Management's Discussion and Analysis

February 12, 2020

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 years ended December 31, 2019 and 2018 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2019 and 2018. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2019 issued on February 13, 2020. 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.yp.ca/en. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The 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), Yellow Pages Homes Limited (Yellow Pages NextHome) sold as of July 23, 2018, YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA), Bookenda Limited (Bookenda) sold as of April 30, 2019, YP Dine Solutions Limited (YP Dine) sold as of April 30, 2019, 9059-2114 Québec Inc. and ByTheOwner Inc. (the latter two collectively ComFree/DuProprio) sold as of July 6, 2018, Juice DMS Advertising Limited sold as of December 31, 2018 and Juice Mobile USA LLC dissolved as of December 20, 2018 (the latter two collectively JUICE), and 9778748 Canada Inc. (Totem) sold as of May 31, 2018).

Caution Regarding Forward-Looking Information

This MD&A contains assertions about the objectives, strategies, financial condition, including potential repayment of the Company's exchangeable debentures in full on or shortly after May 31, 2021, at par, the initiation of a quarterly common share dividend of $0.11 per common share beginning in the second quarter of 2020, results of operations and businesses of YP. These statements are considered "forward-looking" because they are based on current expectations, as at February 12, 2020, 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;
- 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 YP segment 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; and
- Incremental contributions by the Corporation to its pension plans.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization, Impairment of Intangible Assets and Goodwill, and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (defined herein as Adjusted EBITDA) as shown in Yellow Pages Limited's 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 30 of this MD&A.

Adjusted EBITDA is derived from revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of income (loss). 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

Adjusted EBITDA less CAPEX 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. 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 less lease incentives received as reported in the Investing Activities section of the Company's consolidated statements of cash flows. We use Adjusted EBITDA less CAPEX as the key performance measure for our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX 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, impairment of intangible assets and goodwill, and restructuring and other charges (defined above as Adjusted EBITDA) as shown in Yellow Pages Limited's consolidated statements of income (loss). Refer to page 5 and page 12 of this MD&A for a reconciliation of CAPEX and Adjusted EBITDA less CAPEX, respectively.

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, through its YP segment, 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 as well as print advertising. The Company's dedicated sales force and customer care team of over 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 153,300 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, real estate, dining and retail verticals. Descriptions of the Company's digital media properties, listed by segment, are found below:

YP segment

- 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.

Other segment

- YP Dine™ (sold as of April 30, 2019) – A digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities;
- Bookenda.com (sold as of April 30, 2019) – An online transaction platform for users and merchants to interact and manage bookings and orders;
- RedFlagDeals.com™ (sold as of August 22, 2018) – A Canadian provider of online and mobile promotions, deals, coupons and shopping forums;
- Yellow Pages NextHome (sold as of July 23, 2018) – Provided Canadians with information in making informed home buying, selling, and/or renting decisions;
- ComFree/DuProprio (sold as of July 6, 2018) – A Quebec real estate digital destination offering homeowners a professional and cost-effective service to market and sell their homes; and
- Western Media Group (sold as of May 31, 2018) – Magazines generating local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

Key Analytics

The success of our business is dependent upon continuing to improve operating profitability and capital spending efficiency. Longer-term improvements in profitability are dependent upon growth in digital revenues and retaining and growing our customer base. Key analytics for the year ended December 31, 2019 include:

- Adjusted EBITDA – Adjusted EBITDA decreased to $161.3 million, or 40.0% of revenues for the year ended December 31, 2019, compared to $192.6 million or 33.4% of revenues for the same period last year;
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX decreased to $151.6 million for the year ended December 31, 2019 compared to $180.5 million for the same period last year;
- YP Digital Revenues – YP digital revenues decreased 16.5% year-over-year and amounted to $298.8 million for the year ended December 31, 2019;
- YP Customer Count[1] and ARPC[2] – YP customer count decreased to 153,300 customers for the year ended December 31, 2019, as compared to 186,700 customers for same period last year. The customer count reduction of 33,400 for the year ended December 31, 2019 compares to a decline of 40,600 in the comparable period of the previous year. YP ARPC for the year ended December 31, 2019 was $2,567 as compared to $2,488 for the year ended December 31, 2018 representing an increase of 3.2%.

[1] *YP 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] *YP ARPC is defined as the YP average contracted revenue per customer on a trailing twelve month basis excluding 411.ca.*

CAPEX

(In thousands of Canadian dollars)

For the three-month periods and years ended December 31,		2019		2018		2019		2018
Additions to intangible assets	**$**	**1,973**	$	3,201	**$**	**9,647**	$	14,287
Additions to property and equipment		**8**		839		**91**		1,899
Less lease incentives received		–		–		–		(4,150)
CAPEX	**$**	**1,981**	$	4,040	**$**	**9,738**	$	12,036

Headcount[1]

As at December 31,	2019	2018	Change
YP	**768**	964	(196)
Other	–	46	(46)
Total Headcount	**768**	1,010	(242)

[1] *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 in 2019 compared to 2018 and 2017. 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 years ended December 31,		2019		2018		2017 (Restated)[1]
Revenues	**$**	**403,213**	$	577,195	$	727,967
Income from operations before depreciation and amortization, impairment of intangibles assets and goodwill and restructuring and other charges (Adjusted EBITDA)	**$**	**161,345**	$	192,565	$	183,109
Adjusted EBITDA margin		**40.0%**		33.4%		25.2%
Net earnings (loss)	**$**	**94,669**	$	82,809	$	(594,482)
Basic earnings (loss) per share	**$**	**3.57**	$	3.13	$	(22.52)
CAPEX	**$**	**9,738**	$	12,036	$	60,885
Adjusted EBITDA less CAPEX	**$**	**151,607**	$	180,529	$	122,224
Cash flows from operating activities	**$**	**144,759**	$	134,659	$	116,577

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

Consolidated Operating and Financial Results

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

For the years ended December 31,	2019	% of Revenues	2018	% of Revenues	2017 (Restated)[1]	% of Revenues
Revenues	$ 403,213		$ 577,195		$ 727,967	
Cost of sales[2]	158,674	39.4%	237,541	41.2%	344,447	47.3%
Gross profit[2]	244,539	60.6%	339,654	58.8%	383,520	52.7%
Other operating costs[2]	83,194	20.6%	147,089	25.5%	200,411	27.5%
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill and restructuring and other charges (Adjusted EBITDA)	161,345	40.0%	192,565	33.4%	183,109	25.2%
Depreciation and amortization	39,109	9.7%	76,094	13.2%	112,965	15.5%
Impairment of intangible assets and goodwill	–	–	–	–	507,032	69.7%
Restructuring and other charges	12,499	3.1%	15,862	2.7%	34,400	4.7%
Income (loss) from operations	109,737	27.2%	100,609	17.4%	(471,288)	(64.7%)
Financial charges, net	39,600	9.8%	54,729	9.5%	53,946	7.4%
Loss (gain) on sale of businesses	367	0.1%	(6,129)	(1.1%)	–	–
Impairment of available-for-sale investments	–	–	–	–	3,720	0.5%
Earnings (loss) before income taxes and loss from investment in a jointly controlled entity	69,770	17.3%	52,009	9.0%	(528,954)	(72.7%)
(Recovery of) provision for income taxes	(24,899)	(6.2%)	(30,800)	(5.3%)	63,424	8.7%
Loss from investment in a jointly controlled entity	–	–	–	–	2,104	0.3%
Net earnings (loss)	$ 94,669	23.5%	$ 82,809	14.3%	$ (594,482)	(81.7%)
Basic earnings (loss) per share	$ 3.57		$ 3.13		$ (22.52)	
Diluted earnings (loss) per share	$ 3.16		$ 2.78		$ (22.52)	

As at December 31,	2019	2018	2017 (Restated)[2]
Total assets	$ 326,878	$ 442,369	$ 601,527
Senior Secured Notes (including current portion)	$ –	$ 167,489	$ 308,898
Exchangeable debentures	$ 98,537	$ 96,179	$ 94,067
Total Senior Secured Notes and Exchangeable debentures to total assets	30.1%	59.6%	67.0%

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*
[2] *Certain comparative information has been restated to conform with the 2019 presentation.*

Segmented Information

Following the organizational changes made throughout fiscal year 2018 including the disposal or liquidation of several affiliates, the Company made changes during the first quarter of 2019 to how it manages its business to assess performance and allocate resources. The Company's operations have been categorized into two reportable segments: YP and Other. The comparative figures have been restated to reflect the changes to the reportable segments.

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, 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 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. The operations of the businesses sold in 2018 are also included in this segment until their respective disposal date, namely:

- Totem which provided customized content creation and delivery for global brands until its sale on May 31, 2018;
- Western Media Group, magazines generating local lifestyle content specific to the Western Canada region until its sale as of May 31, 2018;
- RedFlagDeals.com™, a Canadian provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018;
- ComFree/DuProprio (CFDP) provided homeowners in Canada with media to sell their homes in a cost-effective manner until its sale on July 6, 2018;
- Yellow Pages NextHome until its sale on July 23, 2018; and
- JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms that facilitated the automatic buying and selling of mobile advertising between brands and advertisers, until its sale on December 31, 2018.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation.

