

Management's Discussion and Analysis

November 11, 2021

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the three and nine-month periods ended September 30, 2021 and 2020 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2020 and 2019, as well as our unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2021 and 2020. Please also refer to Yellow Pages Limited's press release announcing its results for the third quarter ended September 30, 2021 issued on November 12, 2021. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the "Investor Relations – Reports & Filings" section of our corporate website: <https://corporate.yip.ca/en>. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the financial information herein was derived from those statements.

All amounts in this MD&A are in Canadian dollars, unless otherwise specified. Please refer to the section "Definitions Relative to Understanding Our Results" for a list of defined non-IFRS financial measures and key performance indicators.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance.

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Pages" and "YP" refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca) (dissolved as of September 30, 2020), YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA)).

Caution Regarding Forward-Looking Information

This MD&A contains assertions about the objectives, strategies, financial condition, 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 normal course issuer bid ("NCIB"); and the intention to limit purchases to \$16.0 million). These statements are considered "forward-looking" because they are based on current expectations, as at November 11, 2021, about our business and the markets we operate in, and on various estimates and assumptions.

Forward-looking information and statements are based on several assumptions which may lead to actual results that differ materially from our expectations expressed in, or implied by, such forward-looking information and statements, and that our business strategies, objectives and plans may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking information and statements are included in this MD&A for the purpose of assisting investors and others in understanding our business strategies, objectives and plans. Readers are cautioned that such information may not be appropriate for other purposes. In making certain forward-looking statements, we have made the following assumptions:

- that general economic conditions in Canada will not deteriorate significantly further and will recover as COVID-19 pandemic activity restrictions continue to be lifted;
- that we will be able to attract and retain key personnel in key positions;
- that we will be able to introduce, sell and provision the products and services that support our customer base and drive improvement in average revenue per customer ("ARPC");
- that the decline in print revenues will remain at or below 25% per annum;
- that gross profit margins will not deteriorate materially from current levels;
- that continuing reductions in spending will mitigate the cash flow impact of revenue declines on cash flows; and
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant.

Forward-looking information and statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the anticipated or expected results described in the forward-looking information and statements will occur.

When used in this MD&A, such forward-looking statements may be identified by words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “goal”, “intend”, “objective”, “may”, “plan”, “predict”, “seek”, “should”, “strive”, “target”, “will”, “would” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as at the date of this MD&A. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Corporation, its business, results from operations and financial condition, including, but not limited to, the following risk factors discussed under the “Risks and Uncertainties” section of this MD&A, and those described in the “Risk Factors” section of our AIF:

- Failure by the Corporation to stabilize or grow its revenues and customer base;
- The inability of the Corporation to attract, retain and upsell customers;
- Substantial competition could reduce the market share of the Corporation;
- A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits;
- The inability of the Corporation to successfully enhance and expand its offering of digital marketing and media products;
- The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its customers;
- A prolonged economic downturn in principal markets of the Corporation;
- A higher than anticipated proportion of revenues coming from the Corporation’s digital products with lower margins, such as services and resale;
- The Corporation’s inability to attract and retain key personnel;
- The Corporation’s business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation’s digital properties could impair its ability to grow revenues and expand its business;
- Failure by either the Corporation or the Telco Partners to fulfill their obligations set forth in the agreements between the Corporation and the Telco Partners;
- Successfully prosecuted legal action against the Corporation;
- Work stoppages and other labour disturbances;
- Challenge by tax authorities of the Corporation’s position on certain income tax matters;
- The loss of key relationships or changes in the level or service provided by mapping applications and search engines;
- The failure of the Corporation’s computers and communication systems;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions;
- Incremental contributions by the Corporation to its pension plans;
- The impacts of COVID-19 are unpredictable; and
- An outbreak or escalation of a contagious disease may adversely affect the Corporation’s business greater than anticipated.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our 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 and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered to be 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 and are therefore not likely to be comparable with 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 this MD&A.

Adjusted EBITDA is derived from revenues less operating costs, 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. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business as these reflect its ongoing profitability. We believe 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 a 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

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 define Adjusted EBITDA less CAPEX 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. 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. Adjusted EBITDA less CAPEX is also one component in the determination of short-term incentive compensation for all management employees.

