YELP INC
Form 10-Q
May 01, 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 March 31, 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, 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

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 April 24, 2015, there were 65,213,955 shares of registrant s Class A common stock, par value $0.000001 per share, issued and outstanding and 9,571,608 shares of registrant s Class B common stock, par value $0.000001 per share, issued and outstanding.

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 March 31, 2015.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 172,629	$ 247,312
Short-term marketable securities	158,603	118,498
Accounts receivable (net of allowance for doubtful accounts of $2,323 and $1,627 at March 31, 2015 and December 31, 2014, respectively)	38,969	35,593
Prepaid expenses and other current assets	22,706	19,355
Total current assets	392,907	420,758
Long-term marketable securities	16,495	38,612
Property, equipment and software, net	68,594	62,761
Goodwill	172,160	67,307
Intangibles, net	44,187	5,786
Restricted cash	17,899	17,943
Other assets	3,644	16,483
Total assets	$ 715,886	$ 629,650
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 1,836	$ 1,398
Accrued liabilities	41,888	29,581
Deferred revenue	3,657	2,994
Total current liabilities	47,381	33,973
Long-term liabilities	11,849	7,527
Total liabilities	59,230	41,500
Commitments and contingencies (Note 10)		
Stockholders equity		
Common stock, $0.000001 par value 500,000,000 shares authorized; 74,651,334 and 72,920,582 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively		
Additional paid-in capital	705,397	627,742
Accumulated other comprehensive income	(13,474)	(5,609)
Accumulated deficit	(35,267)	(33,983)
Total stockholders equity	656,656	588,150
Total liabilities and stockholders equity	$ 715,886	$ 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 March 31, 2015	Three Months Ended March 31, 2014
Net revenue	$ 118,508	$ 76,407
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	8,699	5,077
Sales and marketing	63,266	45,121
Product development	23,960	13,982
General and administrative	19,937	13,170
Depreciation and amortization	6,895	3,661
Total costs and expenses	122,757	81,011
Loss from operations	(4,249)	(4,604)
Other income (expense), net	562	(2)
Loss before income taxes	(3,687)	(4,606)
Benefit from income taxes	2,403	1,971
Net loss attributable to common stockholders (Class A and B)	$ (1,284)	$ (2,635)
Net loss per share attributable to common stockholders (Class A and B)		
Basic	$ (0.02)	$ (0.04)
Diluted	$ (0.02)	$ (0.04)
Weighted-average shares used to compute net loss per share attributable to common stockholders (Class A and B)		
Basic	73,684	71,171
Diluted	73,684	71,171

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net loss	$ (1,284)	$ (2,635)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(7,864)	(84)
Other comprehensive income (loss)	(7,864)	(84)
Comprehensive loss	$ (9,148)	$ (2,719)

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
OPERATING ACTIVITIES:		
Net loss	$ (1,284)	$ (2,635)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,895	3,661
Provision for doubtful accounts and sales returns	3,434	1,186
Stock-based compensation	13,671	9,456
Loss on disposal of assets and website development costs	52	
Premium amortization, net, on securities held-to-maturity	(117)	
Excess tax benefit from stock-based award activity	(815)	(39)
Changes in operating assets and liabilities:		
Accounts receivable	(2,850)	(1,249)
Prepaid expenses and other assets	(6,045)	(5,928)
Accounts payable and accrued expenses	12,011	5,309
Deferred revenue	683	(438)
Net cash provided by operating activities	25,635	9,323
INVESTING ACTIVITIES:		
Acquisition, net of cash received	(71,546)	
Purchases of property, equipment and software	(10,881)	(4,246)
Capitalized website and software development costs	(3,196)	(1,592)
Proceeds from sale of property and equipment	97	
Purchases of intangible assets	(314)	
Maturities of investment securities, held-to-maturity	18,250	
Purchases of investment securities, held-to-maturity	(36,120)	
Changes in restricted cash	(5)	(397)
Net cash used in investing activities	(103,715)	(6,235)
FINANCING ACTIVITIES:		
Proceeds from exercise of employee stock options	3,398	6,735
Excess tax benefit from stock-based award activity	815	39
Repurchase of common stock	(168)	(361)
Net cash provided by financing activities	4,045	6,413
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(648)	55
CHANGE IN CASH AND CASH EQUIVALENTS	(74,683)	9,556
CASH AND CASH EQUIVALENTS Beginning of period	247,312	389,764
CASH AND CASH EQUIVALENTS End of period	$ 172,629	$ 399,320
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 422	$ 115
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchases of property and equipment recorded in accounts payable and accruals	$ 3,544	$ 1,880
Capitalized website and software development costs recorded in accounts payable and accruals	15	67
Acquisition consideration included in accruals	1,876	
Goodwill measurement period adjustment for working capital	51	

See notes to condensed consolidated financial statements.

YELP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF 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 connects people with great local businesses by bringing word of mouth online and providing a platform for businesses and consumers to engage and transact. Yelp s platform is transforming the way people discover local businesses; every day, millions of consumers visit its website or use its mobile app to find local businesses to meet their everyday needs. Businesses of all sizes use the Yelp platform to engage with consumers at the critical moment when they are deciding where to spend their money.

