SQN
INVESTORS

December 10, 2018

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

Dear Diane, Jeremy, and Members of the Board:

SQN Investors LP ("SQN", or "we") is currently one of the Company's top five stockholders, beneficially owning more than 4% of the outstanding common stock of Yelp, Inc. ("Yelp" or the "Company"). We first invested in Yelp in August 2015 and have been consistent buyers of the stock, despite the Company's prolonged underperformance. Yelp is now one of our largest investments.

We believe that the size and duration of our investment demonstrate the level of conviction we have in both Yelp's leading position in local search and the potential value-creation opportunities that lie ahead for the Company, if managed correctly. Now in our fourth year as investors, we feel we have given the Board and Management ample time to create value for stockholders. Our patience has now worn out.

We are deeply concerned by the Board's lack of urgency in addressing many of the issues facing Yelp. In our view, the Board has failed to hold itself and Management accountable for the Company's strategic and operational missteps, repeated missed earnings, lost opportunities, and poor corporate governance.

The lack of a meaningful response from the Board, despite our considerable effort to engage with the Board and Management to address these issues, has caused us to speak publicly now before more time is wasted and further opportunities squandered.

About SQN

SQN was launched in 2014 and currently manages over $1 billion of capital on behalf of institutions and individual investors.

We are value investors focused exclusively on the technology sector. We invest in misunderstood businesses that have the potential to meaningfully appreciate over time. SQN employs a private equity-like approach to public equity investing. We are long-term, concentrated investors and are typically one of the largest stockholders of the companies in which we invest in. The top five investments in our portfolio generally make up 50% of our assets and our investment horizon spans multiple years, resulting in just a few new investments entering our portfolio each year. Our investment process is characterized by rigorous, bottom-up research, which includes extensive consultations with industry executives, operators, customers and competitors.

We seek to partner with and support the management teams of our investments and compound our capital over time. When appropriate, our investment team leverages its operating and private equity experience to engage with management. Over the last five years, we have worked with management to: reevaluate strategic priorities; improve operations through incentive alignment and cost reduction; propose and evaluate business development and new market opportunities; propose and evaluate potential acquisitions and divestitures; align use of capital with stockholders; and improve investor communication. As a result of our efforts, usually at the request of and in partnership with boards and management teams, we have succeeded in multiplying the value of many of our investments.

We are not typically activist investors. However, if we fail to align with the Board and Management on a constructive path forward after their repeated history of value destruction, we are open to taking our proposals directly to stockholders to seek their support.

The Yelp Opportunity

Yelp is the leading local business review site in the United States, attracting 75 million unique visitors every month to its mobile platform. As of September 30, 2018, Yelp had 4.8 million claimed business listings and 171 million cumulative reviews on its platform. In addition to helping users discover local businesses, Yelp allows users to directly engage with businesses through online appointment bookings, reservations, food ordering and service quote requests. We believe Yelp has a unique and highly strategic asset in its vast, irreplicable network of peer reviews. We also believe that Yelp has significant runway to grow, given the nascent state of local online advertising and the multiple levers that Yelp has at its disposal to accelerate growth, most notably through its Home and Local Services segment and with its National Accounts customers. In our view, Yelp has an attractive financial profile with a high recurring revenue base, and a financial model that generates greater than 90% gross margins, resulting in high operating leverage. At 9.3x Consensus 2019 EBITDA (as per Bloomberg as of 12/07/18), we think Yelp is attractively valued relative to its growth and its value creation potential.

We commend Yelp's Founder and CEO, Jeremy Stoppelman, for having translated his vision into a public company that plays an important role in connecting consumers to local businesses. With the collapse of Yelp's dual class share structure in September 2016, the Company has made the full transition from being a founder-controlled company to a stockholder-governed company.

Unfortunately, the Board is not working effectively to oversee management and the strategic direction of the Company as evidenced by Yelp's long history of underperformance.