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 this MD&A for a reconciliation of Adjusted EBITDA less CAPEX.

This MD&A is divided into the following sections:

1. Our Business and Customer Offerings
2. Results
3. Liquidity and Capital Resources
4. Critical Assumptions and Estimates
5. Risks and Uncertainties
6. Controls and Procedures

1. Our Business and Customer Offerings

Our Business

Yellow Pages, a leading digital media and marketing solutions provider in Canada, offers targeted tools to local businesses, national brands and consumers allowing them to interact and transact within today's digital economy.

Customer Offerings

Yellow Pages offers, small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages digital media properties, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production, e-commerce solutions as well as print advertising. The Company's dedicated sales force and customer care team of approximately 300 professionals offer this full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 108,800 SMEs.

Media Properties

The Company's media properties, primarily desktop, mobile and print, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover businesses in their neighbourhoods across the services and retail verticals. Descriptions of the Company's digital media properties are found below:

- YP™ – Available both online at YP.ca and as a mobile application, YP allows users to discover and transact within their local neighbourhoods through comprehensive merchant profiles, relevant editorial content, reviews and booking functionalities;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;
- The Corporation is the official directory publisher for Bell, Telus, Bell Aliant, MTS Allstream, and a number of other incumbent telephone companies; and
- 411.ca – A digital directory service to help users find and connect with people and local businesses.

Key Analytics

The success of our business is dependent upon decelerating the rate of revenue decline ("bending the revenue curve") as well as continuing to improve operating and capital spending efficiency. Our longer-term success is dependent upon growth or stability in digital revenues and retaining and growing our customer base. Key analytics for the three-month period ended September 30, 2021 include:

- Total Revenues – Total Revenues decreased 11.7% year-over-year and amounted to \$70.9 million for the three-month period ended September 30, 2021, an improvement from the decrease of 15.5% reported last quarter.
- Digital revenues – Digital revenues decreased 10.3% year-over-year and amounted to \$55.0 million for the three-month period ended September 30, 2021, an improvement from the decrease of 13.6% reported last quarter.
- Adjusted EBITDA – Adjusted EBITDA declined to \$26.6 million or 37.5% of revenues for the three-month period ended September 30, 2021, relative to \$27.3 million or 34.0% of revenues for the same period last year.
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX decreased to \$25.3 million or 35.7% of revenues for the three-month period ended September 30, 2021 compared to \$26.0 million or 32.4% of revenues for the three-month period ended September 30, 2020.
- Customer Count¹ and ARPC² – YP's customer count decreased to 108,800 customers for the twelve-month period ended September 30, 2021, as compared to 132,100 customers for same period last year. The customer count reduction of 23,300 in the twelve months ended September 30, 2021 compares to a decline of 29,900 in the comparable period of the previous year. YP's ARPC in the twelve-month period ended September 30, 2021 was \$2,583 as compared to \$2,536 for the twelve-month period ended September 30, 2020 representing an increase of 1.9%, mainly driven by the higher digital spend per customer.
- Headcount³ – Headcount decreased to 652 employees as at September 30, 2021 compared to 698 employees at September 30, 2020. Sales force headcount increased by 27 while all other headcount decreased by 73.

¹ Customer Count is defined as the number of customers advertising through one of our products as at the end of the reporting period on a trailing twelve-month basis excluding 411.ca customers.

² ARPC is defined as the YP average contracted revenue per customer on a trailing twelve-month basis excluding 411.ca.

³ The Company defines headcount as total employees excluding employees on short term and long-term disability leave, and on maternity leave

2. Results

This section provides an overview of our financial performance during the third quarter of 2021 compared to the same period of 2020. We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial metrics are provided on page 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

Highlights

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

For the three-month periods ended September 30,	2021	2020
Revenues	\$ 70,920	\$ 80,281
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	\$ 26,617	\$ 27,312
Adjusted EBITDA margin	37.5%	34.0%
Net earnings	\$ 13,747	\$ 9,041
Basic earnings per share	\$ 0.52	\$ 0.34
CAPEX	\$ 1,269	\$ 1,340
Adjusted EBITDA less CAPEX	\$ 25,348	\$ 25,972
Adjusted EBITDA less CAPEX margin	35.7%	32.4%
Cash flows from operating activities	\$ 24,685	\$ 32,739