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 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 Company s Annual Report on Form 10-K filed with the SEC on February 27, 2015 (the Annual Report). The unaudited condensed consolidated balance sheet as of December 31, 2014 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 and, in the opinion of management, include all adjustments of a normal recurring nature necessary for the fair presentation of the interim periods presented.

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration expected to be received in exchange for those goods or services. The updated standard will replace most existing GAAP revenue recognition guidance when it becomes effective, and permits the use of either the retrospective or cumulative effect transition method. Early adoption of this accounting standard is not permitted. ASU 2014-09 will become effective for the Company in the first quarter of the year ending December 31, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In August 2014, FASB issued Accounting Standards Update 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40). The new guidance addresses management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. Management s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect to early adopt this guidance and does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements.

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 in consolidation.

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Use of Estimates

The preparation of the Company s unaudited interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. These estimates are based on information available as of the date of the unaudited interim condensed consolidated financial statements; therefore, actual results could differ from management s estimates.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company s investments in money market accounts are recorded at fair value in the condensed consolidated financial statements. All other financial instruments are classified as held-to-maturity investments and, accordingly, are recorded at amortized cost; however, the Company is required to determine the fair value of these investments on a recurring basis to identify any potential impairment. 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 for which there is little or no market data, which requires 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 and U.S. government bonds are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets. The Company s commercial paper, corporate bonds and agency bonds 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 Company classifies the contingent consideration liability, which is related to the acquisition of Restaurant Kritik, within Level 3, because it was estimated using a discounted cash flow technique with significant inputs that are not observable in the market. The significant inputs not observable in the market in the Level 3 measurement included the Company s probability assessments of completion, appropriately discounted considering the uncertainties associated with the obligation, and were calculated in accordance with the terms of the asset purchase agreement. Refer to Note 4 regarding the effects of the acquisition on the Company s consolidated financial statements.

The following table represents the Company s financial instruments measured at fair value as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015				**December 31, 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash Equivalents:								
Money market funds	$ 115,506			115,506	$ 208,593	$	$	$ 208,
Marketable Securities:								
U.S. government bonds	5,005			5,005	5,005			5,
Commercial paper		33,979		33,979		31,965		31,
Corporate bonds		29,267		29,267		29,486		29,
Agency bonds		106,829		106,829		90,575		90,
Total cash equivalents and marketable securities	$ 120,511	$ 170,075	$	$ 290,586	$ 213,598	$ 152,026	$	$ 365,
Current liabilities:								
Contingent consideration liability	$	$	$ 785	$ 785	$	$	$ 835	$

3. MARKETABLE SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of securities held-to-maturity, all of which mature within two years, as of March 31, 2015 were as follows (in thousands):

	As of March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term marketable securities:				
Commercial paper	$ 33,979	$	$	$ 33,979
Corporate bonds	29,280	7	(20)	29,267
Agency bonds	90,339	8	(10)	90,337
U.S. government bonds	5,005			5,005
	$ 158,603	$ 15	$ (30)	$ 158,588
Long-term marketable securities:				
Agency bonds	16,495		(3)	16,492
	$ 16,495	$	$ (3)	$ 16,492
Total marketable securities	$ 175,098	$ 15	$ (33)	$ 175,080

The following table presents gross unrealized losses and fair values for those securities that were in an unrealized loss position as of March 31, 2015, aggregated by investment category and the length of time that the individual securities have been in a continuous loss position (in thousands):

	As of March 31, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$ 14,127	$ (20)	$	$	$ 14,127	$ (20)
Agency bonds	67,238	(13)			67,238	(13)
Total	$ 81,365	$ (33)	$	$	$ 81,365	$ (33)

The Company periodically reviews its investment portfolio for other-than-temporary impairment. The Company considers such factors as the duration, severity and reason for the decline in value, and the potential recovery period. The Company also considers whether it is more likely than not that it will be required to sell the securities before the recovery of their amortized cost basis, and whether the amortized cost basis cannot be recovered as a result of credit losses. During the three months ended March 31, 2015, the Company did not recognize any other-than-temporary impairment loss. The Company had no investments in marketable securities outside of money market funds prior to April 1, 2014.

4. ACQUISITIONS

2015 Acquisition

On February 9, 2015, the Company acquired Eat24Hours.com, Inc. (Eat24). In connection with the acquisition, all of the outstanding capital stock of Eat24 was converted into the right to receive an aggregate of approximately $75.0 million in cash, less certain transaction expenses, and 1,402,844 shares of Yelp Class A common stock with an aggregate fair value of approximately $59.2 million, as determined on the basis of the closing market price of the Company s Class A common stock on the acquisition date. Of the total consideration paid in connection with the acquisition, $16.5 million in cash and 308,626 shares were initially held in escrow to secure indemnification obligations. The key factor underlying the acquisition was to obtain an online food ordering solution to drive daily engagement in its key restaurant vertical.

