SQN INVESTORS

March 7, 2019

The Board of Directors
Yelp Inc.
140 New Montgomery Street
San Francisco, California 94105
Attn: Chairperson Diane M. Irvine

Dear Members of the Board,

We are pleased that the announcements Yelp Inc. ("Yelp" or the "Company") made on its earnings call on February 13, 2019, along with the other materials released on that date, appear to indicate that the Company is in the process of implementing many of the recommendations that we made to you in our presentation published publicly on January 16, 2019 (www.SQNLetters.com).

Specifically, we note the following Company actions taken in response to each of the recommendations we previously made:

- *Refresh the Board*: Following our repeated calls to refresh the Board, the Board has added three new independent directors: Ms. Sharon Rothstein, Mr. George Hu, and Mr. Brian Sharples. Each of these individuals appear to have the strong operating experience that Yelp needs on its Board at this stage in its growth. However, it is important that they not get trapped in the same cycle of dysfunction that has historically encumbered the Board. To that end, we encourage the Board to name as Chairperson one of the newly appointed directors so that the fresh perspectives of these new Board members are not blunted by the same inertia that has historically resulted in abysmal performance.

- *Manage Transition to Transactions Marketplace:* As suggested in our January 2019 presentation, we note the Company's Q4 2018 Shareholder Letter highlights a renewed focus on generating transaction revenue from the Restaurants and Home & Local segments. While food order growth of 27% compared to Q4 2017 and Request a Quote volume growth of 41% compared to Q4 2017 are encouraging metrics, they are off a low revenue base. We hope that the renewed focus on generating transactions from these markets also results in the acceleration of transaction revenue growth that will be required to make them material contributors to Yelp's revenue. Otherwise, we fear Yelp will continue to lose market share and relevance.

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- *Monetize Through Partners*: We continue to believe that "Effective Partnerships," such as the ones noted in your February 2019 Yelp Investor Presentation, apparently in response to our recommendation, are critical for the Company's future success. While Yelp has announced several partnerships over the years, few are meaningful. We believe that without deep partnerships that generate material incremental revenue from transactions, Yelp will not be able to monetize its traffic to its full potential. We hope that the refreshed Board will take a new look at the potential partnership with ANGI Homeservices that we outlined in our presentation. It is partnerships of such nature that we believe are needed for Yelp to realize the value of its traffic.

- *Improve Sales Efficiency:* Yelp is embracing our recommendation to improve sales productivity and shift emphasis to its most efficient sales channels. In our presentation, we illustrated how Yelp's sales productivity is significantly behind peer benchmarks and how Yelp should invest in its fastest growing verticals: Home & Local and National Accounts. It was therefore great to see that "capturing the opportunity in National" was listed as one of your five initiatives to accelerate growth in addition to Yelp's focus on key verticals such as Home & Local.

- *Align Spend with Growth Potential*: The reduction in marketing spend by $15M is a small first step that acknowledges our recommendation to enhance profitability. To achieve Yelp's commitment of achieving at least 30% EBITDA margins by 2023, more of such initiatives will be required.

- *Move Headcount to Lower Cost Cities*: The move to relocate sales out of San Francisco and the associated annual savings of $10 million is a positive step toward lowering the Company's overall costs. If Yelp implements this approach across all functions, as we recommended, we estimate the Company can save $58 million annually exiting 2020. We look forward to hearing about more savings from such moves.

- *Buyback $500 Million of Stock*: Yelp has now announced a total of $500 million of buybacks since we first initiated our dialogue with the Board and $250 million of buybacks since we made our recommendations public. We hope that by 2020, as outlined in our presentation, Yelp will achieve our recommended target of $500M of incremental buybacks, or $750 million including the $250 million buyback announced in November 2018.

- *Eliminate Key Product Gaps*: As we recommended, several key product-related announcements were mentioned in Yelp's Q4 2018 Letter to Shareholders. We hope to see these announcements translate into product releases over the course of 2019, particularly as its new Chief Product Officer, Vivek Patel, announced on February 19, 2019, settles into his new role.