Consolidated Operating and Financial Results

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

For the three and nine-month periods ended September 30,	% of		% of		% of		% of	
	2021	Revenues	2020	Revenues	2021	Revenues	2020	Revenues
Revenues	\$ 70,920		\$ 80,281		\$ 219,022		\$ 256,869	
Cost of sales	28,787	40.6%	32,480	40.5%	88,185	40.3%	97,544	38.0%
Gross profit	42,133	59.4%	47,801	59.5%	130,837	59.7%	159,325	62.0%
Other operating costs	15,516	21.9%	20,489	25.5%	53,197	24.3%	57,522	22.4%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	26,617	37.5%	27,312	34.0%	77,640	35.4%	101,803	39.6%
Depreciation and amortization	5,058	7.1%	6,624	8.3%	15,078	6.9%	21,415	8.3%
Restructuring and other charges	1,423	2.0%	4,461	5.6%	2,679	1.2%	7,910	3.1%
Income from operations	20,136	28.4%	16,227	20.2%	59,883	27.3%	72,478	28.2%
Financial charges, net	1,132	1.6%	4,196	5.2%	8,129	3.7%	12,498	4.9%
Loss on early repayment of debt	–	–	–	–	7,764	3.5%	–	–
(Gain) loss on sale of business	–	–	(79)	nm	–	–	423	0.2%
Earnings before income taxes	19,004	26.8%	12,110	15.1%	43,990	20.1%	59,557	23.2%
Provision for income taxes	5,257	7.4%	3,069	3.8%	12,090	5.5%	16,074	6.3%
Net earnings	\$ 13,747	19.4%	\$ 9,041	11.3%	\$ 31,900	14.6%	\$ 43,483	16.9%
Basic earnings per share	\$ 0.52		\$ 0.34		\$ 1.21		\$ 1.63	
Diluted earnings per share	\$ 0.51		\$ 0.34		\$ 1.19		\$ 1.52	

Analysis of Consolidated Operating and Financial Results

The President and Chief Executive Officer (“CEO”) is the Chief Operating Decision Maker and he uses Income from operations before depreciation and amortization and restructuring and other charges (Adjusted EBITDA) less capital expenditures, to measure performance. The CEO also reviews revenues by similar products and services, such as Print and Digital.

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2021			2020			% Change			
Digital	\$	54,973	\$	61,305	(10.3%)	\$	167,673	\$	193,348	(13.3%)
Print		15,947		18,976	(16.0%)		51,349		63,521	(19.2%)
Total revenues	\$	70,920	\$	80,281	(11.7%)	\$	219,022	\$	256,869	(14.7%)

Total revenues for the third quarter ended September 30, 2021 of \$70.9 million decreased by \$9.4 million or 11.7% as compared to \$80.3 million for the same period last year. For the nine-month period ended September 30, 2021, revenues decreased by 14.7% to \$219.0 million, as compared to \$256.9 million for the same period last year. The decrease in revenues for the three and nine-month periods ended September 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.

Total digital revenues decreased 10.3% year-over-year and amounted to \$55.0 million during the third quarter of 2021 compared to \$61.3 million for the same period last year. For the nine-month period ended September 30, 2021, total digital revenues decreased 13.3% year-over-year and amounted to \$167.7 million, as compared to \$193.3 million for the same period last year. The revenue decline for the three and nine-month periods ended September 30, 2021, was mainly attributable to a decrease in digital customer count partially offset by an increase in spend per customer.

Total print revenues decreased 16.0% year-over-year and amounted to \$15.9 million during the third quarter of 2021 compared to print revenues of \$19.0 million for the same period last year. For the nine-month period ended September 30, 2021, total print revenues decreased 19.2% year-over-year and amounted to \$51.3 million. The revenue decline was mostly attributable to decreases in the number of print customers as well as the spend per customer.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2021			2020			% Change				
		% of Revenues		% of Revenues	% Change		% of Revenues		% of Revenues	% Change	
Total gross profit	\$	42,133	59.4%	\$	47,801	59.5%	(11.9%)	\$	130,837	59.7%	(17.9%)