Yelp's Underperformance

Despite Yelp's vision and compelling business qualities, its stock price tells a very different story – one of repeated strategic errors, operational missteps, and stockholder disappointments. Over a five-year period, Yelp's stock has delivered a -45% return to investors. This represents an underperformance to the S&P 500 by -107%, the Nasdaq by -127%, the Russell 2000 Technology Index by -117%, and its own proxy peer group by -74%. Yelp's stock performance over a three-year and one-year period paints a similar picture, as summarized in the below table.

Yelp's Total Stock Return Performance

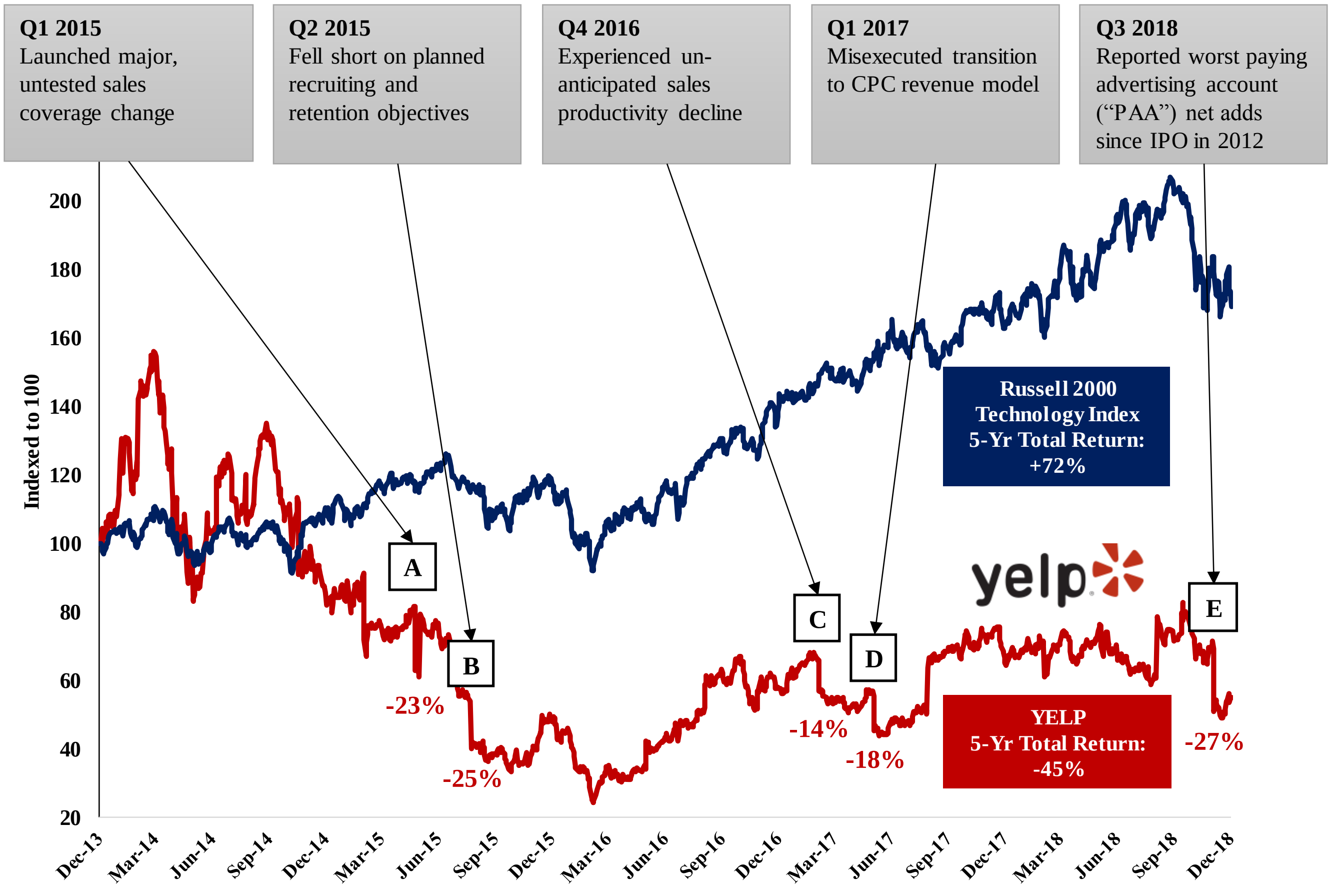
	Period Ending 12/07/18		
	1-Year	**3-Year**	**5-Year**
Yelp	-15%	15%	-45%
Benchmark Performance			
S&P 500	2%	35%	62%
Nasdaq	3%	42%	82%
Russell 2000 Technology Index	3%	46%	72%
Yelp's Proxy Peer Group*	29%	74%	29%
Yelp Returns Relative to Benchmarks			
S&P 500	-17%	-20%	-107%
Nasdaq	-19%	-27%	-127%
Russell 2000 Technology Index	-19%	-31%	-117%
Yelp's Proxy Peer Group*	-44%	-59%	-74%