Additionally, consistent with our recommendations, Yelp committed to achieving a mid-teens revenue CAGR (compound annual growth rate) from 2019 to 2023 and achieving 30% to 35% EBITDA margins by 2023. While this is consistent with our growth and profitability targets, in contrast to what we did in our presentation, Yelp revealed few details on how it plans to achieve these targets. Particularly in light of Yelp's weak 2019 guidance, the new Board will need to hold Management accountable to a level of execution that has previously eluded the Company. Specifically:

- *Achieving a mid-teens revenue CAGR from 2019 to 2023*: This implies adding roughly $1 billion in revenue or essentially doubling the size of Yelp by 2023. For Q1 2019, Yelp only guided to 4% to 6% growth, down from the 12% growth delivered in Q4 2018 and 18% for 2018. Yelp guided to accelerating revenue growth as 2019 progresses with the hopes of achieving 8% to 10% revenue growth for the year, down from the previous guidance of "double-digit growth" for 2019 mentioned on the Q3 2018 earnings call. Yelp's updated guidance implies further reacceleration in 2020-2023 to achieve the stated mid-teens revenue CAGR for this period. We hope the refreshed Board will engage in depth with Management to evaluate the specific initiatives that will ensure the delivery of these committed targets. We look forward to Yelp making more of the details public under the stewardship of the new Board.

- *Increasing EBITDA margin from 19% in 2018 to at least 30% in 2023*: Should Yelp's stated growth targets materialize, and Yelp maintain its commitment to the various cost reduction initiatives announced, this target should be achievable. However, should growth fail to quickly and meaningfully reaccelerate as Management has guided, much greater cost reductions will be required to meet the stated EBITDA targets.

We believe that a Board that holds Management accountable should be able to deliver on these targets given the potential of the business. To that end, we hope that the new Board will pay particular attention to our remaining recommendations that first necessitated refreshing the Board:

- *Evaluate Talent:* The Board should evaluate the Executive Leadership and their direct reports on their demonstrated successes in their time at Yelp and whether they have the skills required to deliver on Yelp's stated five-year goals. We anticipate they will find several skill gaps and areas in need of leadership change. We do not believe that internal promotions of the kind Yelp has relied on in the past will be sufficient to address the talent deficiencies at Yelp. External hires with new skills and a mindset to challenge the status quo will be essential to delivering on Yelp's stated goals.

- *Align Compensation to Performance:* Management compensation must break from handouts of stock – that executives often turn around and sell – and be based to a higher degree on metrics that are aligned with delivering successful outcomes by functional area. We look forward to future announcements that suggest Yelp is changing its approach to compensation in a meaningful way.

As longstanding shareholders of Yelp, we sincerely hope that Yelp's recent announcements represent a true commitment to change as opposed to merely defensive maneuvers and hollow promises designed to deflect shareholder pressure. We are not typically activist investors, but in this situation, we believe our public actions have yielded positive results. Considering the numerous changes made or announced by the Company, and the stated financial targets for 2019 and 2023, we are prepared to support the newly refreshed Board and refrain from nominating director candidates for election at the 2019 Annual Meeting.

Critically, we believe that the new Board of Yelp will need to be objective in asking the crucial question of whether the Company can actually deliver on its publicly announced targets and remain a viable standalone public company. Much work remains to achieve what Yelp has announced and the new Board may conclude that Yelp shareholders would be better served if the Company were sold. Given the strong operating backgrounds of the three new Board members, we are hopeful they can be impactful in arriving at the right conclusion.

In our view, Yelp's CEO, Jeremy Stoppelman, now has one more opportunity to reinvigorate performance under the stewardship of the new Board. We hope that this opportunity will not be squandered, and that he will be open-minded about future management changes.

Time is of the essence. Further failed execution or missed opportunities could result in Yelp becoming a permanently impaired asset in the fast-moving internet ecosystem.

We remain committed to maximizing long-term shareholder value at Yelp and wish the refreshed Board the best of luck. Please feel free to reach out at any time if we can answer any questions.

Sincerely,

Amish Mehta
Founder
SQN Investors LP