Gross profit for the three-month period ended September 30, 2021 totalled \$42.1 million, or 59.4% of revenues, compared to \$47.8 million, or 59.5% of revenues. For the nine-month period ended September 30, 2021 gross profit decreased to \$130.8 million, or 59.7% of total revenues as compared to \$159.3 million, or 62.0% of total revenues, for the same period last year. The decrease in gross profit for the three and nine-month periods ended September 30, 2021 as well as the decrease in gross profit as a percentage of revenue for the nine-month period ended September 30, 2021, is a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations and cost reductions. The third quarter of 2020 was further impacted by the resumed spending for the fulfillment of paused campaigns related to the COVID-19 pandemic. As a result, the gross profit as a percentage of revenues for the three-month period ended September 30, 2021 remained stable compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2021			2020			% Change				
		% of Revenues		% of Revenues	% Change		% of Revenues		% of Revenues	% Change	
Total Adjusted EBITDA	\$	26,617	37.5%	\$	27,312	34.0%	(2.5%)	\$	77,640	35.4%	(23.7%)

Adjusted EBITDA for the three-month period ended September 30, 2021 totalled \$26.6 million compared to \$27.3 million for the same period last year. The Adjusted EBITDA margin increased to 37.5% in the third quarter of 2021 compared to 34.0% for the same period last year. For the nine-month period ended September 30, 2021 Adjusted EBITDA decreased by \$24.2 million or 23.7% to \$77.6 million or 35.4% of revenues, compared to \$101.8 million or 39.6% of revenues for the same period last year. The decrease in Adjusted EBITDA for the three and nine-month periods ended September 30, 2021, is the result of revenue pressures, investments in our tele-sales force capacity, as well as the impact of the Company's share-price on cash settled stock-based compensation expense and lower wage subsidies 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 the Company's office space footprint and other spending across the Company. The change in YP's share price, resulted in a recovery of \$0.1 million and an incremental charge of \$3.8 million related to cash settled stock-based compensation expense for the three and nine-month periods ended September 30, 2021, respectively, compared to a charge of \$3.5 million and \$2.7 million for the comparative three and nine-month periods ended September 30, 2020, respectively. The Company received \$1.0 million of emergency wage subsidies during the third quarter for a total of \$4.0 million for the nine-month period ended September 30, 2021, compared to \$1.2 million and \$6.0 million for the three and nine-month periods ended September 30, 2020. Furthermore, the third quarter of 2020 was impacted by the resumed spending for the fulfillment of paused campaigns 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

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2021	2020	% Change	2021	2020	% Change
Adjusted EBITDA	\$ 26,617	\$ 27,312	(2.5%)	\$ 77,640	\$ 101,803	(23.7%)
CAPEX	1,269	1,340	(5.3%)	3,854	4,099	(6.0%)
Total Adjusted EBITDA less CAPEX	\$ 25,348	\$ 25,972	(2.4%)	\$ 73,786	\$ 97,704	(24.5%)
Adjusted EBITDA less CAPEX Margin	35.7%	32.4%		33.7%	38.0%	

Adjusted EBITDA less CAPEX for the three-month period ended September 30, 2021 totalled \$25.3 million compared to \$26.0 million for the same period last year. For the nine-month period ended September 30, 2021 Adjusted EBITDA less CAPEX decreased by \$23.9 million or 24.5% to \$73.8 million, compared to \$97.7 million for the same period last year. The decrease for the three and nine-month periods ended September 30, 2021 is mainly driven by the decrease in Adjusted EBITDA as CAPEX was relatively stable year-over-year.

Depreciation and Amortization

Depreciation and amortization decreased to \$5.1 million for the three-month period ended September 30, 2021 compared to \$6.6 million for the same period last year and decreased to \$15.1 million for the nine-month period ended September 30, 2021 compared to \$21.4 million for the same period last year primarily due to lower software development expenditures in recent periods.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the three and nine-month periods ended September 30,	2021	2020	2021	2020
Severance, benefits and outplacement	\$ 1,048	\$ 417	\$ 2,472	\$ 1,969
Impairment of right-of-use assets and future operation costs related to lease contracts for offices closed	374	4,135	198	6,264
Other fees (recoveries)	1	(91)	9	(323)
Total restructuring and other charges	\$ 1,423	\$ 4,461	\$ 2,679	\$ 7,910

Yellow Pages Limited recorded restructuring and other charges of \$1.4 million during the three-month period ended September 30, 2021 consisting mainly of restructuring charges of \$1.0 million associated with workforce reductions and a \$0.5 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space partially offset by a \$0.1 million recovery related to the sublease of previously vacated office space. Restructuring and other charges of \$4.5 million were recorded for the three-month period ended September 30, 2020 consisting mainly of restructuring charges of \$0.4 million associated with workforce reductions, a \$2.1 million charge for future operation costs provisioned related to lease contracts for offices closed, as well as a \$2.0 million charge related to the impairment of property and equipment and right-of-use assets related to vacated office space.