Analysis of Consolidated and Segmented Operating and Financial Results

Fiscal year 2019 versus 2018

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018	% Change
Digital	**$ 298,762**	$ 357,705	(16.5%)
Print	**103,177**	127,897	(19.3%)
YP	**$ 401,939**	$ 485,602	(17.2%)
Digital	**1,274**	84,534	(98.5%)
Print	**–**	8,043	(100.0%)
Other	**1,274**	92,577	(98.6%)
Digital	**–**	(958)	nm
Print	**–**	(26)	nm
Intersegment eliminations	**–**	(984)	nm
Digital	**$ 300,036**	$ 441,281	(32.0%)
Print	**$ 103,177**	$ 135,914	(24.1%)
Total revenues	**$ 403,213**	$ 577,195	(30.1%)

Total revenues for the year ended December 31, 2019 decreased by $174.0 million or 30.1% year-over-year and amounted to $403.2 million as compared to $577.2 million for the same period last year. The decline in total revenues was due to the divestitures in the Other segment as well as lower digital and print revenues in the YP segment.

Total digital revenues decreased by $141.2 million or 32.0% year-over-year and amounted to $300.0 million for the year ended December 31, 2019 compared to $441.3 million for the year ended December 31, 2018. The digital revenue decline was attributable to the divestitures in the Other segment as well as lower revenues in the YP segment.

Total print revenues decreased by $32.7 million or 24.1% year-over-year and amounted to $103.2 million for the year ended December 31, 2019. The print revenue decline for the year ended December 31, 2019 is a result of lower revenues in the YP segment and the divestitures in the Other segment.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2019 decreased by $83.7 million or 17.2% year-over year and amounted to $401.9 million compared to $485.6 million for the same period last year. The decrease for the year ended December 31, 2019 is mainly 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.

Digital revenues decreased 16.5% year-over-year and amounted to $298.8 million for the year ended December 31, 2019, compared to $357.7 million for the same period last year. Digital revenues were adversely impacted by a decline in the number of digital customers partially offset by a sixth consecutive quarter of higher spend per customer. The lower digital customer count is mostly attributable to a lower level of acquisition, driven in part by our focus on profitability.

Print revenues decreased by 19.3% year-over-year to $103.2 million for the year ended December 31, 2019. The results were adversely impacted by a decline in the number of print customers and lower spend per customer.

Other

Other revenues amounted to $1.3 million for the year ended December 31, 2019 as compared to $92.6 million for the same period last year. The decline in other revenues is due to the divestitures.

Gross Profit[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	**$**	**243,889**	**60.7%**	$	306,157	63.0%	(20.3%)
Other		**650**	**51.0%**		33,660	36.4%	(98.1%)
Intersegment eliminations		**–**	**–**		(163)	nm	nm
Total gross profit	**$**	**244,539**	**60.6%**	$	339,654	58.8%	(28.0%)

[1] *Certain comparative information has been restated to conform with the 2019 presentation.*

Gross profit for the year ended December 31, 2019 decreased to $244.5 million or 60.6% of total revenues compared to $339.7 million, or 58.8% of total revenues, for the same period last year. The decrease in gross profit is due to the pressures from lower overall revenues and change in product mix in the YP segment and to the divestitures in the Other segment. The increase in gross profit as a percentage of revenues is due to the dilutive effect on profitability of the lower margin Other segment in 2018.

Reportable Segments Gross Profit

YP

Gross profit for the year ended December 31, 2019 totalled $243.9 million, or 60.7% of revenues, compared to $306.2 million, or 63.0% of revenues, for the same period in 2018. The decrease in gross profit and gross profit as a percentage of revenues is a result of the pressures from lower overall revenues and change in product mix as well as investments in customer care starting in the second quarter of 2019 and investments in new customer acquisitions in the fourth quarter of 2019. The revenue pressures and customer care and new customer acquisition investments were partially offset by higher efficiencies in sales and operations from optimizations and cost reductions, as well as an increased focus on the profitability of our products and services. These measures included workforce reductions primarily in non-customer facing areas in the first quarter of 2018 and call center consolidations and optimization of our servicing model in the second quarter of 2018.

Other

Gross profit for the Other segment totalled $0.7 million, for the year ended December 31, 2019, as compared to $33.7 million, or 36.4% of revenues, for the same period last year. The decrease in gross profit margin for the year ended December 31, 2019 is due to divestitures.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	**$**	**161,014**	**40.1%**	$	185,026	38.1%	(13.0%)
Other		**331**	**nm**		7,539	8.1%	(95.6%)
Total Adjusted EBITDA	**$**	**161,345**	**40.0%**	$	192,565	33.4%	(16.2%)

For the year ended December 31, 2019, Adjusted EBITDA decreased by $31.2 million or 16.2% to $161.3 million, compared to $192.6 million for the same period last year. The Company's Adjusted EBITDA margin amounted to 40.0% for the year ended December 31, 2019 compared to 33.4% for the same period last year. The decrease in Adjusted EBITDA was the result of the revenue pressures in the YP segment as well as the divestitures in the Other segment. The increase in Adjusted EBITDA margin for the year ended December 31, 2019 is mainly due to the dilutive effect on profitability of the lower margin Other segment in 2018 and reductions in both our cost of sales and other operating costs. The reductions fully offset the revenue pressures in the YP segment for the year ended December 31, 2019.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2019 totalled $161.0 million compared to $185.0 million for the same period in 2018. The decrease in Adjusted EBITDA is a result of lower overall revenues, pressures from the change in product mix and investments in customer care. The Adjusted EBITDA margin for the YP segment for the year ended December 31, 2019 increased to 40.1% from 38.1% for the same period last year. The increase in Adjusted EBITDA margin for the year ended December 31, 2019 is due to the revenue pressures and investments in customer care and investments in new customer acquisition being fully offset by an increased focus on the profitability of our products and services and reductions in both our costs of sales and other operating costs. The decrease in cost of sales was mainly due to workforce reductions primarily in non-customer facing areas in the first quarter of 2018 and to call center consolidations and optimization of our servicing model in the second quarter of 2018. The decrease in other operating costs included reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint, other spending reductions across the segment as well as an adjustment to the variable compensation expense in the first quarter of 2019 mainly due to employee attrition and previous year performances.

Other

Adjusted EBITDA for the Other segment for the year ended December 31, 2019, amounted to $0.3 million. This compares to $7.5 million, or 8.1% of revenues, for the same period last year. The year-over-year decrease is due to the divestitures.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018	% Change
Adjusted EBITDA	**$ 161,014**	$ 185,026	(13.0%)
CAPEX	**9,460**	9,556	(1.0%)
YP	**$ 151,554**	$ 175,470	(13.6%)
Adjusted EBITDA	**331**	7,539	(95.6%)
CAPEX	**278**	2,480	(88.8%)
Other	**53**	5,059	(99.0%)
Adjusted EBITDA	**$ 161,345**	$ 192,565	(16.2%)
CAPEX	**$ 9,738**	$ 12,036	(19.1%)
Total Adjusted EBITDA less CAPEX	**$ 151,607**	$ 180,529	(16.0%)

For the year ended December 31, 2019, Adjusted EBITDA less CAPEX decreased by $28.9 million or 16.0% to $151.6 million compared to $180.5 million for the same period last year. Adjusted EBITDA less CAPEX for the year ended December 31, 2019 was mainly impacted by lower Adjusted EBITDA partially offset by decreased spending on software development and was further negatively impacted by lease incentives received in 2018.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the year ended December 31, 2019 totalled $151.6 million compared to $175.5 million for the same period last year. The decrease for the year ended December 31, 2019 is mainly due to lower Adjusted EBITDA, partially offset by decreased spending on software development and was further negatively impacted by lease incentives received in 2018.

Other

Adjusted EBITDA less CAPEX for the Other segment for the year ended December 31, 2019 is minimal, as compared to $5.1 million in the same period last year. The year-over-year decrease is a result of the divestitures.

Depreciation and Amortization

Depreciation and amortization decreased to $39.1 million for the year ended December 31, 2019 compared to $76.1 million for the same period last year primarily due to lower software development expenditures.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018
Severance, benefits and outplacement	**$ 10,767**	$ 31,231
Settlement of litigation	**(99)**	(14,095)
Impairment of right-of-use assets and future operation costs related to lease contracts for offices closed	**371**	(2,029)
Pension settlement (recovery) costs and past service (recovery) costs, net	**(980)**	755
Other fees	**2,440**	–
Total restructuring and other charges	**$ 12,499**	$ 15,862

The Company recorded restructuring and other charges of $12.5 million for the year ended December 31, 2019 consisting of restructuring charges of $12.1 million relating to workforce reductions, a $1.9 million charge related to future operation costs provisioned related to lease contracts for office closures, a $0.3 million charge related to software disposal, offset by a net recovery of $1.8 million from more favorable lease recoveries than anticipated.