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The acquisition was accounted for as a business combination in accordance with Accounting Standards Codification Topic 805, "*Business Combinations*" ("ASC 805"), with the results of Eat24's operations included in the Company's consolidated financial statements from February 9, 2015. The Company's allocation of the purchase price is preliminary as the amounts related to contingent consideration, identifiable intangible assets, the effects of income taxes resulting from the transaction, and the effects of any net working capital adjustments are still being finalized. Any material measurement period adjustments will be recorded retroactively to the acquisition date. The purchase price allocation, subject to finalization during the measurement period, is as follows (in thousands):

	February 9, 2015	
Fair value of purchase consideration:		
Cash:		
Distributed to Eat24 stockholders	$	56,624
Held in escrow account		16,500
Payable on behalf of Eat24 stockholders		1,876
Total cash		75,000
Class A common stock:		
Distributed to Eat24 stockholders		46,143
Held in escrow account		13,015
Total purchase consideration	$	134,158
Fair value of net assets acquired:		
Cash and cash equivalents	$	1,578
Intangibles		39,600
Goodwill		110,927
Other assets		6,031
Total assets acquired		158,136
Deferred tax liability		(15,207)
Other liabilities		(8,771)
Total liabilities assumed		(23,978)
Net assets acquired	$	134,158

Estimated useful lives and the amount assigned to each class of intangible assets acquired are as follows:

Intangible Type	Amount Assigned	Useful Life
Restaurant relationships	17,400	12.0 years
Developed technology	7,400	5.0 years
User relationships	12,000	7.0 years
Trade name	2,800	4.0 years
Weighted average		8.6 years

The intangible assets are being amortized on a straight-line basis, which reflects the pattern in which the economic benefits of the intangible assets are being utilized. The goodwill results from the Company s opportunity to drive daily engagement in its restaurant vertical and potentially expand Eat24 s offering to the approximately 1 million U.S. restaurants listed on the Company s platform. None of the goodwill is deductible for tax purposes.

For the quarter ended March 31, 2015, the Company recorded acquisition-related transaction costs of approximately $0.2 million, which were included in general and administrative expense in the accompanying consolidated statement of operations.

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Eat24, as though the companies had been combined as of January 1, 2014, and includes the accounting effects resulting from the acquisition, including transaction, integration costs, amortization charges from acquired intangible assets, and changes in depreciation due to differing asset values and depreciation lives. The unaudited pro forma financial information, as presented below, is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place as of January 1, 2014 (in thousands, except per share data):

	Pro Forma for the Three Months Ended March 31,	
	2015	2014
Revenue	$ 121,753	$ 81,860
Net loss	$ (2,402)	$ (3,518)
Basic and diluted net loss per share attributable to common stockholders	$ (0.03)	$ (0.05)

Since the acquisition date, $5.3 million of revenue and $0.4 million of net loss attributable to Eat24 are included in the consolidated statement of operations for the three months ended March 31, 2015.

2014 Acquisitions

In October 2014, the Company, through its wholly-owned subsidiary, Yelp Ireland Ltd., completed the acquisition of all of the outstanding equity interests in Cityvox SAS. Also in October 2014, the Company, through its wholly-owned subsidiaries Yelp Ireland Ltd. and Qype GmbH, acquired the assets comprising the business conducted under the name Restaurant Kritik from Kabukiman Ltd. The aggregate purchase price of these businesses was $15.3 million, net of $0.1 million cash acquired; the purchase price did not include stock in either transaction. Each of these acquisitions has been accounted for as a business combination in accordance with ASC 805, under the acquisition method. Accordingly, the aggregate purchase price is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition dates, and is subject to adjustment based on purchase price adjustment provisions contained in the acquisition agreements. The results of operations of the acquired companies have been included in the Company s consolidated financial statements from the respective acquisition dates. Net revenues, earnings since the acquisition and pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated results of operations, either individually or in aggregate. During the quarter ended December 31, 2014, the Company recorded acquisition-related transaction costs of $0.6 million, which were included in general and administrative expense.

Under the Restaurant Kritik asset purchase agreement, the Company agreed to pay an additional $0.9 million in consideration if the migration of Restaurant Kritik s content to Yelp is completed within one year of the acquisition date. The estimated fair value of the contingent consideration was approximately $0.8 million as of the acquisition date and $0.8 million as of March 31, 2015, and is included in current liabilities on the Company s consolidated balance sheet.

The following table presents the aggregate purchase price allocations of these individually immaterial acquisitions recorded in the Company s condensed consolidated balance sheets as of their acquisition dates (in thousands):

Net tangible assets	$ (277)
Goodwill	13,995
Intangible assets	1,546
Total purchase price (excluding contingent consideration)	15,264
Contingent consideration	826
Total purchase price	$ 16,090

Estimated useful lives as of the acquisition dates of the intangible assets acquired are as follows:

Intangible Type	Useful Life
Content	5 years
Developed technology	0.5 years
Trade name	2 years
Weighted average	4.3 years

The intangible assets are being amortized on a straight-line basis, which reflects the pattern in which the economic benefits of the intangible assets are being utilized. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in these transactions is primarily attributable to traffic and the opportunity for expansion. None of the goodwill is deductible for tax purposes.