Yellow Pages Limited recorded restructuring and other charges of \$2.7 million during the nine-month period ended September 30, 2021 consisting mainly of restructuring charges of \$2.5 million associated with workforce reductions and a \$0.3 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space partially offset by a \$0.1 million recovery related to the sublease of previously vacated office space. Restructuring and other charges of \$7.9 million were recorded for the nine-month period ended September 30, 2020 consisting mainly of restructuring charges of \$2.0 million associated with workforce reductions, a \$3.2 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a \$3.7 million charge related to property and equipment disposals and impairment of property and equipment and right-of-use assets related to vacated office space, partially offset by a \$1.0 million recovery related to the surrender of vacated office space.

Financial Charges

Financial charges decreased to \$1.1 million for the three-month period ended September 30, 2021 compared to \$4.2 million for the same period last year and decreased to \$8.1 million for the nine-month period ended September 30, 2021 from \$12.5 million for the same period last year. The decrease is mainly due to lower interest due to the full repayment of the Exchangeable debentures on May 31, 2021.

Loss on early repayment of debt

Yellow Pages Limited recorded a loss on early repayment of debt of \$7.8 million during the nine-month period ended September 30, 2021, consisting of a loss of \$4.8 million on the early repayment of the Exchangeable debentures and a loss of \$3.0 million related to the derecognition of the redemption option of the Exchangeable debentures.

Provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.4% for the three and nine-month periods ended September 30, 2021 and 26.6% for the same periods in 2020. The Company recorded an expense of \$5.3 million and \$12.1 million for the three and nine-month periods ended September 30, 2021, respectively compared to an expense of \$3.1 million and \$16.1 million for the three and nine-month periods ended September 30, 2020, respectively.

The difference between the effective and the statutory rates for the nine-month periods ended September 30, 2021 and 2020 is due to the non-deductibility of certain expenses for tax purposes.

Net earnings

Net earnings increased to \$13.7 million for the three-month period ended September 30, 2021 compared to \$9.0 million for the same period last year and decreased to \$31.9 million for the nine-month period ended September 30, 2021 compared to net earnings of \$43.5 million, for the same period last year. The increase in net earnings of \$4.7 million for the three-month period ended September 30, 2021, compared to the same period last year, is explained principally by the decrease in Adjusted EBITDA and higher provision for income taxes, being more than offset by decreases in depreciation and amortization, restructuring and other charges and financial charges. The decrease in net earnings of \$11.6 million for the nine-month period ended September 30, 2021, compared to the same period last year, is explained principally by lower Adjusted EBITDA and the loss on early repayment of debt, partially offset by decreases in depreciation and amortization, restructuring and other charges, financial charges and provision for income taxes.

Summary of Consolidated Quarterly Results

The following table shows selected consolidated financial data of Yellow Pages for the eight most recent quarters.