During the year ended December 31, 2018, the Company recorded restructuring and other charges of $15.9 million consisting of restructuring charges of $32.0 million mainly due to workforce reductions, offset by the $14.1 million impact of a favorable litigation settlement on a contractual obligation with a vendor. Additionally, the restructuring charges were offset by a net recovery of $1.6 million from more favorable lease recoveries than anticipated partially offset by the impairment of right-of-use assets and a net recovery of $0.4 million from future operation costs related to lease contracts for office closures.

Financial Charges

Financial charges decreased to $39.6 million for the year ended December 31, 2019 compared to $54.7 million for the same period last year. The decrease is primarily due to a lower level of indebtedness due to repayments of the Senior Secured Notes. The Company's effective average annual interest rate on our debt portfolio excluding capital leases as at December 31, 2019 was 9.0% (2018 – 9.2%).

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% for the year ended December 31, 2019 and 26.9% for the same period in 2018. The Company recorded a recovery of income tax of $24.9 million for the year ended December 31, 2019, comprised of recognition of previously unrecognized tax attributes and temporary differences of $44.2 million. The Company recorded an income tax recovery of 35.7% of earnings for the year ended December 31, 2019 (2018 – an income tax recovery of 59.2%). These recoveries are non-cash items.

In comparison, the Company recorded a recovery of income taxes of $30.8 million for the year ended December 31, 2018, comprised of recognition of previously unrecognized tax attributes of $8.5 million and a resolution of uncertain tax positions of $38.6 million. These recoveries are non-cash items.

The Company recorded an income tax recovery of 35.7% of earnings for the year ended December 31, 2019 this compares to an income tax recovery of 59.2% recorded for the year ended 2018. The difference between the effective and the statutory rates for the year ended December 31, 2019 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and non-deductibility of certain expenses for tax purposes. The difference between the effective and the statutory rates for the year ended December 31, 2018 is mainly due to recognition of previously unrecognized tax attributes, a resolution of uncertain tax positions and non-deductibility of certain expenses for tax purposes.

Net earnings

The Company recorded net earnings of $94.7 million for the year ended December 31, 2019 as compared to $82.8 million for the same period last year. The increase in net earnings for the year ended December 31, 2019 compared to the same period last year is mainly due to the lower depreciation and amortization expenses and lower financial charges from a reduced level of indebtedness due to repayment of the Senior Secured Notes partially offset by lower Adjusted EBITDA and lower recovery of income taxes.

Fiscal year 2018 versus 2017

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2018	2017 (Restated)[1]	% Change
Digital	$ 357,705	$ 417,466	(14.3%)
Print	127,897	165,674	(22.8%)
YP	$ 485,602	$ 583,140	(16.7%)
Digital	84,534	125,026	(32.4%)
Print	8,043	21,253	(62.2%)
Other	92,577	146,279	(36.7%)
Digital	(958)	(1,385)	(30.8%)
Print	(26)	(67)	nm
Intersegment eliminations	(984)	(1,452)	(32.2%)
Digital	$ 441,281	$ 541,107	(18.4%)
Print	$ 135,914	$ 186,860	(27.3%)
Total revenues	$ 577,195	$ 727,967	(20.7%)

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

For the year ended December 31, 2018, total revenues amounted to $577.2 million as compared to $728.0 million for the same period last year representing a decrease of 20.7% year-over year or $150.8 million of which $33.3 million is attributable to the divested businesses in the Other segment. Other than the decrease resulting from the divestitures, the decline in total revenues for the year ended December 31, 2018 was due to digital revenue declines in all segments and YP segment print revenue decline.

For the year ended December 31, 2018, total digital revenues amounted to $441.3 million or 76.5% of revenues, representing a decrease of 18.4% year-over-year or $99.8 million of which $20.0 million is attributable to the divested businesses in the Other segment. This compares to $541.1 million or 74.3% of revenues for the year ended December 31, 2017. Other than the decrease resulting from the divestitures, the digital revenue decline for the year ended December 31, 2018 was attributable to lower revenues in both segments.

For the year ended December 31, 2018, total print revenues amounted to $135.9 million representing a decrease of 27.3% year-over-year or $50.9 million of which $13.2 million was attributable to the divested businesses. Other than the decrease resulting from the divestitures, the print revenue decline for the year ended December 31, 2018 was attributable to the YP segment.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2018 decreased by $97.5 million or 16.7% to $485.6 million from $583.1 million for the same period in 2017. The decrease for the year ended December 31, 2018 was mainly due to the decline of our higher margin YP digital media and print products and, to a lesser extent, our lower margin digital services products. This change in product mix created pressure on our gross profit margins.

Digital revenues decreased 14.3% year-over-year and amounted to $357.7 million for the year ended December 31, 2018, compared to $417.5 million for the same period last year. Digital revenues were adversely impacted by a decline in the number of digital customers offset in part by a higher spend per customer. The lower digital customer count is attributable to both a lower level of customer acquisition in 2018, driven in part by our focus on profitability, and by higher churn, mainly caused by the surge in customer acquisition in 2016 and 2017 of customers purchasing low end solutions which typically have higher churn rates.

Print revenues decreased by 22.8% year-over-year to $127.9 million for the year ended December 31, 2018. The results were adversely impacted by a decline in the number of print customers and lower spend per customer.

Other

Other revenues decreased by $53.7 million, of which $33.3 million is attributable to the divested businesses, to $92.6 million for the year ended December 31, 2018 from $146.3 million for the same period in 2017. The decline in Other revenues was mainly a result of the Company divesting the business operations of Comfree in July 2018, the closure of certain US operations to improve profitability, the sale of Totem as of May 31, 2018 as well as the wind down of the Mediative activities.

Gross Profit[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2018	% of Revenues	2017 (Restated)[2]	% of Revenues	% Change
YP	$ 306,157	63.0%	$ 339,477	58.2%	(9.8%)
Other	33,660	36.4%	44,537	30.4%	(24.4%)
Intersegment eliminations	(163)	nm	(495)	nm	(67.1%)
Total gross profit	$ 339,654	58.8%	$ 383,519	52.7%	(11.4%)

[1] *Certain comparative information has been restated to conform to the 2019 presentation.*

[2] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

Gross profit for the year ended December 31, 2018 amounted to $339.7 million or 58.8% of total revenues representing a decrease of $43.9 million year-over-year of which $14.2 million is attributable to the divested businesses. This compares to $383.5 million or 52.7% of total revenues for the same in 2017. The increase in gross profit as a percentage of revenues was due to cost reduction measures and focus on profitability of our products and services offsetting the pressures from reduced revenues and change in product mix.

Reportable Segments Gross Profit

YP

Gross profit for the year ended December 31, 2018 was $306.2 million, or 63.0% of revenues as compared to $339.5 million, or 58.2% of revenues for the same period in 2017. The decrease in gross profit is a result of reduced revenues and change in product mix. Gross profit as a percentage of revenues increased as the revenue pressures were more than offset by cost reduction measures and focus on profitability of our products and services. These measures included workforce reductions primarily in non-customer facing areas in the first quarter of 2018, call center consolidations and optimization of our servicing model in the second quarter of 2018 as well as increased focus on profitable sales throughout 2018.

Other

Gross profit for the Other segment amounted to $33.7 million, or 36.4% of revenues, for the year ended December 31, 2018 as compared to $44.5 million, or 30.4% of revenues, for the year ended December 31, 2017.The decrease in gross profit for the year ended December 31, 2018 is due to lower revenues partially offset by an improvement in gross profit as a percentage of revenues due to cost reductions.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2018	% of Revenues		2017 (Restated)[1]	% of Revenues	% Change
YP	$	185,026	38.1%	$	182,590	31.3%	1.3%
Other		7,539	8.1%		519	0.4%	nm
Total Adjusted EBITDA	$	192,565	33.4%	$	183,109	25.2%	5.2%

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

For the year ended December 31, 2018, Adjusted EBITDA increased by $9.5 million or 5.2% to $192.6 million compared to $183.1 million for the same period in 2017. Our Adjusted EBITDA margin amounted to 33.4% for the year ended December 31, 2018 compared to 25.2% for the year ended December 31, 2017. The increase in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2018 was mainly the result of reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the Company.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2018 increased to $185.0 million from $182.6 million for the same period in 2017. The Adjusted EBITDA margin for the YP segment for the year ended December 31, 2018 amounted to 38.1% compared to 31.3% for the same period in 2017. Despite overall lower revenues and the pressures on margins, our Adjusted EBITDA and Adjusted EBITDA margin grew due to an increased focus on the profitability of our products and services and reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the segment.

