



Yellow Pages Limited Reports Solid Financial and Operating Results in Fourth Quarter and Full Year 2020 and Declares a Cash Dividend(1)

Montreal (Quebec), — Yellow Pages Limited (TSX: Y) (the “Company”), a leading Canadian digital media and marketing company, released its operating and financial results today for the quarter and year ended December 31, 2020.

“We finished the year with another good quarter, generating strong cash while continuing to lay the groundwork for the future,” said David A. Eckert, President and CEO of Yellow Pages Limited.

Eckert commented on the key developments for the quarter:

- **Solid quarterly earnings.** “Our Adjusted EBITDA² for the quarter was a healthy 36% of revenue, contributing to a full-year EBITDA margin² of 39%, despite the COVID-19 crisis and our investments in revenue initiatives.”
- **Cash continued to build.** “As of the end of January, our cash on hand was approximately \$164 million.”
- **Common stock NCIB effective.** “Under our NCIB program, at the end of the year the Company had purchased 273,190 common shares for cash of \$3.3 million.”
- **Quarterly cash dividend¹ declared.** “Our Board has declared a cash dividend of \$0.11 per common share, to be paid on March 15, 2021 to shareholders of record as of February 26, 2021.”
- **Debt-free by June 1.** “We reconfirm our intention to pay off our Exchangeable Debentures, at par, which are our only remaining debt, excluding lease obligations, on or around May 31, 2021. Our cash on hand at the end of January already significantly exceeds the \$107 million principal amount of that debt.”
- **Modest effect of COVID-19.** “We have managed such that the effect of the ongoing COVID-19 crisis on our financial results is only a handful of percentage points. Bookings trends indicate a stabilization, suggesting a more stable revenue curve over the next couple of quarters, as the sales levels already booked become reported revenue.”
- **Progress on revenue initiatives.** “To prepare for the future, we have doubled our tele-sales capacity to significantly ramp up our acquisition of new accounts and we are executing on our programs to add to our strong product portfolio.”

Financial Highlights

(In thousands of Canadian dollars, except percentage information and per share information)

Yellow Pages Limited	For the three-month periods ended December 31,		For the year ended December 31,	
	2020	2019	2020	2019
YP Revenues	\$76,669	\$93,507	\$333,538	\$401,939
Other revenues and Intersegment Eliminations	—	—	—	1,274
Total revenues	\$76,669	\$93,507	\$333,538	\$403,213
Adjusted EBITDA ²	\$27,639	\$34,756	\$129,442	\$161,345
Adjusted EBITDA margin ²	36.0%	37.2%	38.8%	40.0%
Earnings before income taxes	\$19,155	\$12,989	\$78,712	\$69,770
Net earnings	\$16,815	\$53,597	\$60,298	\$94,669
Basic earnings per share	\$0.63	\$2.02	2.27	3.57
Diluted earnings per share	\$0.58	\$1.70	2.10	3.16
CAPEX ²	\$1,474	\$1,981	\$5,573	\$9,738
Adjusted EBITDA less CAPEX ²	\$26,165	\$32,775	\$123,869	\$151,607
Adjusted EBITDA less CAPEX margin ²	34.1%	35.1%	37.1%	37.6%
Cash flows from operating activities	\$35,438	\$32,025	\$126,998	\$144,759

(1) The dividend will be designated as an eligible dividend pursuant to subsection 89(14) of the Income Tax Act (Canada) and any applicable provincial legislation pertaining to eligible dividends.

(2) Adjusted EBITDA is equal to Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA), as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA, Adjusted EBITDA margin, CAPEX, Adjusted EBITDA less CAPEX, Adjusted EBITDA less CAPEX margin and Net debt excluding lease obligations are non-IFRS financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other public companies. Refer to the section on Non-IFRS financial measures on page 5 of this document for more details.

Fourth Quarter of 2020 Results

- Adjusted EBITDA less CAPEX¹ totalled \$26.2 million and the EBITDA less CAPEX margin¹ was 34.1%.
- Net earnings decreased by \$36.8 million to \$16.8 million, or \$0.58 per diluted share.
- Cash position at the end of the period was \$153.5 million and approximately \$163.7 million as at January 31, 2021.

Segmented Information

The Company's operations are categorized into two reportable segments: YP and other.

- The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising. This segment also includes the 411.ca digital directory service helping users find and connect with people and local businesses which was integrated with the Company's wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, as at September 30, 2019.

- The Other segment includes YP Dine digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities until its sale on April 30, 2019. This segment also includes Mediative until its liquidation on January 31, 2019. Mediative's offers included dedicated marketing and performance media services to national clients Canada-wide. Subsequent to the second quarter of 2019, there are no longer any operations being reported in this segment.