2012 Acquisition

On October 23, 2012, the Company, through Yelp Ireland Ltd., completed the acquisition of all the outstanding equity interests of Qype GmbH and its subsidiaries (collectively, Qype) for approximately $24.3 million in cash and Yelp Class A common stock with an approximate fair value of $23.3 million. Of the total consideration paid in connection with the acquisition, $10.3 million was held in the form of cash in escrow to secure indemnification obligations. In March 2015, approximately $0.7 million was released to the Company from the escrow fund relating to this acquisition, and is included in other income (expense), net. The remaining funds were distributed to the former Qype shareholders; accordingly, the balance remaining in the escrow fund was zero as of March 31, 2015.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2015 and December 31, 2014 consist of the following (in thousands):

	March 31, 2015	December 31, 2014
Cash and cash equivalents		
Cash	$ 57,123	$ 38,719
Money market funds	115,506	208,593
Total cash and cash equivalents	$ 172,629	$ 247,312

The lease agreements for certain of the Company s offices require the Company to maintain letters of credit issued to the landlords of each facility. Each letter of credit is subject to renewal annually until the applicable lease expires and is collateralized by restricted cash. As of March 31, 2015 and December 31, 2014, the Company had letters of credit totaling $17.9 million related to such leases.

6. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of March 31, 2015 and December 31, 2014 consist of the following (in thousands):

	March 31, 2015	December 31, 2014
Computer equipment	$ 20,755	$ 19,111
Software	820	802
Capitalized website and internal-use software development costs	31,372	27,602
Furniture and fixtures	8,569	6,621
Leasehold improvements	39,545	36,991
Telecommunication	2,623	2,610
Total	103,684	93,737
Less accumulated depreciation	(35,090)	(30,976)
Property, equipment and software, net	$ 68,594	$ 62,761

Depreciation expense for the three months ended March 31, 2015 and 2014 was approximately $5.6 million and $2.8 million, 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 and liabilities acquired.

The changes in the carrying amount of goodwill during the three months ended March 31, 2015 were as follows (in thousands):

Balance as of December 31, 2014	$ 67,307
Goodwill measurement period adjustment	51
Goodwill acquired	110,927
Effect of currency translation	(6,125)
Balance as of March 31, 2015	$ 172,160

Intangible assets at March 31, 2015 and December 31, 2014 consist of the following (dollars in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
March 31, 2015:				
Restaurant and user relationships	$ 29,400	$ (401)	$ 28,999	9.7 years
Developed and acquired technology	9,291	(1,131)	8,160	4.8 years
Content	3,909	(1,470)	2,439	3.4 years
Data licenses and domains	2,291	(497)	1,794	3.6 years
Trade name and other	3,347	(552)	2,795	3.7 years
Total	$ 48,238	$ (4,051)	$ 44,187	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
December 31, 2014:				
Developed and acquired technology	$ 1,963	$ (861)	$ 1,102	4.2 years
Advertiser relationships	1,853	(1,853)		0.0 years
Content	4,299	(1,393)	2,906	3.6 years

Data licenses and domains	1,977	(326)	1,651	4.5 years
Trade name and other	596	(469)	127	1.4 years
Total	$ 10,688	$ (4,902)	$ 5,786	

Amortization expense for the three months ended March 31, 2015 and 2014 was $1.2 million and $0.6 million, respectively.

As of March 31, 2015, the estimated future amortization of purchased intangible assets for (i) the remaining nine months of 2015, (ii) each of the succeeding four years and (iii) the succeeding fifth year and thereafter are as follows (in thousands):

Year Ending December 31,	Amount
2015 (from April 1, 2015)	$ 5,138
2016	6,781
2017	6,638
2018	6,176
2019	5,304
2020 and thereafter	14,150
Total amortization	$ 44,187

8. ACCRUED LIABILITIES

Accrued liabilities as of March 31, 2015 and December 31, 2014 consist of the following (in thousands):

	March 31, 2015	**December 31, 2014**
Eat24 restaurant payable	$ 9,740	$
Accrued vacation	5,104	3,972
Accrued commissions	3,662	4,198
Accrued employee related expenses	3,575	1,209
Fixed asset purchase commitments	3,544	6,329
Accrued employee stock purchase plan liability	3,477	907
Accrued cost of sales	2,135	2,052
Accrued payroll tax	1,223	1,251
Merchant revenue share liability	1,160	1,218
Accrued income, withholding and business taxes	836	1,354
Deferred rent	761	1,229
Other accrued expenses	6,671	5,862
Total	$ 41,888	$ 29,581

9. OTHER INCOME (EXPENSE), NET

Other income (expense), net for the three months ended March 31, 2015 and 2014 consist of the following (in thousands):

	Three Months Ended March 31, 2015	**2014**
Interest income	$ 300	$ 34
Transaction (loss) on foreign exchange	(171)	(49)
Other non-operating income, net	433	13
Other income (expense), net	$ 562	$ (2)

10. COMMITMENTS AND CONTINGENCIES

Office Facility Leases The Company leases its office facilities under operating lease agreements that expire from 2015 to 2025. Certain lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period. Rental expense was $6.9 million and $3.6 million for the three months ended March 31, 2015 and 2014, respectively.