Other

Adjusted EBITDA for the Other segment for the year ended December 31, 2018, amounted to $7.5 million, or 8.1% of revenues. This compares to $0.5 million, or 0.4% of revenues, for the same periods in 2017. The increase in the Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2018 was impacted by the closure of certain US operations to improve profitability and reductions in our workforce and associated employee costs. The Adjusted EBITDA for the year ended December 31, 2018 also improved relative to the same period in 2017 due to a non-recurring contract termination fee incurred in the first quarter of 2017.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2018		2017 (Restated)[1]	% Change
Adjusted EBITDA	$	185,026	$	182,590	1.3%
CAPEX		9,556		53,772	(82.2%)
YP	$	175,470	$	128,818	36.2%
Adjusted EBITDA		7,539		519	nm
CAPEX		2,480		7,113	(65.1%)
Other		5,059		(6,594)	nm
Adjusted EBITDA	$	192,565	$	183,109	5.2%
CAPEX	$	12,036	$	60,885	(80.2%)
Total Adjusted EBITDA less CAPEX	$	180,529	$	122,224	47.7%

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

For the year ended December 31, 2018, Adjusted EBITDA less CAPEX increased by $58.3 million or 47.7% to $180.5 million compared to $122.2 million for the same period in 2017. The increase in Adjusted EBITDA less CAPEX for the year ended December 31, 2018 was mainly impacted by higher Adjusted EBITDA and decreased spending on software development, office and computer equipment and leasehold improvements associated with office relocations.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the year ended December 31, 2018 totalled $175.5 million compared to $128.8 million for the year ended December 31, 2017. The increase for the year ended December 31, 2018 is mainly due to higher Adjusted EBITDA and lower capital expenditures in software development and lower spend in office and computer equipment and leasehold improvements associated with office relocations.

Other

Adjusted EBITDA less CAPEX for the Other segment for the year ended December 31, 2018 increased to $5.1 million as compared to a loss of $6.6 million in the same period in 2017. The improvements in Adjusted EBITDA less CAPEX were due to increased Adjusted EBITDA as well as reduced capital expenditures on software development.

Depreciation and Amortization

Depreciation and amortization decreased to $76.1 million for the year ended December 31, 2018 compared to $113.0 million for the year ended December 31, 2017 primarily due to the lower opening intangible asset balance following the impairment recorded in the fourth quarter of 2017 and decreased spend in software development.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2018	2017 (Restated)[1]
Severance, benefits and outplacement	$ 31,231	$ 15,098
Settlement of litigation	(14,095)	–
Impairment (recovery) of right-of-use assets and future operating costs related to lease contracts for offices closed	(2,029)	17,188
Pension settlement costs and past service costs, net	755	1,332
Transaction costs	–	601
Other fees	–	181
Total restructuring and other charges	$ 15,862	$ 34,400

[1] *Restated to reflect the adoption of new international financial reporting standards with an effect on the consolidated financial statements.*

The Company recorded restructuring and other charges of $15.9 million for the year ended December 31, 2018 (2017 – $34.4 million) consisting of restructuring charges of $31.2 million associated with workforce reductions, offset by the $14.1 million impact of a favorable litigation settlement on a contractual obligation with a vendor. Additionally, the restructuring and other charges were offset by a net recovery of $2.0 million related to the impairment of right-of-use assets and future operating costs provisioned for lease contracts for office closures. Included in this amount is a net recovery of $7.3 million as a result of a more favorable lease recovery than anticipated, partially offset by the impairment of right-of-use assets and future operating costs related to lease contracts for office closures. For the year ended December 31, 2017, we recorded restructuring and other charges of $34.4 million associated primarily with internal reorganizations and workforce reductions of $15.1 million and with office closures of $17.2 million. Transaction costs of $0.6 million are comprised mainly of acquisition related costs.

Financial Charges

Financial charges increased to $54.7 million for the year ended December 31, 2018 compared to $53.9 million for the same period in 2017. The increase was primarily due to the issuance of the $315.0 million principal amount 10.00% Senior Secured Notes on October 19, 2017, which accrued interest at a higher rate than the prior Senior Secured Notes. The Company's effective average annual interest rate on our debt portfolio excluding capital leases as at December 31, 2018 was 9.2% (2017 – 8.5%).

(Recovery of) provision for income taxes

The combined statutory provincial and federal tax rates was 26.9% for the year ended December 31, 2018 and 26.8% for the same period in 2017. The Company recorded a recovery of income taxes of $30.8 million for the year ended December 31, 2018, comprised of recognition of previously unrecognized tax attributes of $8.5 million and a resolution of uncertain tax positions of $38.6 million. These recoveries are non-cash items.

In comparison, the Company recorded a provision for income taxes of $63.4 million for the year ended December 31, 2017, comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500.0 million on certain of its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $70.0 million during the fourth quarter of 2017. These expenses are non-cash items.

The Company recorded an income tax recovery of 59.2% of earnings for the year ended December 31, 2018 compared to a provision for income taxes of (12%) on the losses for the year ended December 31, 2017. The difference between the effective and the statutory rates for the year ended December 31, 2018 is mainly due to recognition of previously unrecognized tax attributes, a resolution of uncertain tax positions and non-deductibility of certain expenses for tax purposes. The difference between the effective and the statutory rates in 2017 is mainly due to the reversal and the non-recognition of tax attributes and deductible temporary differences from the current and previous years.

Net earnings (loss)

Net earnings increased to $82.8 million for the year ended December 31, 2018 from a net loss of $594.5 million for the year ended December 31, 2017. Notwithstanding the impairment charge of $507.0 million recorded in 2017, the improvement in net earnings is mainly due to higher Adjusted EBITDA, decreased depreciation and amortization expenses and restructuring and other charges, a gain on the sale of businesses and the recovery of 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)

				2019				2018
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
YP revenues	**$ 93,507**	$ 98,147	$ 106,610	$ 103,675	$ 110,782	$ 117,647	$ 129,339	$ 127,834
Other revenues and Intersegment Eliminations	**–**	–	162	1,112	13,737	12,503	33,873	31,480
Total revenues	**$ 93,507**	$ 98,147	$ 106,772	$ 104,787	$ 124,519	$ 130,150	$ 163,212	$ 159,314
Operating costs	**58,751**	60,361	63,350	59,406	83,370	83,889	105,990	111,381
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**34,756**	37,786	43,422	45,381	41,149	46,261	57,222	47,933
Adjusted EBITDA margin	**37.2%**	38.5%	40.7%	43.3%	33.0%	35.5%	35.1%	30.1%
Depreciation and amortization	**8,678**	9,221	10,082	11,128	17,063	18,945	19,202	20,884
Restructuring and other charges (recovery)	**5,719**	2,347	1,571	2,862	1,198	5,220	(1,754)	11,198
Income from operations	**20,359**	26,218	31,769	31,391	22,888	22,096	39,774	15,851
Financial charges, net	**7,360**	7,019	11,456	13,765	13,516	13,074	13,977	14,162
Loss (gain) on sale of businesses	**10**	160	197	–	(205)	(6,827)	903	–
(Recovery of) provision for income taxes	**(40,608)**	5,200	5,543	4,966	(30,380)	(11,276)	8,248	2,608
Net earnings (loss)	**$ 53,597**	$ 13,839	$ 14,573	$ 12,660	$ 39,957	$ 27,125	$ 16,646	$ (919)
Basic earnings (loss) per share	**$ 2.02**	$ 0.52	$ 0.55	$ 0.48	$ 1.51	$ 1.03	$ 0.63	$ (0.03)
Diluted earnings (loss) per share	**$ 1.70**	$ 0.49	$ 0.51	$ 0.45	$ 1.28	$ 0.89	$ 0.56	$ (0.03)

Sequential quarterly revenue trends are impacted by the YP segment's print publication distribution schedules, with the second quarter being the strongest quarter. Year-over-year the quarterly revenues have decreased principally due to revenue declines in the YP segment associated with overall loss of customers partially offset by an increasing ARPC over the last six quarters. The decline in revenues of the Other segment is a result of the divestitures or liquidation of unprofitable or non-synergistic businesses throughout 2018 and during the first two quarters of 2019.

Operating costs decreased over the periods due to lower revenues, an increased focus on the profitability of our products and services, reductions in our cost structure during 2018 and over the course of 2019. These measures related to workforce reductions primarily in non-customer facing areas in the first quarter of 2018, to call center consolidations and optimization of our servicing model in the second quarter of 2018, reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint, cost optimizations in technology infrastructure and other spending reductions across the YP segment. These cost reductions initiatives were partially offset by investments in customer care and new customer acquisitions starting in the third quarter of 2019. The first quarter of 2019 also benefited by an adjustment to the variable compensation expenses mainly due to employee attrition and previous year performances. Furthermore, operating costs for the second half of 2018 were also reduced by the divestiture of businesses and this continued through 2019 with the completion of the liquidation of Mediative division in the first quarter and the sale of YP Dine and Bookenda in the second quarter.

