YellowPages

Yellow Pages Limited Reports Second Quarter 2021 Financial and Operating Results, Declares a Cash Dividend and Confirms a New Normal Course Issuer Bid (NCIB)

Montreal (Quebec), August 5, 2021 — 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 six months ended June 30, 2021.

"We are very pleased with our second quarter results, which reflect our continuing progress," said David A. Eckert, President and CEO of Yellow Pages Limited.

Eckert commented on the key developments:

- **Continued rebound of the "revenue curve."** "For the third consecutive quarter since COVID-19 hit, we report a favorable 'bending of the revenue curve' in Q2, with a better rate of change in revenue than reported for the previous quarter."
- **Promising trends in bookings.** "The trends in our bookings continue to be quite strong, suggesting further improvement in our revenue curve in coming quarters, as the sales levels already booked become reported revenue."
- **Progress on revenue initiatives.** "We continue to make progress on executing on our programs to expand our tele-sales force and to add to our strong product portfolio."
- **Good quarterly earnings.** "Our Adjusted EBITDA for the quarter was a healthy 32.8% of revenue, despite the COVID-19 crisis, our investments in revenue initiatives, and a 4.5 percentage point charge related to stock-based compensation, caused by the trading price of our shares continuing to increase during Q2."
- **Debt-free.** "On May 31, 2021, we paid off the principal amount of our Exchangeable Debentures of $107.0 million, at par, plus any related interest owing, which were our only remaining debt, excluding lease obligations."
- **Still healthy cash balance.** "Despite having repaid our debt, due to our continued strong cash generation our cash on hand was approximately $95.0 million as of the end of July."
- **Quarterly dividend[2] declared.** "Our Board has declared a dividend of $0.15 per common share, to be paid on September 15, 2021 to shareholders of record as of August 25, 2021."
- **Pension plan being funded.** "Consistent with last quarter's announcement, we have begun making voluntary incremental payments toward the Plan's wind-up deficit, per our deficit-reduction plan."

- **New common stock NCIB to be launched.** "As approved by our Board, the Company will enter into a new normal course issuer bid ("NCIB"), commencing August 10, 2021, to purchase up to 5% of the Company's outstanding shares for cancellation during a twelve-month period. The Company intends to limit aggregate purchases under the new NCIB to $16.0 million."

(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 interim condensed consolidated statements of income. Adjusted EBITDA, Adjusted EBITDA margin, CAPEX, 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, 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.

(2) 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.

Financial Highlights

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

Yellow Pages Limited	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2021	2020	**2021**	2020
Revenues	**$74,588**	$88,280	**$148,102**	$176,588
Adjusted EBITDA[1]	**$24,440**	$41,928	**$51,023**	$74,491
Adjusted EBITDA margin[1]	**32.8%**	47.5%	**34.5%**	42.2%
Earnings before income taxes	**$8,346**	$30,479	**$24,986**	$47,447
Net earnings	**$6,018**	$22,039	**$18,153**	$34,442
Basic earnings per share	**$0.23**	$0.83	**$0.69**	$1.29
Diluted earnings per share	**$0.22**	$0.73	**$0.68**	$1.17
CAPEX[1]	**$1,345**	$1,528	**$2,585**	$2,759
Adjusted EBITDA less CAPEX[1]	**$23,095**	$40,400	**$48,438**	$71,732
Adjusted EBITDA less CAPEX margin[1]	**31.0%**	45.8%	**32.7%**	40.6%
Cash flows from operating activities	**$28,563**	$31,673	**$51,119**	$58,821

Second Quarter of 2021 Results

- Total revenues decreased 15.5% year-over-year and amounted to $74.6 million for the three-month period ended June 30, 2021, an improvement from the decrease of 16.8% reported last quarter.
- Adjusted EBITDA less CAPEX[1] totaled $23.1 million and the EBITDA less CAPEX margin[1] was 31.0%.
- Net earnings decreased to $6.0 million, or $0.22 per diluted share.

Financial Results for the Second Quarter of 2021

Total revenues for the second quarter ended June 30, 2021 of $74.6 million decreased by $13.7 million or 15.5% as compared to $88.3 million for the same period last year. The decrease in revenues for the three-month period ended June 30, 2021 is mainly due to the decline of our higher margin 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.

Adjusted EBITDA[1] for the three-month period ended June 30, 2021 totalled $24.4 million compared to $41.9 million for the same period last year. The Adjusted EBITDA margin[1] decreased to 32.8% in the second quarter of 2021 compared to 47.5% for the same period last year. The decrease in Adjusted EBITDA for the three-month period ended June 30, 2021, is the result of revenue pressures, investments in our tele-sales force capacity, as well as the impact of the increase in the Company's share-price on cash settled stock-based compensation expense and lower wage subsidy received, partially offset by efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses as well as in the Company's office space footprint and other spending across the Company. The increase in YP's share price resulted in an incremental charge related to cash settled stock-based compensation expense of $3.4 million in the second quarter of 2021 compared to a charge of $0.8 million for the comparative three-month period ended June 30, 2020. The Company received a $2.3 million emergency wage subsidy during the second quarter compared to $4.8 million for the three-month period ended June 30, 2020. Furthermore, the second quarter of 2020 benefited from paused spending and the delayed revenue impacts related to the COVID-19 pandemic. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will continue to cause some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX[1] for the three-month period ended June 30, 2021 totalled $23.1 million compared to $40.4 million for the same period last year. The decrease for the three-month period ended June 30, 2021 is driven by the decrease in Adjusted EBITDA as CAPEX was relatively stable year-over-year.