Source: Bloomberg; Yelp 2018 Proxy Statement.

* Proxy Peer Group includes BOX, CSOD, CSGP, ETSY, FEYE, GRPN, GRUB, NEWR, P, PFPT, RP, SSTK, SPLK, SNCR, DATA, ULTI, ZEN, and Z. WEB and WEBMD were excluded due to M&A.

Yelp's poor execution is especially evident in the frequency and magnitude of its earnings disappointments. Since Q1 2014, Yelp has failed to meet investor expectations in 12 out of the last 19 quarters (~63%). The one-day stock return of these "missed" quarters has averaged -16%. During this time, any positive actions taken by Management have been overwhelmed by a consistent pattern of operational blunders, poor forecasting and sharp guidance revisions. We have summarized some of these misses over the last five years in the chart below.

Yelp's 5-Year Stock Performance and Representative Missteps



Event / Stock Reaction	Yelp's Missteps
A: Q1 2015 | -23%	• Rolled out major change to its sales coverage model (which removed geography from consideration), apparently without thoroughly testing before launch • ***Result: Sales productivity declined, resulting in a miss on revenues***
B: Q2 2015 | -25%	• Fell short on its planned recruiting and retention objectives • ***Result: Lowered revenue guidance due to lower than expected sales headcount***
C: Q4 2016 | -14%	• Experienced lower than expected sales productivity during the quarter • ***Result: Reported a sudden slowdown in PAA additions and revenue deceleration***
D: Q1 2017 | -18%	• Misexecuted on its transition to a Cost Per Click revenue model from a Cost Per Impression model • ***Result: Experienced elevated account churn, which led to lowered revenue guidance***
E: Q3 2018 | -27%	• Misexecuted on the Company's transition to non-term contracts, despite years of testing • ***Result: Added zero net PAAs in the quarter. Expects no sequential growth in Q4 2018.***

Source: Bloomberg; Company filings. As of 12/07/18.

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Yelp's Missed Opportunities

In addition to Yelp's near-term disappointments, we believe Yelp has failed to capitalize on significant long-term opportunities in its end-markets.

Yelp's slow pace of innovation has allowed Google and Facebook to narrow the gap between themselves and the Company. Google and Facebook have accumulated a significant number of peer reviews for local businesses and have quickly innovated on their own local discovery-focused applications. Private companies such as Uber and AirBnB have also launched businesses within food delivery and local discovery that have surpassed Yelp's initiatives in these areas.

As highlighted in the table below, the market capitalizations of publicly-traded, best-of-breed companies in some of Yelp's key markets total $26.1 billion, more than 9 times greater than Yelp's own market capitalization of $2.9 billion. If we included private companies in this calculation, whose valuations are of course harder to ascertain, it would make this already troublesome result even more alarming. We think this large difference in valuation highlights the opportunities that Yelp has failed to monetize.