Legal Proceedings The Company is subject to 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 matters will have a material adverse effect on the Company s business, financial position, results of operations or cash flows.

In August 2014, two putative class action lawsuits alleging violations of federal securities laws were filed in the U.S. District Court for the Northern District of California, naming as defendants the Company and certain of its officers. The lawsuits allege violations of the Securities Exchange Act of 1934, as amended, by the Company and its officers for allegedly making materially false and misleading statements regarding the Company's business and operations between October 29, 2013 and April 3, 2014. These cases were subsequently consolidated and, in January 2015, plaintiffs filed a consolidated complaint seeking unspecified monetary damages and other relief. On February 6, 2015, the Company and the other named defendants filed a motion to dismiss the consolidated complaint, which the court granted on April 21, 2015 following a hearing on the motion. The plaintiffs have until May 21, 2015 to file an amended complaint.

On April 23, 2015, a putative class action lawsuit was filed by former Eat24 employees in the Superior Court of California for San Francisco County, naming as defendants Yelp Inc. and Eat24. The lawsuit asserts that the defendants failed to permit meal and rest periods for certain current and former employees working as Eat24 customer support specialists, and alleges violations of the California Labor Code, applicable Industrial Welfare Commission Wage Orders and the California Business and Professions Code. The plaintiffs seek monetary damages in an unspecified amount and injunctive relief.

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 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 these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on the Company s financial position, results of operations or cash flows.

11. STOCKHOLDERS EQUITY

The following table presents the shares authorized and the shares issued and outstanding as of the periods presented:

	March 31, 2015		December 31, 2014	
	Shares Authorized	Shares Issued and Outstanding	Shares Authorized	Shares Issued and Outstanding
Stockholders equity:				
Class A common stock, $0.000001 par value	200,000,000	65,050,726	200,000,000	63,062,071
Class B common stock, $0.000001 par value	100,000,000	9,600,608	100,000,000	9,858,511
Common stock, $0.000001 par value	200,000,000		200,000,000	
Undesignated Preferred Stock	10,000,000		10,000,000	

Equity Incentive Plans

The Company has outstanding awards under three equity incentive plans: the Amended and Restated 2005 Equity Incentive Plan (the 2005 Plan), the 2011 Equity Incentive Plan (the 2011 Plan) and the 2012 Equity Incentive Plan, as amended (the 2012 Plan). In July 2011, the Company terminated the 2005 Plan and provided that no further stock awards were to be granted under the 2005 Plan. All outstanding stock awards under the 2005 Plan continue to be governed by their existing terms. Upon the effectiveness of the underwriting agreement in connection with the Company s initial public offering (IPO), all shares that were reserved under the 2011 Plan but not issued were assumed by the 2012 Plan. No further awards will be granted pursuant to the 2011 Plan. All outstanding stock awards under the 2011 Plan continue to be governed by their existing terms. Under the 2012 Plan, the Company has the ability to issue incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock units (RSUs), restricted stock awards (RSAs), performance units and performance shares. Additionally, the 2012 Plan provides for the grant of performance cash awards to employees, directors and consultants.

Stock Options

Stock options granted under the 2012 Plan are granted at a price per share not less than the fair value at date of grant. Options granted to date generally vest either over a four-year period with 25% vesting at the end of one year and the remaining shares vesting monthly thereafter, or over a four-year period with 10% vesting over the first year, 20% vesting over the second year, 30% vesting over the third year and 40% vesting over the fourth year. Options granted are generally exercisable for up to 10 years. A summary of stock option activity for the three months ended March 31, 2015 is as follows:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding January 1, 2015	9,037,935	$ 19.64	7.26	$ 324,160
Granted	252,800	53.74		
Exercised	(276,786)	12.31		

Canceled	(92,628)		37.34			
Outstanding March 31, 2015	8,921,321	$	20.65	7.12	$	250,236
Options vested and expected to vest as of March 31, 2015	8,518,476	$	20.10	7.07	$	242,924
Options vested and exercisable as of March 31, 2015	4,952,575	$	14.46	6.50	$	165,596

Aggregate intrinsic value represents the difference between the closing price of the Company s Class A common stock and the exercise price of outstanding, in-the-money options. The total intrinsic value of options exercised was approximately $10.2 million and $52.0 million for the three months ended March 31, 2015 and 2014, respectively. The weighted-average grant date fair value of options granted was $28.16 and $45.83 per share for the three months ended March 31, 2015 and 2014, respectively.

As of March 31, 2015, total unrecognized compensation costs, adjusted for estimated forfeitures, related to unvested stock options was approximately $47.0 million, which is expected to be recognized over a weighted-average time period of 1.93 years.

