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|-------------------|--|
| Company: | Yelp Inc. |
| Date of Analysis: | 11/18/2024 |
| Class: | INSY 442 - Data Analysis and Visualization |

Yelp - Assumptions

| | | 2022A | 2023A | 2024A | Forecasted | | | | | |
|-----------------------------|------------------|-------|-------|-------|------------|-------|-------|-------|-------|-------|
| 1 | Income Statement | | | | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| 1 Revenues | | | | | | | | | | |
| Operating Revenues | 2 | 15.7% | 12.0% | 4.7% | 8.6% | 3.5% | 7.6% | 7.6% | 7.2% | 8.5% |
| Bear | 1 | | | | 6.6% | 1.5% | 5.6% | 5.6% | 5.2% | 6.5% |
| Base | 2 | | | | 8.6% | 3.5% | 7.6% | 7.6% | 7.2% | 8.5% |
| Bull | 3 | | | | 9.6% | 4.5% | 8.6% | 8.6% | 8.2% | 9.5% |
| 2 EBIT | | | | | | | | | | |
| EBIT as % of revenue | 2 | 4.9% | 5.9% | 9.8% | 10.2% | 10.5% | 11.6% | 7.8% | 10.0% | 9.8% |
| Bear | 1 | | | | 8.2% | 8.5% | 9.6% | 5.8% | 8.0% | 7.8% |
| Base | 2 | | | | 10.2% | 10.5% | 11.6% | 7.8% | 10.0% | 9.8% |
| Bull | 3 | | | | 11.2% | 11.5% | 12.6% | 8.8% | 11.0% | 10.8% |
| 2 Recommendation | | | | | | | | | | |
| 1 EBIT as % of Current EBIT | | | | | | | | | | |
| EBIT Incremental Increase | 2 | - | - | - | 3.0% | 3.8% | 4.6% | 5.4% | 6.1% | 6.9% |
| Bear | 1 | | | | 1.0% | 1.3% | 1.5% | 1.8% | 2.0% | 2.3% |
| Base | 2 | | | | 3.0% | 3.8% | 4.6% | 5.4% | 6.1% | 6.9% |
| Bull | 3 | | | | 5.0% | 5.8% | 6.6% | 7.4% | 8.1% | 8.9% |

Note:

Base case assumes that Yelp can double the amount of "power businesses" from its baseline in 2024. We assume this happens in 5 years, with steady increments.

Bull case assumes that Yelp can 2.5x the amount of "power businesses" from its baseline in 2024. We assume this happens in 5 years, with steady increments.

Bear case assumes that Yelp can only convert a 1/3 of the amount of "power businesses" from its baseline in 2024. We assume this happens in 5 years, with steady increments.

Table for Reference

| | #of Users | % of Total |
|------------------------------------|-----------|------------|
| Cluster Label 0 - Power Users | 415 | 6.92% |
| Cluster Label 1 - Average Business | 2391 | 39.87% |
| Cluster Label 2 - Lower Quality | 3191 | 53.21% |
| Total | 5997 | 1 |

--> from dashboard analysis

Yelp - Schedule

| | | Historical | | | | Forecasted | | | | | |
|---|--------------------|------------|---------|---------|---------|------------|---------|---------|---------|---------|---------|
| | | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| 1 | Income Statement | | | | | | | | | | |
| 1 | Revenues | | | | | | | | | | |
| | Operating Revenue | \$1,032 | \$1,194 | \$1,337 | \$1,401 | \$1,522 | \$1,575 | \$1,694 | \$1,823 | \$1,954 | \$2,119 |
| | YoY Growth | | 15.7% | 12.0% | 4.7% | 8.6% | 3.5% | 7.6% | 7.6% | 7.2% | 8.5% |
| | Total Revenues | \$1,032 | \$1,194 | \$1,337 | \$1,401 | \$1,522 | \$1,575 | \$1,694 | \$1,823 | \$1,954 | \$2,119 |
| 2 | EBIT | | | | | | | | | | |
| | Operating Income | \$32 | \$58 | \$79 | \$137 | \$155 | \$166 | \$197 | \$143 | \$195 | \$208 |
| | % of Revenue | 3.1% | 4.9% | 5.9% | 9.8% | 10.2% | 10.5% | 11.6% | 7.8% | 10.0% | 9.8% |
| 2 | Recommendation Tab | | | | | | | | | | |
| 1 | FCF | | | | | | | | | | |
| | Current EBIT | - | - | - | - | \$155 | \$166 | \$197 | \$143 | \$195 | \$208 |
| | New EBIT | - | - | - | - | \$5 | \$6 | \$9 | \$8 | \$12 | \$14 |
| | % of current FCF | - | - | - | - | 3.0% | 3.8% | 4.6% | 5.4% | 6.1% | 6.9% |