An overview of each segment and the performance of each segment for the three-month periods and years ended December 31, 2020 and 2019 can be found in the February 10, 2021 Management's Discussion and Analysis.

Financial Results for the Fourth Quarter of 2020

Total revenues for the fourth quarter ended December 31, 2020 decreased by 18.0% year-over-year and amounted to \$76.7 million as compared to \$93.5 million for the same period last year. The decrease for the quarter ended December 31, 2020 is due to the decline of our higher margin YP digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins. Revenues for the fourth quarter of 2020 were also impacted by the COVID-19 pandemic which impacted customer spend and to a lesser extent customer renewal rates.

Adjusted EBITDA¹ decreased to \$27.6 million or 36.0% of revenues in the fourth quarter ended December 31, 2020, relative to \$34.8 million or 37.2% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin¹ in the three-month period ended December 31, 2020 is the result of the revenue pressures partially offset by efficiencies in sales and operations from optimization and reductions in other operating costs including reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the segment. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will create some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX decreased by \$6.6 million to \$26.2 million during the fourth quarter of 2020, compared to \$32.8 million during the same period last year.

Net earnings for the three-month ended December 31, 2020 amounted to \$16.8 million as compared to net earnings of \$53.6 million for the same period last year due to higher recognition of previously unrecognized tax attributes and temporary differences in 2019. Earnings before taxes increased from \$13.0 million in the fourth quarter of 2019 to \$19.2 million for the three-month period ended December 31, 2020 as lower Adjusted EBITDA was more than offset by lower restructuring and other charges, financial charges and depreciation and amortization expenses.

1) Adjusted EBITDA is equal to Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA), as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA, Adjusted EBITDA margin, CAPEX, Adjusted EBITDA less CAPEX, Adjusted EBITDA less CAPEX margin and Net debt excluding lease obligations are non-IFRS financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other public companies. Refer to the section on Non-IFRS financial measures on page 5 of this document for more details.

Cash flows from operating activities increased by \$3.4 million to \$35.4 million for the three-month period ended December 31, 2020 from \$32.0 million for the same period last year, mainly due to lower Adjusted EBITDA¹ of \$7.1 more than offset by an increase of \$4.0 million from the change in operating assets and liabilities, lower interest paid of \$4.8 million and lower payments of restructuring and other charges of \$1.6 million.

Financial Results for the Year Ended December 31, 2020

Revenues for the YP segment for the year ended December 31, 2020 decreased by \$68.4 million or 17.0% year-over-year and amounted to \$333.5 million compared to \$401.9 million for the same period last year. The decrease for the year ended December 31, 2020 is due to the decline of our higher margin YP digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins. Revenues for 2020 were also impacted by the COVID-19 pandemic which impacted customer spend and to a lesser extent customer renewal rates.

Adjusted EBITDA for the YP segment for the year ended December 31, 2020 totalled \$129.4 million or 38.8% of revenues compared to \$161.0 million or 40.1% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin¹ for the year ended December 31, 2020 is the result of the overall revenue pressures in the segment partially offset by efficiencies in sales and operations from continued optimization and reductions in other operating costs including reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the segment. In addition, the first quarter of 2019 was favorably impacted by an adjustment to the variable compensation expense due to employee attrition and previous year performances. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will create some pressure on margin in upcoming quarters.

Total revenues for the year ended December 31, 2020 decreased by 17.3% year-over-year and amounted to \$333.5 million as compared to \$403.2 million for the same period last year.

Adjusted EBITDA decreased by 19.8% to \$129.4 million or 38.8% of revenues for the year ended December 31, 2020, relative to \$161.3 million or 40.0% of revenues for the same period last year. The year-over-year results for the year ended December 31, 2020 were attributable to the YP Segment.

Adjusted EBITDA less CAPEX¹ decreased by \$27.7 million to \$123.9 million for the year ended December 31, 2020, compared to \$151.6 million during the same period last year.

Net earnings for the year ended December 31, 2020 amounted to \$60.3 million as compared to net earnings of \$94.7 million for the same period last year due to higher recognition of previously unrecognized tax attributes and temporary differences in 2019. Earnings before taxes increased from \$69.8 million in 2019 to \$78.7 million for the year-ended December 31, 2020 as lower Adjusted EBITDA was more than offset by lower restructuring and other charges, financial charges and depreciation and amortization expenses.

Cash flows from operating activities decreased by \$17.8 million to \$127.0 million for the year ended December 31, 2020 from \$144.8 million for the same period last year. The decrease is mainly due to lower Adjusted EBITDA of \$31.9 million and a reduction of \$9.9 million from the change in operating assets and liabilities offset by the lower interest paid of \$16.1 million and lower payments for restructuring and other charges of \$8.0 million.