RSUs and RSAs

The cost of RSUs and RSAs are determined using the fair value of the Company s common stock on the date of grant. RSUs and RSAs generally vest either over a four-year period with 25% vesting at the end of one year and the remaining vesting quarterly or annually thereafter, or over a four-year period with 10% vesting over the first year, 20% vesting over the second year, 30% vesting over the third year and 40% vesting over the fourth year. A summary of RSU and RSA activity for the three months ended March 31, 2015 is as follows:

	Restricted Stock Units		Restricted Stock Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested January 1, 2015	1,131,849	$ 64.96	30,970	$ 9.48
Granted	650,885	53.81		
Released	(55,629)	56.07	(9,687)	9.16
Canceled	(84,730)	62.99		
Unvested March 31, 2015	1,642,375	$ 60.94	21,283	$ 9.63

As of March 31, 2015, the Company had approximately $75.1 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to RSUs and RSAs, which will be recognized over the remaining weighted-average vesting period of approximately 3.35 years.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of the Company s Class A common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations during designated offering periods. At the end of each offering period that began prior to December 1, 2014, employees are able to purchase shares at 85% of the lower of the fair market value of the Company s Class A common stock on the first trading day of the offering period or on the last day of the offering period. At the end of each offering period that began December 1, 2014 or later, employees are able to purchase shares at 85% of the fair market value of the Company s Class A common stock on the last day of the offering period. There were no shares purchased by employees under the ESPP during the three months ended March 31, 2015 or 2014. The Company recognized $1.4 million and $1.1 million of stock-based compensation related to the ESPP during the three months ended March 31, 2015 and 2014, respectively.

Stock-Based Compensation

The following table summarizes the effects of stock-based compensation related to stock-based awards in the condensed consolidated statements of operations during the periods presented (in thousands):

	Three Months Ended March 31,	
	2015	2014
Cost of revenue	$ 124	$ 150
Sales and marketing	4,937	3,397
Product development	5,105	3,042
General and administrative	3,505	2,867

Total stock-based compensation in loss before income taxes	$	13,671	$	9,456

The Company capitalized stock-based compensation as website development costs of $0.7 million and $0.3 million in the three months ended March 31, 2015 and 2014, respectively.

12. NET LOSS PER SHARE

Basic and diluted net income (loss) per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Immediately prior to the consummation of the IPO in March 2012, all outstanding shares of preferred stock and common stock were converted to Class B common stock. As a result, shares of Class A and Class B common stock are the only outstanding equity in the Company. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 10 votes per share. Shares of Class B common stock may be converted into Class A common stock at any time at the option of the stockholder, and are automatically converted upon sale or transfer to Class A common stock, subject to certain limited exceptions, and in connection with certain other conversion events.

Basic net income (loss) per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed using the weighted-average number of shares of common stock and, if dilutive, potential shares of common stock outstanding during the period. The Company s potential shares of common stock consist of the incremental shares of common stock issuable upon the exercise of stock options and, to a lesser extent, shares issuable upon the vesting of RSUs, RSAs and purchases related to the ESPP. The dilutive effect of these potential shares of common stock is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net income (loss) per share of Class A common stock assumes the conversion of Class B common stock, while the diluted net income (loss) per share of Class B common stock does not assume the conversion of Class B common stock.

The undistributed earnings are allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year have been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B common stock is assumed in the computation of the diluted net income (loss) per share of Class A common stock, the undistributed earnings are equal to net income (loss) for that computation.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended March 31,			
	2015		2014	
	Class A	Class B	Class A	Class B
Net loss attributable to common stockholders	$ (1,115)	$ (169)	$ (2,217)	$ (418)
Basic Shares:				
Weighted-average common shares outstanding	63,976	9,708	59,868	11,303
Diluted Shares:				
Weighted-average shares used to compute diluted net loss per share	63,976	9,708	59,868	11,303
Net loss per share attributable to common stockholders				
Basic:	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.04)
Diluted:	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.04)

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

	Three Months Ended March 31,	
	2015	2014
Stock options	8,921	10,398
Restricted stock units	1,642	547
Restricted stock awards	21	64
Employee stock purchase plan shares	81	89

13. INCOME TAXES

The Company is subject to income tax 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 tax. The Company does not provide for federal income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are to be reinvested indefinitely. The Company recorded an income tax benefit of $2.4 million and $2.0 million for the three months ended March 31, 2015 and 2014, respectively. The tax benefit for the three months ended March 31, 2015 is due to $2.0 million in U.S. federal and state and foreign income tax benefits, and $0.4 million discrete benefits.

The primary difference between the effective tax rate and the federal statutory tax rate relates to the valuation allowances on certain of the Company s net operating losses, foreign tax rate differences, meals and entertainment, tax credits, and non-deductible stock-based compensation expense. As of March 31, 2015, the total amount of gross unrecognized tax benefits was $3.4 million, $0.1 million of which is subject to a full valuation allowance and would not affect the Company s effective tax rate if recognized. Included in the balance of unrecognized tax benefits as of March 31, 2015, is $3.3 million of tax benefits that, if recognized, would affect the effective tax rate. As of March 31, 2015, the Company had an immaterial amount related to the accrual of interest and penalties. During the three months ended March 31, 2015, the Company s gross unrecognized tax benefits increased by $0.2 million, all of which would affect the Company s effective tax rate if recognized.

The Company does not have any tax positions as of March 31, 2015 for which it is reasonably possible that the total amount of gross unrecognized tax benefits will significantly increase or decrease within the next 12 months.

14. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

The Company considers operating segments to be components of the Company in which separate financial information is available that is 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 one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single operating and reporting segment.

Revenue by geography is based on the billing address of the customer. The following tables present the Company s net revenue by product line and long-lived assets by geographic region for the periods presented (in thousands):

Net Revenue

	Three Months Ended March 31,	
	2015	**2014**
Net revenue by product:		
Local advertising	$ 98,570	$ 65,195
Brand advertising	6,627	7,455
Other services	13,311	3,757
Total net revenue	$ 118,508	$ 76,407

During the three months ended March 31, 2015 and 2014, a substantial majority of the Company s revenue was generated in the United States. In addition, no individual customer accounted for 10% or more of consolidated net revenue in either period.

Long-Lived Assets

	March 31, 2015	**December 31, 2014**
United States	$ 68,404	$ 73,344
All Other Countries	5,084	5,900

Total	$ 73,488	$ 79,244

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q (the Quarterly Report).

Forward Looking Information

This Quarterly Report contains forward-looking statements that involve risks and uncertainties, as well as 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. The statements contained in this Quarterly Report that are not purely historical 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 are often identified by the use of words such as, but not limited to, anticipate, believe, can, contir could, estimate, expect, intend, look, may, might, plan, project, seek, should, strategy, target, will, would, an intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management 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. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled Risk Factors included under Part II, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this Quarterly 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.

Company Overview

Yelp connects people with great local businesses by bringing word of mouth online and providing a platform for businesses and consumers to engage and transact. Our platform provides value to consumers and businesses alike by connecting consumers with local businesses at the critical moment when they are deciding where to spend their money. Each day, millions of consumers use our platform to find and interact with local businesses, which in turn use our free and paid services to help them engage with consumers. The Yelp Platform, which allows consumers and businesses to transact directly on Yelp, provides consumers with a continuous experience from discovery to completion of transactions and local businesses with an additional point of consumer engagement.

Our success is primarily the result of significant investment in our communities, employees, content, brand and technology. We believe that continued investment in our business provides our largest opportunity for future growth and plan to continue to invest for long-term growth in our key strategies:

Accelerate Network Effect. We plan to invest in marketing and product development aimed at both attracting more, and increasing the usage of, consumers as we look to leverage our brand and benefit from accelerating network dynamics in Yelp communities. For example, in February 2015, we acquired Eat24Hours.com, Inc., a leading web and app-based food ordering service (Eat24), which we believe will drive daily engagement in the key restaurant vertical. We believe that expanding our content will also attract new consumers as well as increase the number of visits and searches per user, and so will continue to expand our community engagement efforts and explore new ways to enable contributors to share content.

Enhance Monetization. While our core local advertising business in the United States has a significant and growing base of revenue, we have invested, and will continue to invest, in several initiatives to enhance our monetization opportunities. One such initiative has been, and will continue to be, to aggressively grow our sales force in order to reach more businesses. We will also continue expanding the Yelp Platform, business owner tools and other partnerships to encourage businesses to advertise on our platform. For example, in the first quarter of 2015, we added the ability for consumers to book a golf tee time, send flowers, book bottle service and schedule legal consultations.

Our overall strategy is to invest for long-term growth. During the remainder of 2015, we expect to continue to invest heavily in our sales and marketing efforts to grow domestically and internationally, and to continue the integration of Eat24. As of March 31, 2015, we had 3,121 employees, which represents an increase of 45% compared to March 31, 2014.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Reviews

Number of reviews represents the cumulative number of reviews submitted to Yelp since inception, as of the period end, including reviews that are not recommended or that have been removed from our platform. In addition to the text of the review, each review includes a rating of one to five stars. We include reviews that are not recommended and that have been removed because all of them are either currently accessible on our platform or were accessible at some point in time, providing information that may be useful for users to evaluate businesses and individual reviewers. Because our automated recommendation software continually reassesses which reviews to recommend based on new information, the recommended or not recommended status of reviews may change over time. Reviews that are not recommended or that have been removed do not factor into a business s overall star rating. By clicking on a link on a reviewed business s page on our website, users can access the reviews that are not recommended for the business, as well as the star rating and other information about reviews that were removed for violation of our terms of service.

As of March 31, 2015, approximately 72.0 million reviews were available on business profile pages, including approximately 17.1 million reviews that were not recommended, after accounting for 5.3 million reviews that had been removed from our platform, either by us for violation of our terms of service or by the users who contributed them. The following table presents the number of cumulative reviews as of the dates presented:

	As of March 31,	
	2015	**2014**
	(in thousands)	
Reviews	77,346	56,905

Desktop Unique Visitors

We define unique visitors as the average number of monthly unique visitors over a given three-month period. We define monthly unique visitors as the sum of (i) the number of users, as measured by Google Analytics, who have visited our mobile-optimized website at least once in a given month and (ii) the number of users who have visited our non-mobile optimized website (desktop unique visitors) at least once in a given month. Unique visitors do not include users who access our platform solely through our mobile app. Google Analytics, a product from Google Inc. that provides digital marketing intelligence, measures users based on unique cookie identifiers. Because the number of unique visitors is therefore based on unique cookies, an individual who accesses our website from multiple devices, either desktop or through a mobile device, with different cookies may be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single cookie may be counted as a single unique visitor.