Yelp Inc. - DCF

| 0 Outputs | | | | | |
|------------------------|------------|-----------------------------------|------------|-----------------------------------|------------|
| Case Running | | Recommendation Switch | | Recommendation Switch | |
| Case Switch | Base | Recommendation On? | On | For Reference | Upside |
| Case Running | 2 | | | Recommendation Off | 1.3% |
| | | | | Recommendation On | 12.0% |
| | | | | Recommendation Incremental Growth | 10.6% |
| General Assumptions | | Bridge to Equity | | Bridge to Equity | |
| Valuation Date | 11/19/2024 | Exit Multiple Method | | Gordon Growth Method | |
| Ticker | YELP | Discount Rate | 9.4% | Discount Rate | 9.4% |
| Share Price | \$36.46 | Sum of PV of Cash Flow | \$705.22 | Sum of PV of Cash Flow | \$705.22 |
| FD Shares Outstanding | 69.16 | Terminal Multiple | 10x | Terminal Growth Rate | 1.0% |
| Cash | \$261.59 | Terminal Value | \$2,649.12 | Terminal Value | \$3,061.79 |
| Debt | \$70.30 | PV of Terminal Value: | \$1,545.25 | PV of Terminal Value | \$1,785.96 |
| | | Implied Terminal Enterprise Value | \$2,250.47 | Implied Terminal Enterprise Value | \$2,491.18 |
| DCF Assumptions | | (+) Cash | \$261.59 | (+) Cash | \$261.59 |
| Tax Rate | 20.0% | (-) Debt | \$70.30 | (-) Debt | \$70.30 |
| WACC | 9.4% | Implied Equity Value | \$2,582.36 | Implied Equity Value | \$2,823.07 |
| Exit Multiple | 10x | Shares Outstanding | 69.16 | Shares Outstanding | 69.16 |
| Perpetuity Growth Rate | 1.0% | Implied Share Price | \$37.34 | Implied Share Price | \$40.82 |
| Note: | | Implied Upside/Downside | 2.4% | Implied Upside/Downside | 12.0% |
| WACC from Bloomberg | | | | | |

| 1 DCF | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
| 1 Current Business Model | | | | | | |
| Revenue | \$1,522 | \$1,575 | \$1,694 | \$1,823 | \$1,954 | \$2,119 |
| % Growth | 8.6% | 3.5% | 7.6% | 7.6% | 7.2% | 8.5% |
| EBIT | \$155 | \$166 | \$197 | \$143 | \$195 | \$208 |
| % of Revenue | 10.2% | 10.5% | 11.6% | 7.8% | 10.0% | 9.8% |
| (-) Taxes | (\$31) | (\$33) | (\$39) | (\$29) | (\$39) | (\$42) |
| NOPAT | \$186 | \$199 | \$237 | \$171 | \$234 | \$250 |
| 2 Addition of Our Recommendation | | | | | | |
| EBIT from recommendation | \$5 | \$6 | \$9 | \$8 | \$12 | \$14 |
| % of Current EBIT | 3.0% | 3.8% | 4.6% | 5.4% | 6.1% | 6.9% |
| (-) Taxes | (\$1) | (\$1) | (\$2) | (\$2) | (\$2) | (\$3) |
| NOPAT | \$6 | \$8 | \$11 | \$9 | \$14 | \$17 |
| 3 FCF | | | | | | |
| Total NOPAT | \$192 | \$206 | \$248 | \$180 | \$249 | \$267 |
| (+) Depreciation & Amortization | \$39 | \$39 | \$40 | \$40 | \$46 | \$49 |
| (-) Capital Expenditures | (\$40) | (\$40) | (\$40) | (\$40) | (\$40) | (\$40) |
| (-) Change in Net Working Capital | (\$196) | (\$12) | (\$27) | (\$36) | (\$36) | (\$36) |
| Unlevered Free Cash Flow | (\$5) | \$193 | \$220 | \$145 | \$219 | \$240 |
| Discount Factor | 0.91 | 0.84 | 0.76 | 0.70 | 0.64 | 0.58 |
| Discounted Free Cash Flow | (\$5) | \$161 | \$168 | \$101 | \$140 | \$140 |
| Sum of PV of UFCF | \$705 | | | | | |