As at December 31, 2020, the Company had \$154.0 million of total debt, compared to \$156.4 million as at December 31, 2019. As at December 31, 2020, the Company had (\$52.4) million net debt excluding lease obligations¹, compared to \$54.1 million net debt excluding lease obligations as at December 31, 2019.

1) Adjusted EBITDA is equal to Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA), as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA, Adjusted EBITDA margin, CAPEX, Adjusted EBITDA less CAPEX, Adjusted EBITDA less CAPEX margin and Net debt excluding lease obligations are non-IFRS financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other public companies. Refer to the section on Non-IFRS financial measures on page 5 of this document for more details.

Conference Call & Webcast

Yellow Pages Limited will hold an analyst and media call and simultaneous webcast at 8:30 a.m. (Eastern Time) on February 11, 2021 to discuss fourth quarter 2020 results. The call may be accessed by dialing 416-695-6725 within the Toronto area, or 1-866-696-5910 outside of Toronto, Passcode # 8577790. Please be prepared to join the conference at least 5 minutes prior to the conference start time.

The call will be simultaneously webcast on the Company's website at:

<https://corporate.yp.ca/en/investors/financial-reports>.

The conference call will be archived in the Investors section of the site at:

<https://corporate.yp.ca/en/investors/financial-events-presentations>.

About Yellow Pages Limited

Yellow Pages Limited (TSX: Y) is a Canadian digital media and marketing company that creates opportunities for buyers and sellers to interact and transact in the local economy. Yellow Pages holds some of Canada's leading local online properties including YP.ca, Canada411 and 411.ca. The Company also holds the YP, Canada411 and 411 mobile applications and Yellow Pages print directories. For more information visit www.corporate.yp.ca.

Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements about the objectives, strategies, financial conditions, including potential full repayment of the Company's remaining exchangeable debentures on or shortly after May 31, 2021, at par; to its common shareholders, a cash dividend payment of \$0.11 per share per quarter; and results of operations and businesses of the Company. These statements are forward-looking as they are based on our current expectations, as at February 10, 2021, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in section 5 of our February 10, 2021 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available, as a result of future events or for any other reason.

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Non-IFRS Financial Measures**Adjusted EBITDA and Adjusted EBITDA margin**

In order to provide a better understanding of the results, the Company uses the terms Adjusted EBITDA and Adjusted EBITDA margin. Adjusted EBITDA is equal to Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA), as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. Adjusted EBITDA and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning under IFRS and are therefore not likely to be comparable to similar measures used by other publicly traded companies. Adjusted EBITDA and Adjusted EBITDA margin should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 26 of our February 10, 2021 MD&A. Management uses Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of its business as it reflects its ongoing profitability. Management believes that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and to meet other payment obligations or as common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business.

Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin

The Company also uses Adjusted EBITDA less CAPEX, which is defined as Adjusted EBITDA, as defined above, less CAPEX which we define as additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows. Adjusted EBITDA less CAPEX margin is defined as the percentage of Adjusted EBITDA less CAPEX to revenues. Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin are non-IFRS financial measures and do not have any standardized meaning under IFRS. Therefore, are unlikely to be comparable to similar measures presented by other publicly traded companies. We use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of businesses in our industry.

The most comparable IFRS financial measure to Adjusted EBITDA less Capex is Income from operations before depreciation and amortization and restructuring and other charges (defined above as Adjusted EBITDA) as shown in Yellow Pages Limited's consolidated statements of income. Refer to page 5 and page 10 of the February 10, 2021 MD&A for a reconciliation of CAPEX and Adjusted EBITDA less CAPEX, respectively.

Net debt excluding lease obligations

Net debt excluding lease obligations is a non-IFRS financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other publicly traded companies. Net debt excluding lease obligations is comprised of Exchangeable debentures less Cash as presented in our consolidated statements of financial position. We use net debt as indicator of the Company's ability to cover financial obligations and reduce debt and associated interest charge as it represents the amount of debt excluding lease obligations that is not covered by available cash. We believe that certain investors and analysts use net debt to determine a company's financial leverage.

The most comparable IFRS financial measure is total debt, as presented in the capital disclosures note on page 48 of our consolidated financial statements for the years ended 2020 and 2019. The table below provides a reconciliation of total debt to net debt excluding lease obligations.

Net debt excluding lease obligations (In thousands of Canadian dollars)		
As at	December 31, 2020	December 31, 2019
Exchangeable debentures	\$ 101,115	\$ 98,537
Lease obligations	52,874	57,885
Total debt	\$ 153,989	\$ 156,422
Lease obligations	(52,874)	(57,885)
Cash	(153,492)	(44,408)
Net debt excluding lease obligations	\$ (52,377)	\$ 54,129