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Net earnings for the three-month period ended June 30, 2021 decreased to $6.0 million as compared to net earnings of $22.0 million for the same period last year. The decrease in net earnings of $16.0 million for the three-month period ended June 30, 2021, compared to the same period last year, is explained principally by lower Adjusted EBITDA1 and the loss on early repayment of debt, partially offset by decreases in depreciation and amortization, financial charges and provision for income taxes.

Cash flows from operating activities decreased by $3.1 million to $28.6 million for the three-month period ended June 30, 2021 compared to $31.7 million for the same period last year, mainly due to lower Adjusted EBITDA of $17.5 million partially offset by an increase of $14.5 million from the change in operating assets and liabilities. The change in operating assets and liabilities mainly results from the increase in accounts payable due to the impact of the share price on the cash settled stock-based compensation expense of $3.4 million for the three-month period ended June 30, 2021, and the timing of certain accounts payable as well as the decrease in trade receivables.

During the quarter, the Company fully repaid the principal amount of Exchangeable Debentures of $107.0 million at par plus any accrued and unpaid interest. As at June 30, 2021, the Company had $85.5 million of cash.

Common Share NCIB

The Toronto Stock Exchange (the "**TSX**") has accepted a notice filed by the Company of its intention to make a Normal Course Issuer Bid (the "**Bid**") to be transacted through the facilities of the TSX or any alternative Canadian trading system. The notice provides that the Company may, during the twelve-month period commencing on August 10, 2021 and ending on August 9, 2022, purchase up to 1,386,184 common shares ("**Shares**"), being approximately 5% of the Company's 27,723,697 issued and outstanding common shares as of July 27, 2021. The price which the Company will pay for any such Shares will be the prevailing market price at the time of acquisition. The actual number of Shares which may be purchased pursuant to the Bid will be determined by management of the Company. All Shares will be purchased for cancellation. Notwithstanding the foregoing, the Company will limit the purchase of common shares to approximately $16.0 million.

Pursuant to TSX policies, the maximum amount of Shares that may be purchased in one day pursuant to the Bid will be 1,487 Shares, representing 25% of 5,951 Shares, being the average daily trading volume of the Shares on the TSX for the six months ended
July 31, 2021. In addition, the Company may make, once per week, a block purchase of Shares not directly or indirectly owned by insiders of the Company, in accordance with TSX policies.

In connection with the Bid, the Company entered into an automatic securities purchase plan ("**ASPP**") with a designated broker. The ASPP is intended to allow for the purchase of Shares when the Company would ordinarily not be permitted to purchase Shares due to regulatory restrictions and customary self-imposed blackout periods. Pursuant to the ASPP, before entering into a blackout period, the Company may, but is not required to, instruct the designated broker to make purchases under the Bid in accordance with the terms of the ASPP and TSX policies during the blackout period. Such purchases will be determined by the designated broker at its sole discretion based on purchasing parameters set by the Company in accordance with the rules of the TSX and any applicable alternative Canadian trading system, applicable securities laws and the terms of the ASPP. The ASPP will be in effect for the term of the bid. All purchases made under the ASPP will be included in computing the number of Shares purchased under the Bid.

The board of directors of the Company (the "**Board**") believes that during the course of the Bid the market price of the Shares may not, from time to time, reflect the inherent value of the issuer and purchases of Shares pursuant to the bid may represent an appropriate and desirable use of funds that allows the issuer to return excess cash to shareholders, while still having sufficient cash available to fund all of its growth capital expenditure requirements.

Under the Company's current normal course issuer bid that commenced August 10, 2020 and terminates August 9, 2021, the Company was authorized to purchase up to 1,403,765 Shares. Under that bid, the Company has purchased 403,220 Shares through open market purchases at a volume weighted average price of $12.40 per Share.

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Conference Call & Webcast

Yellow Pages Limited will hold an analyst and media call and simultaneous webcast at 8:30 a.m. (Eastern Time) on August 5, 2021 to discuss second quarter 2021 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 and results of operations and businesses of YP (including, without limitation, payment of a cash dividend per share per quarter to its common shareholders; the number of Shares purchased by the Company during the NCIB; and the intention to limit purchases to $16.0 million).These statements are forward-looking as they are based on our current expectations, as at August 4, 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 August 4, 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 interim condensed 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 14 of our August 4, 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 interim condensed 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 interim condensed consolidated statements of income. Refer to page 8 of the August 4, 2021 MD&A for a reconciliation of Adjusted EBITDA less CAPEX.