Market Opportunity	Best-of-Breed Player	Market Capitalization
Peer Reviews	TripAdvisor	$8.5B
Food Delivery	GrubHub	$7.0B
Home & Local	Angie's List/HomeAdvisor	$8.1B
Reservations	OpenTable (acquired by Booking.com)	$2.6B
		Total: $26.1B
		Yelp: $2.9B

Source: Bloomberg. As of 12/07/2018

Yelp's Poor Corporate Governance

Despite multiple missed quarters and significant stock re-ratings, Yelp's Board has failed to hold itself or Management accountable for these continued strategic and operational missteps. In our view, this failure has caused a deterioration in Yelp's competitive position and loss in stockholder confidence. Yet, Yelp's compensation of the Board and Management does not reflect this grim reality.

Yelp's Board is not functioning effectively and is stale. The average tenure of the Board is over nine years, with only one new member joining the Board since May 2012. Yelp also has a remarkably stockholder-unfriendly corporate profile: the Board is classified, with directors up for reelection every three years instead of annually; directors can only be removed for cause; the Board can only fill director vacancies; stockholders have limited ability to act outside of the annual meeting process, as stockholders cannot act by written consent or call special meetings; and any stockholder vote to amend these provisions in Yelp's charter requires a supermajority vote of two-thirds of the outstanding stock.

Proxy advisory firm Institutional Shareholder Services, Inc. ("ISS"), gives Yelp a Shareholder Rights score of 8 and a Compensation score of 9. A score of 10 indicates higher governance risk, while a 1 indicates lower risk, with each point representing a decile rank relative to a peer group defined by ISS that is composed of US Media & Entertainment companies in the Russell 3000 Index. As such, Yelp's Shareholder Rights score of 8 places it in the worst 20% of its peers for shareholder-friendliness, and its Compensation score of 9 places it in the worst 10% of its peers for compensation philosophy and incentive alignment with stockholders.

SQN's Recommendation: Refresh the Board

We firmly believe that Yelp's Board needs to be refreshed with new, independent and objective perspectives, including the addition of a stockholder representative on the Board. Management also needs to make itself meaningfully more available to investors. Despite being large, long-term stockholders of Yelp, our requests to meet Yelp's CEO, Jeremy Stoppelman, to discuss our concerns and better understand Management's plan for Yelp's future were consistently denied or ignored for years. Mr. Stoppelman finally agreed to meet with us but after imposing arbitrary limitations.

It is our strong view that the critical and pressing nature of the issues facing Yelp today warrant engagement beyond ordinary-course investor meetings. If the Company truly believes in listening to its stockholders, we think they should act accordingly and meet with us in good faith without imposing unreasonable conditions.

We are confident that greater engagement with stockholders will drive value at Yelp. We note that following our engagement with certain members of the Board in early November, in which we outlined our concerns and ideas, including how Yelp should increase its capital return to stockholders, the Board was quick to announce a $250 million share repurchase program. Without increasing pressure by stockholders, this Board does not appear willing to act with speed or take the necessary steps to address the issues facing the Company.

We think a refreshed Board will:

1) Objectively evaluate all aspects of Yelp's strategy and hold management accountable for its execution;

2) Improve business metric disclosures to help stockholders better understand Yelp's business fundamentals;

3) Better align the use of Yelp's significant cash balance with stockholders;

4) Develop and implement a compensation plan for the Board and Management that pays for performance and is aligned with creating stockholder value; and

5) Be objective in determining if, and when, Yelp should consider a sale of the Company.

As a significant stockholder in Yelp, we have a strong vested interest in seeing the Company enhance long-term stockholder value.

We are committed to working with the Board and Management to achieve these goals in the ensuing weeks.

However, if these discussions do not result in meaningful change, we must reserve all our rights as stockholders to protect our investment.

Sincerely,

Amish Mehta
Founder
SQN Investors LP