The Adjusted EBITDA margin showed continued improvement in the first two quarters of 2019 as reductions in our cost structure and emphasis on the profitability of our products and services more than offset the pressures from lower overall revenues and change in product mix in the YP segment. The Adjusted EBITDA margins decreased in the third and fourth quarter of 2019 due to the revenue pressures and investments in customer care and new customer acquisitions.

Depreciation and amortization have been decreasing due to lower intangible assets resulting from decreasing software development expenditures as well as lower intangible assets following the impairment recorded in the fourth quarter of 2017.

The Company's restructuring and other charges mainly relate to workforce reductions and impairments of right-of-use assets and future operating costs related to lease contracts for offices closed. The second quarter of 2018 benefited from a net recovery of $7.3 million relating to the impairment of right-of-use assets and future operating costs provisioned for lease contracts for office closures as a result of a more favorable lease recovery than anticipated.

The financial charges have been declining as a result of lower indebtedness.

Net earnings were stable during the first three quarters of 2019, while the fourth quarter benefited from recording a recovery of income taxes of $40.6 million, comprised of the recognition of previously unrecognized tax attributes of $44.2 million. The net earnings in the fourth quarter of 2018 benefited from the reversal of income tax provisions of $21.4 million related to previous taxation years and to the recognition of previously unrecognized tax attributes for $8.5 million. The net earnings in the third quarter of 2018 benefited from the impact of the net gain on sale of businesses of $6.8 million as well as the benefit of the reversal of income tax provisions of $18.3 million related to previous taxation years.

ANALYSIS OF FOURTH QUARTER 2019 RESULTS

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

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2019		2018	% Change
Digital	$	70,162	$	82,722	(15.2%)
Print		23,345		28,060	(16.8%)
YP	$	93,507	$	110,782	(15.6%)
Digital		–		13,989	(100.0%)
Print		–		–	–
Other		–		13,989	(100.0%)
Digital		–		(252)	nm
Print		–		–	–
Intersegment eliminations		–		(252)	nm
Digital	$	70,162	$	96,459	(27.3%)
Print	$	23,345	$	28,060	(16.8%)
Total revenues	$	93,507	$	124,519	(24.9%)

Total revenues for the three-month period ended December 31, 2019 decreased by $31.0 million or 24.9% year-over-year and amounted to $93.5 million as compared to $124.5 million for the same period last year. The decline in total revenues for the quarter ended December 31, 2019 was due to lower digital and print revenues in the YP segment as well as the divestitures in the Other segment.

Total digital revenues decreased by $26.3 million or 27.3% year-over-year and amounted to $70.2 million during the fourth quarter of 2019 compared to $96.5 million for the same period last year. The digital revenue decline for the three-month period ended December 31, 2019 was attributable the divestitures in the Other segment as well as lower revenues in the YP segment.

Total print revenues decreased by $4.7 million or 16.8% year-over-year and amounted to $23.3 million during the fourth quarter ended December 31, 2019. The print revenue decline for the three-month period ended December 31, 2019 is a result of lower revenues to the YP segment.

Reportable Segments Revenues

YP

Revenues for the YP segment for the fourth quarter of 2019 decreased by $17.3 million or 15.6% year-over-year and amounted to $93.5 million compared to $110.8 million for the same period last year. The decrease for the quarter ended December 31, 2019 is mainly 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.

Digital revenues decreased 15.2% year-over-year and amounted to $70.2 million for the fourth quarter of 2019, this compares to $82.7 million for the same period last year. Digital revenues were adversely impacted by a decline in the number of digital customers partially offset by a sixth consecutive quarter of higher spend per customer. The lower digital customer count is mostly attributable to a lower level of customer acquisition, driven in part by our focus on profitability.

Print revenues decreased by 16.8% year-over-year to $23.3 million during the fourth quarter of 2019. The results were adversely impacted by a decline in the number of print customers and lower spend per customer.

Other

Due to the divestitures there were no revenues generated by the Other segment during the fourth quarter of 2019, resulting in a year-over-year decline of $14.0 million in Other revenues.

Gross Profit[1]

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	$	54,799	58.6%	$	69,963	63.2%	(21.7%)
Other		–	–		4,534	32.4%	(100.0%)
Intersegment eliminations		–	–		(70)	nm	nm
Total gross profit	$	54,799	58.6%	$	74,427	59.8%	(26.4%)

[1] *Certain comparative information has been restated to conform with the 2019 presentation.*

Gross profit decreased to $54.8 million, or 58.6% of total revenues, for the fourth quarter of 2019 compared to $74.4 million or 59.8% of total revenues, for the same period last year. The decrease in gross profit is due to the pressures from lower overall revenues and change in product mix in the YP segment and to the divestitures in the Other segment.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the three-month period ended December 31, 2019 totalled $54.8 million, or 58.6% of revenues, compared to $70.0 million, or 63.2% of revenues, for the same period last year. The decrease in gross profit and gross profit as a percentage of revenues for the three-month period ended December 31, 2019 is a result of the pressures from lower overall revenues and change in product mix as well as investments in customer care and investments in new customer acquisition. The revenue pressures and customer care and new customer acquisition investments were partially offset by higher efficiencies in sales and operations from optimization and cost reductions, as well as an increased focus on the profitability of our products and services.

Other

Due to the divestitures there was no gross profit generated by the Other segment during the fourth quarter of 2019, resulting in a year-over-year decline of $4.5 million in Other gross profit.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	$	34,756	37.2%	$	38,853	35.1%	(10.5%)
Other		–	–		2,296	16.4%	(100.0%)
Total Adjusted EBITDA	$	34,756	37.2%	$	41,149	33.0%	(15.5%)

Adjusted EBITDA decreased by $6.4 million to $34.8 million during the fourth quarter of 2019, compared to $41.1 million during the same period last year. The Company's Adjusted EBITDA margin for the three-month period ended December 31, 2019 was 37.2% compared to 33.0% for the same period last year. The decrease in Adjusted EBITDA for the three-month period ended December 31, 2019 is the result of the revenue pressures in the YP segment as well as the divestitures in the Other segment. The increase in Adjusted EBITDA margin is mainly due to reductions in both our cost of sales and other operating costs which fully offset the revenue pressures in the YP segment as well as the dilutive effect on profitability of the lower margin Other segment in 2018.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the fourth quarter of 2019 totalled $34.8 million compared to $38.9 million for the same period last year. The decrease in Adjusted EBITDA is a result of lower overall revenues, pressures from the change in product mix and investments in customer care and investments in new customer acquisition. The Adjusted EBITDA margin for the YP segment for the fourth quarter of 2019 was 37.2% compared to 35.1% for the same period last year. The increase in Adjusted EBITDA margin for the fourth quarter is due to the revenue pressures and investments in customer care and investments in new customer acquisition being more than offset by an increased focus on the profitability of our products and services and reductions in both our cost of sales and other operating costs. The decrease in other operating costs included reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the segment.

Other

Due to the divestitures there was no Adjusted EBITDA generated by the Other segment during the fourth quarter of 2019, resulting in a year-over-year decline of $2.3 million in Other Adjusted EBITDA.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		**2019**		2018	% Change
Adjusted EBITDA	**$**	**34,756**	$	38,853	(10.5%)
CAPEX		**1,981**		3,801	(47.9%)
YP	**$**	**32,775**	$	35,052	(6.5%)
Adjusted EBITDA		–		2,296	(100.0%)
CAPEX		–		239	(100.0%)
Other		–		2,057	(100.0%)
Adjusted EBITDA	**$**	**34,756**	$	41,149	(15.5%)
CAPEX	**$**	**1,981**	$	4,040	(51.0%)
Total Adjusted EBITDA less CAPEX	**$**	**32,775**	$	37,109	(11.7%)

Adjusted EBITDA less CAPEX decreased by $4.3 million or 11.7% to $32.8 million during the fourth quarter of 2019 compared to $37.1 million during the same period in 2018. Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2019 was mainly impacted by lower Adjusted EBITDA partially offset by decreased spending on software development.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the three-month period ended December 31, 2019 totalled $32.8 million compared to $35.1 million for the same period last year. The decrease for the three-month period ended December 31, 2019 is mainly due to lower Adjusted EBITDA, partially offset by lower capital expenditures in software development.

Other

Adjusted EBITDA less CAPEX for the Other segment for the three-month period ended December 31, 2019, is $nil, as compared to Adjusted EBITDA less CAPEX of $2.1 million for the same period last year. The year-over-year decrease is a result of the divestitures.

Depreciation and Amortization

Depreciation and amortization decreased to $8.7 million for the three-month period ended December 31, 2019 compared to $17.1 million for the same period last year. The decrease is primarily due to lower software development expenditures.

