

YELP INC
Form 10-Q
July 31, 2014
Table of Contents

**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, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**
For the Transition period from _____ to _____

Commission file number: 001-35444

YELP INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-1854266
(I.R.S. Employer
Identification No.)

140 New Montgomery Street, 9th Floor
San Francisco, 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

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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.

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 25, 2014, there were 61,694,162 shares of registrant's Class A common stock, par value \$0.000001 per share, issued and outstanding and 10,387,357 shares of registrant's Class B common stock, par value \$0.000001 per share, issued and outstanding.

Table of Contents

Yelp Inc.
Quarterly Report on Form 10-Q
Table of Contents

		Page
Part I. Financial Information		
<u>Item 1.</u>	<u>Financial Statements (Unaudited).</u>	
	<u>Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013.</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013.</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2014 and 2013.</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013.</u>	<u>4</u>
	<u>Notes to Condensed Consolidated Financial Statements.</u>	<u>5</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>18</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>28</u>
<u>Item 4.</u>	<u>Controls and Procedures.</u>	<u>29</u>
Part II. Other Information		
<u>Item 1.</u>	<u>Legal Proceedings.</u>	<u>30</u>
<u>Item 1A.</u>	<u>Risk Factors.</u>	<u>30</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>47</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities.</u>	<u>47</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures.</u>	<u>48</u>
<u>Item 5.</u>	<u>Other Information.</u>	<u>48</u>
<u>Item 6.</u>	<u>Exhibits.</u>	<u>48</u>
Signatures		

Unless the context otherwise indicates, where we refer in this Quarterly Report on Form 10-Q to our mobile application or mobile app, we refer to all of our applications for mobile-enabled devices. 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 dedicated to mobile-based browsers.

Table of Contents**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, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 290,386	\$ 389,764
Short-term marketable securities	60,429	
Accounts receivable (net of allowance for doubtful accounts of \$985 and \$810 at June 30, 2014 and December 31, 2013, respectively)	25,450	21,317
Prepaid expenses and other current assets	7,960	5,752
Total current assets	384,225	416,833
Long-term marketable securities	61,704	
Property, equipment and software, net	37,462	30,666
Goodwill	59,271	59,690
Intangibles, net	3,996	5,235
Restricted cash	3,684	3,247
Other assets	2,814	306
Total assets	\$ 553,156	\$ 515,977
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,680	\$ 3,364
Accrued liabilities	21,621	19,004
Deferred revenue	2,186	2,621
Total current liabilities	25,487	24,989
Long-term liabilities	6,424	4,505
Total liabilities	31,911	29,494
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$0.000001 par value per share 500,000,000 shares authorized; 71,995,243 and 70,874,493 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively		
Additional paid-in capital	588,829	553,753
Accumulated other comprehensive income	2,764	3,186
Accumulated deficit	(70,348)	(70,456)
Total stockholders' equity	521,245	486,483

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Total liabilities and stockholders' equity	\$ 553,156	\$ 515,977
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See notes to condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenue	\$ 88,787	\$ 55,023	\$ 165,194	\$ 101,156
Costs and expenses				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	5,845	4,018	10,922	7,358
Sales and marketing	47,798	30,803	92,919	58,997
Product development	14,726	7,997	28,708	15,233
General and administrative	13,257	10,148	26,427	18,912
Depreciation and amortization	4,034	2,637	7,695	5,115
Restructuring and integration				675
Total costs and expenses	85,660	55,603	166,671	106,290
Income (loss) from operations	3,127	(580)	(1,477)	(5,134)
Other expense, net	(15)	(66)	(17)	(267)
Income (loss) before income taxes	3,112	(646)	(1,494)	(5,401)
Benefit (provision) for income taxes	(369)	(232)	1,602	(276)
Net income (loss) attributable to common stockholders (Class A and B)	\$ 2,743	\$ (878)	\$ 108	\$ (5,677)
Net income (loss) per share attributable to common stockholders (Class A and Class B)				
Basic	\$ 0.04	\$ (0.01)	\$ 0.00	\$ (0.09)
Diluted	\$ 0.04	\$ (0.01)	\$ 0.00	\$ (0.09)
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders (Class A and Class B)				
Basic	71,714	64,576	71,444	64,163
Diluted	77,056	64,576	76,903	64,163

See notes to condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 2,743	\$ (878)	\$ 108	\$ (5,677)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(338)	714	(422)	(995)
Other comprehensive income (loss)	(338)	714	(422)	(995)
Comprehensive income (loss)	\$ 2,405	\$ (164)	\$ (314)	\$ (6,672)

See notes to condensed consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2014	2013
OPERATING ACTIVITIES:		
Net income (loss)	\$ 108	\$ (5,677)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,695	5,115
Provision for doubtful accounts and sales returns	2,581	1,301
Stock-based compensation	19,539	10,873
Loss on disposal of assets and website development costs	(5)	94
Premium amortization, net, on securities held-to-maturity	93	
Excess tax benefit from share-based award activity	(460)	
Changes in operating assets and liabilities:		
Accounts receivable	(6,716)	(4,404)
Prepaid expenses and other assets	(5,980)	(2,318)
Accounts payable and accrued expenses	3,567	215
Deferred revenue	(433)	(85)
Net cash provided by operating activities	19,989	5,114
INVESTING ACTIVITIES:		
Purchases of property, equipment and software	(7,212)	(4,966)
Capitalized website and internally developed software costs	(4,327)	(2,139)
Change in restricted cash	(397)	(1,768)
Proceeds from sale of property and equipment	14	
Goodwill measurement period adjustment		1,153
Purchases of marketable securities	(122,226)	
Net cash used in investing activities	(134,148)	(7,720)
FINANCING ACTIVITIES:		
Proceeds from exercise of employee stock options	10,841	4,604
Proceeds from issuance of common stock for Employee Stock Purchase Plan	4,087	
Excess tax benefit from share-based award activity	460	
Repurchase of common stock	(642)	(193)
Net cash provided by financing activities	14,746	4,411
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	35	(134)
CHANGE IN CASH AND CASH EQUIVALENTS	(99,378)	1,671
CASH AND CASH EQUIVALENTS Beginning of period	389,764	95,124
CASH AND CASH EQUIVALENTS End of period	\$ 290,386	\$ 96,795
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	\$ 260	\$ 83
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		

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Purchases of property and equipment recorded in accounts payable and accruals

\$ 1,185

\$ 1,736

Capitalized website and software development costs recorded in accounts payable and accruals

\$ 25

\$

See notes to condensed consolidated financial statements.