| 2 Sensitivity Analysis | | | | | |
|------------------------|-----------------------------------|-------|-------|-------|-------|
| Case | Recommendation Incremental Growth | | | | |
| | Terminal Value Multiple | | | | |
| | 9.3x | 9.8x | 10.3x | 10.8x | 11.3x |
| | (27%) | (25%) | (22%) | (20%) | (18%) |
| | Base | (4%) | (1%) | 2% | 5% |
| | Bull | 10% | 13% | 17% | 20% |
| Case | Recommendation Incremental Growth | | | | |
| | Perpetuity Growth Rate | | | | |
| | 0.00% | 0.50% | 1.00% | 1.50% | 2.00% |
| | (32%) | (29%) | (27%) | (24%) | (20%) |
| | Base | 2% | 6% | 11% | 15% |
| | Bull | 23% | 27% | 33% | 39% |

Weighted Average Cost of Capital

Company: Yelp Inc

Ticker: YELP US Equity

Period: Current (2024 Q3)

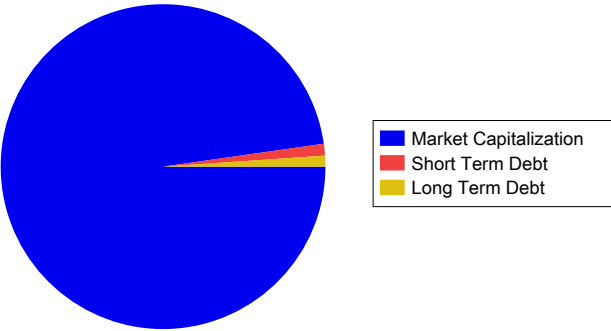
Filing Status: Most Recent

| Cost of Capital | | | |
|------------------|--------|-------|---------------|
| | Weight | Cost | Weight x Cost |
| Equity | 97.70% | 9.50% | 9.30% |
| Debt | 2.30% | 4.50% | 0.10% |
| Preferred Equity | 0.00% | 0.00% | 0.00% |

WACC

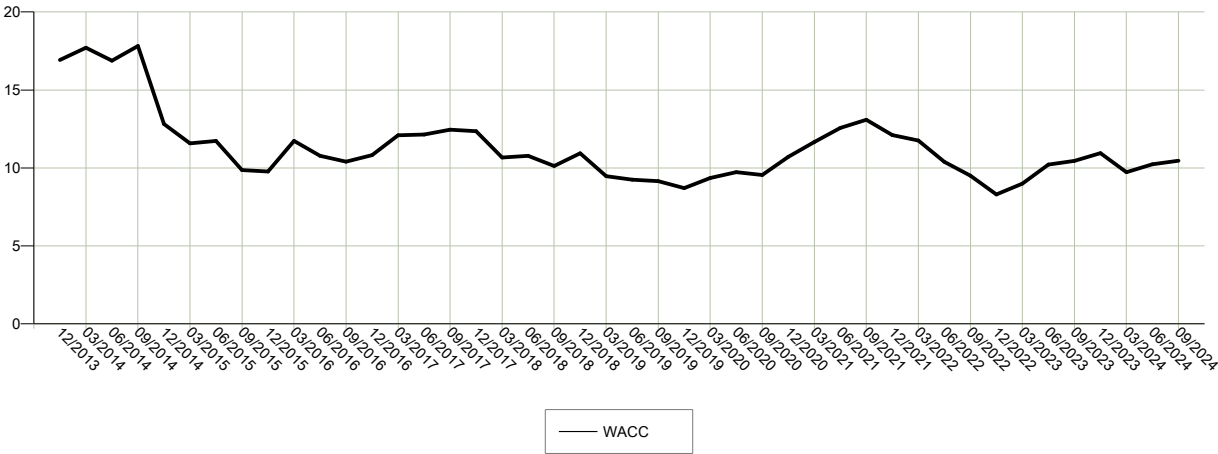
9.4%

Capital Structure Graph



| Capital Structure | | |
|-----------------------|-----------------|---------|
| | Millions of USD | |
| Market Capitalization | 2,337.70 | 97.70% |
| Short Term Debt | 28.00 | 1.20% |
| Long Term Debt | 25.90 | 1.10% |
| Preferred Equity | 0.00 | 0.00% |
| Total | 2,391.60 | 100.00% |

Historical Graph



Economic Value Added

| Millions of USD | |
|--------------------------|--------|
| Net Operating Profit | 117.32 |
| Cash Operating Taxes | 28.94 |
| NOPAT | 88.38 |
| Total Investment Capital | 809.84 |
| Capital Charge | 76.28 |
| Economic Value Added | 12.10 |
| ROIC | 10.91% |
| EVA Spread | 1.49% |

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