Restructuring and Other charges

(In thousands of Canadian dollars)

For the three-month periods ended December 31,		2019		2018
Severance, benefits and outplacement	$	5,844	$	5,387
Settlement of litigation		–		(3,537)
Impairment of right-of-use assets and future operation costs related to lease contracts for offices closed		(336)		468
Pension settlement costs and past service costs (recovery), net		(980)		(1,120)
Other fees		1,191		–
Total restructuring and other charges	$	5,719	$	1,198

The Company recorded restructuring and other charges of $5.7 million for the three-month period ended December 31, 2019 consisting of restructuring charges of $6.0 million relating to workforce reductions, a $0.8 million charge related to future operation costs provisioned related to lease contracts for office closures, offset by a $1.1 million recovery from more favorable lease recoveries than anticipated. For the three-month period ended December 31, 2018, we recorded restructuring and other charges of $1.2 million associated primarily with internal reorganizations and workforce reductions offset by the $3.5 million impact of a favorable litigation settlement on a contractual obligation with a vendor.

Financial Charges

Financial charges decreased to $7.4 million for the fourth quarter of 2019 compared to $13.5 million for the same period in 2018. The decrease is primarily due to a lower level of indebtedness due to repayments of the Senior Secured Notes.

Recovery of Income Taxes

The combined statutory provincial and federal tax rates were 26.8% and 26.9% for the three-month periods ended December 31, 2019 and 2018, respectively. During the fourth quarter ended December 31, 2019, the Company recorded a recovery for income tax of $40.6 million, comprised of recognition of previously unrecognized tax attributes and temporary differences of $44.2 million. These recoveries were non-cash items.

In comparison, the Company recorded a recovery for income taxes of $30.4 million during the fourth quarter ended December 31, 2018, comprised of recognition of previously unrecognized tax attributes of $11.9 million and a resolution of uncertain tax positions of $21.4 million. These recoveries were non-cash items.

The difference between the effective and the statutory rates for the fourth quarter of 2019 is mainly due to recognition of previously unrecognized tax attributes and temporary differences. The difference between the effective and the statutory rates for the fourth quarter of 2018 is mainly due to the recognition of previously unrecognized tax attributes and a resolution of uncertain tax positions.

Net earnings

We recorded net earnings of $53.6 million and $40.0 million during the three-month periods ended December 31, 2019 and 2018, respectively. The improvement in net earnings is mainly due to decreased depreciation and amortization expenses due to lower software development expenditures, lower financial charges from a reduced level of indebtedness and higher recovery of income taxes partially offset by lower Adjusted EBITDA and increase in restructuring and other charges.

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)

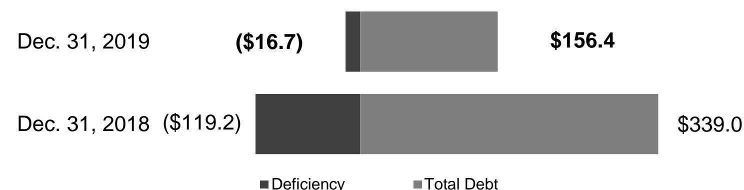
As at December 31,		2019		2018
Cash and restricted cash	$	44,408	$	81,452
Senior Secured Notes	$	–	$	167,489
Exchangeable debentures		98,537		96,179
Lease obligations		57,885		75,320
Total debt	$	156,422	$	338,988
Deficiency		(16,660)		(119,164)
Total capitalization	$	139,762	$	219,824
Total debt net of cash and restricted cash, to total capitalization		80.1%		117.2%

As at December 31, 2019, Yellow Pages had $112.0 million of debt net of cash and restricted cash, compared to $257.5 million as at December 31, 2018.

The total debt net of cash and restricted cash to latest Twelve-Month Adjusted EBITDA[1] ratio as at December 31, 2019 was 0.7 times compared to 1.3 times as at December 31, 2018. The decrease is mainly due to elimination and reduction in Senior Secured Notes and lease obligations.

Total Debt Net of Cash and Restricted Cash to Latest Twelve-Month Adjusted EBITDA[1] Ratio

Capital Structure
(In millions of Canadian dollars)



[1] *Latest twelve-month income from operations before depreciation and amortization, and restructuring and other charges (Latest Twelve-Month Adjusted EBITDA). Latest Twelve-Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 3 for a definition of Adjusted EBITDA.*

Asset-Based Loan

On October 19, 2017, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, renewed its five-year $50.0 million asset-based loan (ABL) and extended the term of the ABL to August 2022. At the request of the Company, the ABL agreement was amended on November 18, 2019 to reduce the total commitment from $50.0 million to $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 December 31, 2019, the Company fixed charge coverage ratio was 1.5 times. The Company had $3.4 million of letters of credit issued and outstanding under the ABL. As such, $21.6 million of the ABL was available as at December 31, 2019. As at December 31, 2019, the Company was in compliance with all covenants under the loan agreement governing the ABL.

Senior Secured Notes

On October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, issued $315.0 million aggregate principal amount of 10.00% Senior Secured Notes (the "Notes") due November 1, 2022 at an issue price of $980 per $1,000 principal amount of the Notes, or $6.3 million discount. The Notes accrue interest at a rate of 10.00% per annum and are payable in semi-annual instalments in arrears on May 1 and November 1 of each year.

Mandatory Redemption

Pursuant to the indenture governing the Notes, the Company was required to use an amount equal to 100% of its consolidated Excess Cash Flow, as defined in the indenture, and any designated net proceeds from asset sales for the immediately preceding mandatory redemption period to redeem the Notes, on a semi-annual basis on the last day (or first following business day) of May and November of each year, at a redemption price equal to 100% of the principal amount, subject to the Company maintaining a minimum cash balance of $20.0 million on the last day of the mandatory redemption period. The Company was required to use 75% of its consolidated Excess Cash Flow to redeem the Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is no greater than 1.5 to 1. In 2019, the Company made in aggregate mandatory principal redemption payments of $100.7 million on the Notes.

Optional Redemption

From November 1, 2018 to October 31, 2019, the Company had the option to redeem all or part of the Notes at 102% of the aggregate principal amount, plus accrued and unpaid interest. From November 1, 2019 to October 31, 2020, the Company had the option to redeem all or part of the Notes at 101% of the aggregate principal amount, plus accrued and unpaid interest. Beginning November 1, 2020, the Company would have had the option to redeem all or part of the Notes at 100% of the aggregate principal amount, plus accrued and unpaid interest. In 2019, the Company made in aggregate optional principal redemption payments of $69.6 million.

With the mandatory and optional redemption payments made during the year, the Company has fully repaid the outstanding balance of the Notes as at December 31, 2019.

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. As at December 31, 2019, and December 31, 2018, the face value of the Exchangeable Debentures was $107.1 million. As at December 31, 2019, the value of the Exchangeable Debentures less unaccreted interest was $98.5 million compared to $96.2 million as at December 31, 2018.

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. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

The indenture governing the Exchangeable Debentures contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

The indenture does permit the Company to make restricted payments, including payment of dividends and common stock buyback, in an aggregate amount not to exceed $20.0 million since the date of the indenture. To-date, the Company has made no restricted payments since the indenture went into effect. As at December 31, 2019, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable at the holder's option into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions.

Optional Redemption

The Company may, at any time on or after the date on which all of the Notes have been repaid in full, redeem all or part of the Exchangeable Debentures at its option, 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.

The Company intends to make an optional redemption payment to fully repay its Exchangeable Debentures on or shortly after May 31, 2021 according to the terms above (i.e. at a redemption price of 100%).

The redemption option for cash is an embedded derivative and is recorded at fair value on the consolidated statements of financial position with changes in fair value recognized in financial charges. The fair value was insignificant as at December 31, 2019 (2018 – $nil).

Credit Ratings

DBRS Limited	Standard and Poor's Global Ratings
B (high)/Issuer rating – stable outlook	B-/Corporate credit rating – positive outlook
B (high)/Credit rating for Exchangeable Debentures	B/Credit rating for Exchangeable Debentures

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 December 31, 2019, the Company had approximately $44.4 million of cash and $21.6 million available under the ABL.

Options

On December 20, 2012, as part of the implementation of Yellow Pages recapitalization transaction, a new stock option plan (the Stock Option Plan) was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees (the Participants) of Yellow Pages who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Pages through the transition and transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. On May 11, 2018, an amendment to the Stock Option Plan was approved, increasing the maximum number of common shares authorized for issuance upon the exercise of options by 1,516,320, from 1,290,612 to 2,806,932.The stock options expire approximately seven years after the grant date and Participants are required to hold 25% of the common shares received pursuant to the exercise of the stock options until the Participants meet the ownership guidelines which apply to their respective position.

Share Data

Outstanding Share Data

As at	February 12, 2020	December 31, 2019	December 31, 2018
Common shares outstanding	28,075,308	28,075,308	28,075,308
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,484	2,995,484	2,995,484
Stock options outstanding[2]	1,983,102	1,983,102	1,347,052

[1] *As at February 12, 2020, Yellow Pages had $107.1 million principal amount of Exchangeable Debentures outstanding, which amount is exchangeable into 5,624,422 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.*

[2] *Included in the stock options outstanding balance of 1,983,102 and 1,983,102 as at February 12, 2020 and December 31, 2019, are nil stock options exercisable as at those dates. Included in the stock options outstanding balance of 1,347,052 as at December 31, 2018 are 60,425 stock options exercisable as at that date.*

Dividend Policy

On February 12, 2020, the Board approved management's intention to declare and pay dividends of $0.11 per common share per quarter starting in the second quarter of 2020.