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

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues	\$ 70,920	\$ 74,588	\$ 73,514	\$ 76,669	\$ 80,281	\$ 88,280	\$ 88,308	\$ 93,507
Operating costs	44,303	50,148	46,931	49,030	52,969	46,352	55,745	58,751
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	26,617	24,440	26,583	27,639	27,312	41,928	32,563	34,756
Adjusted EBITDA margin	37.5%	32.8%	36.2%	36.0%	34.0%	47.5%	36.9%	37.2%
Depreciation and amortization	5,058	4,928	5,092	6,249	6,624	7,190	7,601	8,678
Restructuring and other charges	1,423	200	1,056	221	4,461	134	3,315	5,719
Income from operations	20,136	19,312	20,435	21,169	16,227	34,604	21,647	20,359
Financial charges, net	1,132	3,202	3,795	2,014	4,196	4,121	4,181	7,360
Loss on early repayment of debt	–	7,764	–	–	–	–	–	–
(Gain) loss on sale of businesses	–	–	–	–	(79)	4	498	10
Earnings before income taxes	19,004	8,346	16,640	19,155	12,110	30,479	16,968	12,989
Provision for (recovery of) income taxes	5,257	2,328	4,505	2,340	3,069	8,440	4,565	(40,608)
Net earnings	\$ 13,747	\$ 6,018	\$ 12,135	\$ 16,815	\$ 9,041	\$ 22,039	\$ 12,403	\$ 53,597
Basic earnings per share	\$ 0.52	\$ 0.23	\$ 0.46	\$ 0.63	\$ 0.34	\$ 0.83	\$ 0.47	\$ 2.02
Diluted earnings per share	\$ 0.51	\$ 0.22	\$ 0.44	\$ 0.58	\$ 0.34	\$ 0.73	\$ 0.44	\$ 1.70

3. Liquidity and Capital Resources

This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

Capital Structure

(In thousands of Canadian dollars, except percentage information)

As at	September 30, 2021	December 31, 2020
Cash	\$ 103,565	\$ 153,492
Exchangeable debentures	–	101,115
Lease obligations	50,637	52,874
Total debt	\$ 50,637	\$ 153,989
Equity	82,157	29,301
Total capitalization	\$ 132,794	\$ 183,290
Total cash net of debt to total capitalization	39.9%	n.a

As at September 30, 2021, Yellow Pages had a \$52.9 million total cash net of debt compared to (\$0.5) million as at December 31, 2020.

Asset-Based Loan

The Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, has an asset-based loan (ABL) with a term to August 2022 and a total commitment of \$25.0 million. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is subject to an availability reserve of \$5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at September 30, 2021, the Company's fixed charge coverage ratio was 0.7 times. The Company had \$2.8 million of letters of credit issued and outstanding under the ABL and a \$3.5 million deficiency in qualified collateral. As such, \$13.7 million of the ABL was available as at September 30, 2021.

As at September 30, 2021, the Company was in compliance with all covenants under the loan agreement governing the ABL.

Exchangeable Debentures

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued \$107.5 million of senior subordinated exchangeable debentures (the Exchangeable Debentures) due November 30, 2022.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum, for the applicable interest period, if the Company makes a Payment in Kind election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures.

Optional Redemption

The Company had the option to redeem all or part of the Exchangeable Debentures, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

On May 31, 2021, the Company fully repaid the principal amount of Exchangeable Debentures of \$107.0 million at par plus any accrued and unpaid interest.

The redemption option on the exchangeable debentures was an embedded derivative and was recorded at fair value on the interim consolidated statements of financial position in Financial and other assets with changes in fair value recognized in financial charges. On May 31, 2021, upon early repayment of the debt, the Company

derecognized the embedded derivative of \$3.0 million which was included in the loss on early repayment of debt. The fair value of the embedded derivative was \$2.6 million as at December 31, 2020.

The Company entered a NCIB on April 20, 2020, to purchase up to \$6.6 million principal amount of its Exchangeable Debentures for cancellation on or before April 19, 2021. As at April 19, 2021, YP had purchased Exchangeable Debentures under this NCIB program, with a carrying value of \$52 thousand for cash and a face value of \$56 thousand. Purchases were made in accordance with the NCIB at the prevailing market price at the time of acquisition.

Liquidity

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient liquidity in the short term and the long term to fund capital expenditures, working capital requirements and current obligations, and service its outstanding debt obligations. As at September 30, 2021, the Company had \$103.6 million of cash and \$13.7 million available under the ABL.

Share Data

Outstanding Share Data

As at	November 11, 2021	September 30, 2021	December 31, 2020
Common shares outstanding	27,658,161	27,682,705	27,828,906
Exchangeable Debentures outstanding ¹	–	–	5,621,481
Common share purchase warrants outstanding	2,995,483	2,995,483	2,995,484
Stock options outstanding ²	2,340,910	2,340,910	2,717,779

¹ As at December 31, 2020, Yellow Pages had \$107.0 million principal amount of Exchangeable Debentures outstanding, which amount was exchangeable into 5,621,481 common shares of Yellow Pages Limited at an exchange price of \$19.04, subject to adjustment for specified transactions pursuant to the indenture governing the Exchangeable Debentures. These Exchangeable debentures were repaid on May 31, 2021.

