 x	18.6 x	16.2 x	26.9 x	36.4 x	24.6 x
Booking Holdings Inc.	NASDAQ:BKNG	92,332.9	97,909.1	16.6 x	20.7 x	17.2 x	20.5 x	25.5 x	21.3 x
TripAdvisor, Inc.	NASDAQ:TRIP	7,080.1	6,414.1	16.6 x	20.0 x	17.1 x	35.0 x	45.7 x	35.7 x
GrubHub Inc.	NYSE:GRUB	13,127.6	12,807.0	42.0 x	70.8 x	48.1 x	69.6 x	124.5 x	74.7 x
Facebook, Inc.	NASDAQ:FB	477,707.2	466,276.2	12.8 x	17.7 x	13.9 x	22.2 x	27.6 x	22.2 x
Expedia Group, Inc.	NASDAQ:EXPE	19,660.5	20,819.5	10.5 x	11.9 x	11.0 x	23.0 x	27.9 x	24.1 x
Yelp Inc.	**NYSE:YELP**	**4,012.3**	**3,186.8**	**14.7 x**	**19.6 x**	**15.9 x**	**32.3 x**	**44.8 x**	**32.8 x**
Median				**15.6 x**	**19.3 x**	**16.7 x**	**24.9 x**	**32.2 x**	**24.4 x**
Mean				**18.9 x**	**26.6 x**	**20.6 x**	**32.9 x**	**48.0 x**	**33.8 x**
High				**42.0 x**	**70.8 x**	**48.1 x**	**69.6 x**	**124.5 x**	**74.7 x**
Low				**10.5 x**	**11.9 x**	**11.0 x**	**20.5 x**	**25.5 x**	**21.3 x**

	EV/EBITDA Implied Price			P/E Implied Price		
Median	$ 47.45	$ 44.63	$ 47.05	$ 34.87	$ 32.52	$ 33.62
Mean	**$ 55.34**	**$ 58.03**	**$ 55.89**	**$ 45.99**	**$ 48.44**	**$ 46.62**
High	$ 111.67	$ 138.86	$ 118.16	$ 97.40	$ 125.74	$ 103.08
Low	$ 34.95	$ 31.18	$ 34.19	$ 28.71	$ 25.80	$ 29.43

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