Of the approximately 142.5 million unique visitors for the quarter ended March 31, 2015, approximately 79.5 million, or 56%, were desktop unique visitors, compared with approximately 82.2 million, or 62%, desktop unique visitors out of 132.5 million unique visitors for the quarter ended March 31, 2014. We anticipate that use of our mobile platform will be the driver of our growth for the foreseeable future and that usage of our non-mobile optimized website through desktop computers will continue to decline worldwide. Accordingly, going forward, we do not plan to disclose total unique visitors and will instead provide a breakout of desktop unique visitors and mobile unique visitors (as discussed in more detail below) to provide greater visibility into our business and the drivers of our growth. The following table presents our desktop unique visitors for the periods indicated:

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands)	
Desktop Unique Visitors	79,543	82,211

Mobile Unique Visitors

We define mobile unique visitors as the average number of monthly mobile unique visitors over a given three-month period. We define monthly mobile unique visitors to be the sum of (i) the number of users who have visited our mobile-optimized website at least once in a given month and (ii) the number of unique mobile devices using our mobile app in a given month. Under this method of calculation, an individual who accesses both our mobile-optimized website and our mobile app, or accesses either our mobile-optimized website or our mobile app from multiple mobile devices, will be counted as multiple mobile unique visitors. Multiple individuals who access either our mobile-optimized website or mobile app from a shared device will be counted as a single mobile unique visitor. The following table presents our mobile unique visitors for the periods indicated:

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands)	
Mobile Unique Visitors	78,962	61,190

Of the mobile unique visitors for the quarter ended March 31, 2015, approximately 16.0 million were unique mobile devices using our mobile app, compared to 10.9 million in the quarter ended March 31, 2014.

Claimed Local Business Locations

The number of claimed local business locations represents the cumulative number of business locations that have been claimed on Yelp worldwide since 2008, as of a given date. We define a claimed local business location as each business address for which a business representative visits our website and claims the free business listing page for the business located at that address. The following table presents the number of cumulative claimed local business locations as of the dates presented:

	As of March 31,	
	2015	**2014**
	(in thousands)	
Claimed Local Business Locations	2,193	1,623

Local Advertising Accounts

Local advertising accounts comprise all local business accounts from which we recognize revenue in a given three-month period, excluding local business accounts from which we recognize Yelp Deals revenue only. The following table presents the number of local advertising accounts during the periods presented:

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands)	
Local Advertising Accounts	90	63

Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, we have disclosed in this Quarterly Report adjusted EBITDA and non-GAAP net income, which are non-GAAP financial measures. We have provided a reconciliation below of both adjusted EBITDA and non-GAAP net income to net loss, the most directly comparable GAAP financial measure in each case.

We have included adjusted EBITDA and non-GAAP net income because they are key measures used by our management and board of directors to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA and non-GAAP net income can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA and non-GAAP net income provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA and non-GAAP net income 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 non-GAAP net income should not be viewed as a substitute for, or superior to, net loss prepared in accordance with GAAP as a measure 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 and non-GAAP net income do not reflect 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 and non-GAAP net income do not consider the potentially dilutive impact of equity-based compensation;

adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and

other companies, including companies in our industry, may calculate adjusted EBITDA and non-GAAP net income differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider adjusted EBITDA and non-GAAP net income alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results. The tables below present reconciliations of adjusted EBITDA and non-GAAP net income to net loss for each of the periods indicated:

Adjusted EBITDA

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands)	
Reconciliation of Adjusted EBITDA to GAAP Net Loss:		
Net loss	$ (1,284)	$ (2,635)
Benefit from income taxes	(2,403)	(1,971)
Other (income) expense, net	(562)	2
Depreciation and amortization	6,895	3,661
Stock-based compensation	13,671	9,456
Adjusted EBITDA	$ 16,317	$ 8,513

Non-GAAP Net Income

	Three Months Ended March 31, 2015	2014
	(in thousands)	
Reconciliation of Non-GAAP Net Income to GAAP Net Loss:		
Net loss	$ (1,284)	$ (2,635)
Stock-based compensation	13,671	9,456
Amortization of intangible assets	1,231	626
Tax effect of stock-based compensation and amortization of intangibles	(5,716)	(3,860)
Valuation allowance release (net of tax)		1,958
Non-GAAP net income	$ 7,902	$ 5,545

Results of Operations

The following table sets forth our results of operations for the periods presented as a percentage of net revenue for those periods (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of the results of operations to be anticipated for the full year 2015 or any future period.

	Three Months Ended March 31, 2015	2014
	(as percentage of net revenue)	
Consolidated Statements of Operations Data:		
Net revenue by product:		
Local advertising	83%	85%
Brand advertising	6	10
Other services	11	5
Total net revenue	100%	100%
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	7%	7%
Sales and marketing	53	59
Product development	20	18
General and administrative	17	17
Depreciation and amortization		