YP's dividend payout policy and the declaration of dividends on any of the Company's outstanding 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.

Contractual Obligations and Other Commitments

(in thousands of Canadian dollars)

		Payments due for the years following December 31, 2019			
	Total	1 year	2 – 3 years	4 – 5 years	After 5 years
Lease obligations[1,2]	**$ 57,886**	$ 2,767	$ 5,604	$ 7,001	$ 42,514
Exchangeable Debentures[1]	**107,089**	–	107,089	–	–
Operating portion of lease obligations	**73,366**	5,036	10,239	10,615	47,476
Other	**45,296**	18,667	20,187	5,229	1,213
Total contractual obligations	**$ 283,637**	$ 26,470	$ 143,119	$ 22,845	$ 91,203

[1] *Principal amount.*

[2] *Net present value.*

Lease obligations

We entered into finance lease agreements for premises. As at December 31, 2019, minimum payments under these finance leases up to 2033 total $57.9 million.

Operating portion of lease obligations

We rent our premises and office equipment under various leases for which an operating portion is recognized. As at December 31, 2019, minimum payments for the operating portion under these leases up to 2033 total $73.4 million.

Purchase obligations

We use the services of outside suppliers to distribute and print our directories and have entered into long-term agreements with a number of these suppliers. These agreements expire between 2020 and 2032. We also have purchase obligations under service contracts for both operating and capital expenditures. As at December 31, 2019, we have an obligation to purchase services for $45.3 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Obligations

YP sponsors a pension plan registered with the Canada Revenue Agency and the Financial Services Commission of Ontario with defined benefit (DB) for employees hired prior to January 1, 2006, and defined contribution (DC) components for the non-Québec based employees hired on or after January 1, 2006 (the YP Pension Plan) as well as a DC plan registered with the Régie des Rentes du Québec (the YP Québec Plan), for the Québec based employees hired on or after January 1, 2006. Both plans together cover substantially all employees of the Company.

As at December 31, 2019, the DB component of the YP Pension Plan's assets market value totalled $481.7 million and were invested in a diversified portfolio of Canadian fixed income securities and Canadian and international equity securities. Its rate of return on assets was 19.54% for 2019, 0.26% above our benchmark portfolio.

The most recent actuarial valuation of the DB component of the YP Pension Plan for funding purposes was performed as at December 31, 2017. This is the first valuation prepared with the new Ontario funding basis that eliminates solvency deficit contribution requirement if the plan is above 85% solvent. It also includes a requirement to fund on a going-concern basis a Provision for Adverse Deviation (PfAD) that is determined based on plan characteristics. There is no solvency contribution (above 85% solvent) but an annual contribution to cover the PfAD is required at $1.8 million for a 10-year period starting in 2019. The next actuarial valuation for funding purposes will be prepared no later than December 31, 2020.

In 2019, the Company made annual contributions equivalent to the current service cost (the Annual Employer Cost) of $10.2 million, including $1.8 million to fund the deficit. Total cash payments are expected to amount to $9.6 million for 2020.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,		2019		2018
Cash flows from operating activities				
Cash flows from operations, excluding change in operating assets and liabilities	**$**	**113,346**	$	103,231
Change in operating assets and liabilities		**31,413**		31,428
	$	**144,759**	$	134,659
Cash flows used in investing activities				
Additions to intangible assets	**$**	**(9,647)**	$	(14,287)
Additions to property and equipment		**(91)**		(1,899)
Lease incentives received		**–**		4,150
Payments received from net investment in subleases		**466**		211
Proceeds on sale of businesses		**1,936**		63,665
Business acquisition		**(400)**		(400)
	$	**(7,736)**	$	51,440
Cash flows used in financing activities				
Repayment of senior secured notes	**$**	**(170,231)**	$	(144,769)
Payment of lease obligations		**(3,836)**		(6,283)
	$	**(174,067)**	$	(151,052)
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	**$**	**(37,044)**	$	35,047
CASH AND RESTRICTED CASH, BEGINNING OF YEAR		**81,452**		46,405
CASH AND RESTRICTED CASH, END OF YEAR	**$**	**44,408**	$	81,452

Cash flows from operating activities

Cash flows from operating activities increased by $10.1 million to $144.8 million from $134.7 million for the year ended December 31, 2019 mainly due to lower payments for restructuring and other charges of $18.4 million, lower interest paid of $20.3 million due to a lower level of indebtedness due to repayments of the Senior Secured Notes and lower funding of post-employment benefit plans of $1.4 million, mainly offset by lower Adjusted EBITDA of $31.2 million.

Cash flows used in investing activities

Cash flows used in investing activities decreased by $59.2 million mainly due to lower proceeds received on sale of businesses of $61.7 million and lower lease incentives received of $4.2 million, partially offset by lower investments in software development and property and equipment of $6.4 million.

Cash flows used in financing activities

Cash flows used in financing activities amounted to $174.1 million for the year ended December 31, 2019 as compared to $151.1 million for the same period last year. During 2019, a payment of $170.2 million was made on the Senior Secured Notes compared to $144.8 million during the same period last year.

Financial and other instruments

(See Note 24 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2019 and 2018).

The Company's financial instruments primarily consist of cash and restricted cash, trade and other receivables, net investment in subleases, trade and other payables, lease obligations, Senior Secured Notes and Exchangeable Debentures.

The redemption option on the Exchangeable Debentures is an embedded derivative and is recorded at fair value on the consolidated statements of financial position with changes in fair value recognized in financial charges. The fair value was insignificant as at December 31, 2019 (2018 – $nil)..

4. Critical Assumptions and Estimates

When we prepare our 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.

In this section, we provide detailed information on these important estimates and assumptions which are under continuous evaluation by the Company.

Allowance for revenue adjustments

The Company records an allowance for revenue adjustments as a reduction to revenue, this reflects an estimate of claims expected from customers. The Company updates its estimate of the allowance for revenue adjustments based on historical experience related to claims, as well as client-related factors. This significant estimate could affect Yellow Pages Limited's future results if actual claims are higher or lower than previously anticipated.

Estimate of the lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and assesses whether it will extend the lease at the end of the lease contract, or exercise an early termination option. The Company determined that the term of its leases are the original lease term as it is not reasonably certain that the extension of termination options will be exercised. This significant estimate could affect Yellow Pages Limited's future results if the Company extends the lease or exercises an early termination option.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired, particularly when it vacates an office space and it must determine the recoverability of the asset, depending on its capacity to sublease the assets or surrender the lease and recover its costs. The Company will examine its lease conditions as well as local market conditions and estimate its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect Yellow Pages Limited's future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Measurement of ECL allowance for trade receivables

In relation to the impairment of trade receivables (including contract assets), the Company uses the ECL model, which requires the Company to account for the ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The ECL related to doubtful accounts for trade receivables (also referred to as allowance for doubtful accounts) is established based on various factors, including amongst others the age of the exposure and in some case the customer's solvency. This significant estimate could affect the Company's future results if there is a sudden change in economic conditions or customer solvency.

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate ("IBR"). The Company generally used its IBR rate when recording leases initially, since the implicit rates were not readily available due to information not being available from the Lessor regarding the fair value of underlying assets and directs costs incurred by the Lessor related to the leased assets. The IBR for each lease was based on the commencement date of the lease and recalculated at the remeasurement date where applicable.

Useful lives of intangible assets and property and equipment

Yellow Pages Limited reviews the estimated useful lives of its intangible assets and property and equipment at the end of each reporting period. At the end of the current reporting period, management determined that the useful lives of its intangible assets and property and equipment were adequate.

Employee future benefits

The present value of the defined benefit obligation is determined by employing the projected benefit method prorated on service using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of the net benefit costs (recovery) requires assumptions such as the discount rate to measure defined benefit obligations and expected return on plan assets, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. Actual results may differ from results which are estimated based on assumptions.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages Limited's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions changes, Yellow Pages Limited would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date, remeasured to the extent that probable sufficient taxable profits will be available, or reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Significant judgments

Uncertain tax provisions

Yellow Pages Limited is subject to taxation in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Pages Limited maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

Yellow Pages Limited reviews the adequacy of these provisions at each statement of financial position date and reassesses its provisions if it receives information that may reduce or increase it. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. This estimate was not material for the year-ended December 31, 2019, but was significant for the year ended December 31, 2018.

Accounting Standards

Standards, interpretations and amendments to published standards adopted with no effect on the consolidated financial statements

The Company adopted, effective January 1, 2019, the narrow amendments to IAS 12- Income Taxes and IAS 23- Borrowing Costs, stemming from the Annual Improvements 2015-2017 Cycle project. The adoption of these narrow amendments did not have a significant impact on the Company's consolidated financial statements.