² Included in the stock options outstanding balance of 2,340,910 as at November 11 and September 30, 2021 are 8,016 stock options exercisable as at those dates. Included in the stock options outstanding balance of 2,717,779 as at December 31, 2020 were nil stock options exercisable as at that date.

The Company entered into a NCIB, commencing August 10, 2020, to purchase up to \$5.0 million of Common Shares in the open market for cancellation, on or before August 9, 2021. The Company completed this NCIB program on July 16, 2021 after attaining the \$5.0 million limit.

On August 5, 2021, the Company announced a NCIB commencing August 10, 2021 to purchase up to 5% of the Company's outstanding shares for cancellation on or before August 9, 2022. However, the Company intends to limit aggregate purchases under the new NCIB to \$16.0 million. As at September 30, 2021, the Company had purchased under this NCIB program 28,357 common shares for cash of \$0.4 million.

Dividend Policy

On May 12th, 2021, the Company's Board of Directors (the "Board") modified its dividend policy of paying a quarterly cash dividend to its common shareholders by increasing the dividend from \$0.11 per share to \$0.15 per share. YP's dividend payout policy and the declaration of dividends on any of the Company's outstanding common shares are subject to the discretion of the Board and, consequently, there can be no guarantee that the dividend payout policy will be maintained or that dividends will be declared. Dividend decisions will continue to be dependent on YP's operations and financial results, subject to the Board's assessment on a quarterly basis, which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

The Company paid a cash dividend on common shares of \$2.9 million, or \$0.11 per common share, during the first quarter, ended March 31, 2021. The Company paid a cash dividend on common shares of \$4.0 million, or \$0.15 per common share, during the second quarter, ended June 30, 2021. The Company paid a cash dividend on common shares of \$3.9 million, or \$0.15 per common share, during the third quarter, ended September 30, 2021.

On November 11, 2021, the Board of Directors declared a cash dividend of \$0.15 per common share, payable on December 15, 2021 to shareholders of record as at November 26, 2021. Future quarterly dividends will be subject to Board approval.

Pension Contributions

As of December 31, 2019, the Company's Defined Benefit Pension Plan (the "Plan") had a Prior Year Credit Balance ("PYCB") of \$7.3 million. During 2020, the Company drew down \$1.4 million of the PYCB, thereby reducing cash payments required into the Plan and leaving a PYCB of \$5.9 million as of December 31, 2020.

Total cash payments for pension and other benefit plans expected in 2021 amount to approximately \$9.5 million, including \$4.7 million (\$2.0 million cash and \$2.7 million as a drawdown of the PYCB) to fund the Plan's "wind-up deficit." On May 12, 2021, the Board approved a voluntary incremental \$4.0 million cash contribution in 2021, to bring 2021 cash payments to the Plan's wind-up deficit to \$6.0 million, as part of a deficit-reduction plan to increase the probability that the Plan will be fully funded on a wind-up basis by 2030. The deficit-reduction plan includes an intention to make cash payments to the wind-up deficit of \$6.0 million every year until 2030. The probability of achieving a wind-up ratio of 100% by 2030 is dependent upon other, uncontrollable factors, including, inter alia, market returns and discount rates. The Board will review the deficit-reduction plan annually. During the three and nine-month periods ended September 30, 2021, the Company made payments totalling \$1.7 million and \$2.3 million, respectively, toward the voluntary incremental cash contribution to the Plan's wind-up deficit.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the nine-month periods ended September 30,	2021	2020
Cash flows from operating activities		
Cash flows from operations, excluding change in operating assets and liabilities	\$ 62,295	\$ 84,782
Change in operating assets and liabilities	13,509	6,778
	\$ 75,804	\$ 91,560
Cash flows used in investing activities		
Additions to intangible assets	\$ (3,798)	\$ (3,942)
Additions to property and equipment	(56)	(157)
Payments received from net investment in subleases	272	716
Proceeds on sale of business	–	1,200
	\$ (3,582)	\$ (2,183)
Cash flows used in financing activities		
Repayment of exchangeable debentures	\$ (107,033)	\$ (56)
Repurchase of common shares	(2,130)	(1,109)
Issuance of common shares	111	–
Payment of lease obligations	(2,286)	(2,249)
Dividends paid	(10,811)	(5,896)
	\$ (122,149)	\$ (9,310)
NET (DECREASE) INCREASE IN CASH	\$ (49,927)	\$ 80,067
CASH, BEGINNING OF YEAR	153,492	44,408
CASH, END OF PERIOD	\$ 103,565	\$ 124,475

Cash flows from operating activities

Cash flows from operating activities decreased by \$15.8 million to \$75.8 million from \$91.6 million for the nine-month period ended September 30, 2020, mainly due to lower Adjusted EBITDA of \$24.2 million, increased funding of post-employment benefit plans of \$2.5 million, partially offset by an increase of \$6.7 million from the change in operating assets and liabilities and lower payments for restructuring and other charges of \$3.7 million.

Cash flows used in investing activities

Cash flows used in investing activities increased by \$1.4 million year-over-year mainly due to proceeds on sale of business received in 2020.

Cash flows used in financing activities

Cash flows used in financing activities increased by \$112.8 million to \$122.1 million for the nine-month period ended September 30, 2021 compared to \$9.3 million for the same period last year due mainly to the repayment of the exchangeable debentures of \$107.0 million, the increase of \$4.9 million in the payment of dividends and the increase of \$1.0 million for the repurchase of common shares during the nine-month period ended September 30, 2021.

Financial and Other Instruments

(See Note 21 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2020 and 2019).

The Company's financial instruments primarily consist of cash, trade and other receivables, and trade and other payables.

Following the repayment of the exchangeable debentures on May 31, 2021, the redemption option on the exchangeable debentures, was derecognized and was included in the loss on early repayment of debt. The fair value as at December 31, 2020 was \$2.6 million. The fair value was calculated, using a binomial option pricing model based on quarter-end markets rates and prices as well as historical volatility data.

4. Critical Assumptions and Estimates

When we prepare our interim condensed consolidated financial statements in accordance with IFRS, we must make certain estimates and assumptions about our business. These estimates and assumptions in turn affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements.

Our critical assumptions and accounting estimates have not changed since the release of our MD&A for the years ended December 31, 2020 and 2019. These critical assumptions and estimates relate to estimate credit loss allowance (ECL) on trade receivables, allowance for revenue adjustments, lease terms, discount rates on leases, right-of-use assets impairment, useful lives of intangible assets and property and equipment, employee future benefits and income taxes. Please refer to Section 4 – *Critical Assumptions and Estimates* for the years ended December 31, 2020 and 2019.

Accounting standards

Standards, interpretations and amendments to published standards that are issued but not yet effective on the consolidated financial statements

Amendments to IAS 1 - *Presentation of Financial Statements*

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 12 – *Income taxes*

On May 7, 2021, IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

5. Risks and Uncertainties

Please refer to the Risks and Uncertainties section of our MD&A for the years ended December 31, 2020 and 2019 and our Annual Information Form dated March 26, 2021 for a complete description of the risks factors to which the Corporation may be exposed, including, for example, "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition".

Understanding and managing risks are important parts of YP's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YP, our Board and senior management analyze risks in three major categories:

1. Strategic risks - which are primarily external to the business;
2. Financial risks - generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and
3. Operational risks - related principally to risks across key functional areas of the organization.

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Our risks and uncertainties have not changed since the release of our MD&A for the years ended December 31, 2020 and 2019, except as described in the Forward-Looking Information section of this MD&A. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2020 and 2019 and our Annual Information Form dated March 26, 2021.

6. Controls and Procedures

As a public entity, we must take steps to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of YP. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

The evaluation of the design and effectiveness of DC&P (as defined in National Instrument 52-109) was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They concluded that the Company's DC&P were effective, as at September 30, 2021.

Internal Control over Financial Reporting (ICFR)

The design and effectiveness of ICFR (as defined in National Instruments 52-109) were evaluated under the supervision of the President and Chief Executive Officer and Chief Financial Officer. Based on the evaluations, they concluded that the Company's ICFR was effective, as at September 30, 2021.

During the quarter beginning on July 1, 2021 and ended on September 30, 2021, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.