Standards, interpretations and amendments to published standards adopted with an effect on the consolidated financial statements

IFRIC 23 – *Uncertainty over Income Tax Treatments*

The Company has applied IFRIC 23 – Uncertainty over Income Tax Treatments effective for annual periods beginning on or after January 1, 2019. This interpretation paper clarifies that in determining its taxable profit or loss when there is uncertainty over income tax treatments, an entity must use judgment and apply the tax

treatment that is most likely to be accepted by the tax authorities. In assessing the likelihood that the tax treatment will be accepted, the entity assumes that the tax treatment will be examined by the relevant tax authorities having full knowledge of all relevant information. The adoption of IFRIC 23 has not had a significant impact on the consolidated financial statements of Yellow Pages Limited.

Amendments to IAS 19 – ***Employee Benefits***

Yellow Pages Limited has applied the amendments to IAS 19 effective for annual periods beginning on or after January 1, 2019. These amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

There was no impact to the Company's consolidated financial statements for the year ended December 31, 2019 as a result of the adoption of these amendments to IAS 19.

5. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YP's future business results.

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. Please refer to the "Risk Factors" section of our AIF for a complete description of these risk factors. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful.

Failure by the Corporation to stabilize or grow its revenues and customer base could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The inability of the Corporation to attract, retain and upsell customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

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

The Corporation competes with other directory, advertising media and classified advertising businesses and across various media and platforms. This includes the internet, newspapers, television, radio, mobile telecommunication devices, magazines, billboards and direct mail advertising. In particular, the directories business faces substantial competition due to increased online penetration, through the use of online search engines and social networking organizations. The Corporation may not be able to compete effectively with these online competitors, some of which may have greater resources. The Corporation's internet strategy and its directories business may be adversely affected if major search engines build local sales forces or otherwise begin to more effectively reach local businesses for local commercial search services. These competitors may reduce their prices to increase their market share or may be able to offer their services at lower costs than the Corporation can.

The Corporation may be forced to reduce its prices or offer and perform other services in order to remain competitive. The Corporation's failure to compete effectively with its current or future competitors could have a number of impacts such as a reduction in its advertiser base, lower rates and increased costs. This 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 Corporation could be materially adversely affected if the usage of print telephone directories declines at a rate higher than anticipated. The development of new technologies and the widespread use of the internet is causing changes in preferences and consumer habits. The usage of internet-based products providing information, formerly exclusively available in print directories, has increased rapidly. The internet has become increasingly accessible as an advertising medium for businesses of all sizes. Further, the use of the internet, including as a means to transact commerce through mobile devices, has resulted in new technologies and services that compete with traditional advertising mediums. In particular, this has a significant impact on print products, and the decrease in usage gradually leads to lower advertising revenues. References to print business directories may decline faster than expected as users increasingly turn to digital and interactive media delivery devices for local commercial search information.

The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The transition from print to digital causes uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues. If revenue from the Corporation's digital products does not increase significantly, the Corporation's cash flow, results of operations and financial condition will be materially adversely affected.

The Corporation expects to derive a greater portion of its total revenue from its digital and other new media products, as directory usage continues to shift from print directories to digital and other new media products.

The Corporation's transformational expansion towards digital and new media products is subject to a variety of challenges and risks, including the following:

- the Corporation may not continue to grow usage on its digital properties at the same rate as other providers or may grow at a slower rate than currently anticipated;
- internet usage as a source of information and a medium for advertising may not continue to grow, or may grow at a slower rate than currently anticipated, as a result of factors that the Corporation cannot predict or control;
- the Corporation may incur substantial additional costs and expenses related to investments in its information technology, modifications to existing products and development of new products and this may reduce profit margins in the future;
- the Corporation may be unable to develop and market new products in a timely and efficient manner, as the Corporation's markets are characterized by rapidly changing technology, introductions and enhancements to existing products and shifting advertising customer and end-user demands, including technology preferences;
- the Corporation may be unable to improve its information technology systems so as to efficiently manage increased levels of traffic on the Corporation's digital properties and provide new services and products;
- the Corporation may be unable to keep apprised of changes to search engines' terms of service or algorithms, which could cause the Corporation's digital properties, or its advertising customers' digital properties, to be excluded from or ranked lower in search results or make it more difficult or more expensive for the Corporation to provide search engine marketing and search engine optimisation solutions to its advertising customers;
- the Corporation's advertising customers may be unwilling to grow their investment in digital advertising; and
- the Corporation may be unable to increase or maintain the prices of its products and services in the future.

If any of the above-mentioned risks were to occur, the Corporation's digital revenue, as well as its business, results from operations and financial condition could be materially adversely affected.

The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation anticipates that it will continue to depend on various third-party relationships in order to grow its business, such as technology and content providers, real-time advertising exchanges and other strategic partners. The Corporation may not be able to maintain such relationships and these third parties may experience disruptions or performance problems, which could negatively affect the Corporation's efficiency and reputation.

In addition, the Corporation relies heavily on information technology systems to manage critical functions of its digital and mobile marketing solutions. The future success of the Corporation will depend in part upon its ability to continuously enhance and improve its existing solutions in a timely manner with features and pricing that meet changing advertiser needs. As marketing via new digital advertising channels, such as mobile advertising is emerging, it may evolve in unexpected ways, and the failure of the Corporation to adapt successfully to market evolution could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation derives revenues principally from the sale of advertising in Yellow Pages print and digital directories across Canada. The Corporation's advertising revenues, as well as those of directories publishers in general, typically do not fluctuate widely with economic cycles. However, a prolonged economic downturn or recession affecting the Corporation's markets, or any deterioration in general economic conditions, could have a material adverse effect on the Corporation's business. The adverse effects of an economic downturn or recession on the Corporation could be compounded by the fact that the majority of the Corporation's customers are SMEs. Such businesses have fewer financial resources and higher rates of failure than larger businesses, and may be more vulnerable to prolonged economic downturns. Therefore, these SMEs may be more likely to reduce or discontinue advertising with the Corporation, which could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale, could have a material adverse effect on the Corporation's profitability

Digital advertising sold on the Corporation's owned and operated media currently operate at the highest level of profitability relative to digital service (websites, search engine optimization, content syndication and Facebook) solutions and resale (SEM) solutions. Revenues sourced from digital service and resale solutions that are proportionally materially higher than anticipated may have an adverse impact on the Corporation's profitability.

The Corporation's inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The success of the Corporation depends on the abilities, experience and personal efforts of senior management of the Corporation, including their ability to retain and attract skilled employees. The Corporation is also dependent on the number and experience of its sales representatives and ISIT employees. The loss of the services of such key personnel could have a material adverse effect on the Corporation, its business, its results from operations and financial condition.

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

The success of numerous of our customers' marketing campaigns is dependent on how well they can attract valuable audiences. The Corporation will invest in order to protect digital audiences across its network of online and mobile properties by enhancing the quality, completeness and relevance of the content distributed to its properties, and by providing compelling verticalized sites and applications for local discovery. The Corporation may not be able to protect or grow traffic across its digital properties and such investments may not prove to be cost-effective. There can be no assurance that current traffic or potential growth in traffic across the Corporation's digital properties may maintain or increase advertising customer renewal rates and/or annual spending, or lead to a measurable increase in advertising customers.

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 could result in a material adverse effect on the Corporation, its business, results from operations and financial condition

We have three billing and collection services agreements. The agreement with Bell Canada ("Bell") expires on December 31, 2020 and the agreement with Northwestel Inc., an affiliate of Bell expires, November 29, 2032. The agreement with TELUS Communications Inc. (TELUS) expires in 2031. Through these agreements, our billing is included as a separate line item on the telephone bills of Bell and TELUS customers who use our services. Bell and TELUS (the Telco Partners) contract with third parties to conduct monthly billing of customers who use them as their local telephone service providers. In addition, the Telco Partners provide collection services for the Corporation with those customers who are also their customers. Additionally, the Corporation has entered into publishing agreements with each Telco Partner. If the Corporation fails to perform its obligations under these agreements and the agreements are consequently terminated by such Telco Partner, other agreements with such Telco Partners may also be terminated, including the Bell Canada Trademark License Agreement, the TELUS Trademark License Agreement, the MTS Inc. Branding and Trademark Agreement and the Bell Canada Inc. Branding and Trademark Agreement, as well as non-competition covenants we benefit from with such Telco Partners.

We have agreements with outside service suppliers to print and distribute our directories and publications. These agreements are for services that are integral to our business.

The failure of the Telco Partners or any of our other suppliers to fulfill their contractual obligations under these agreements could result in a material adverse effect on our business.

Customers who do not use the Telco Partners as their local telephone provider as well as all new customers are billed directly by the Corporation.

Successfully prosecuted legal action against the Corporation, could adversely affect the results of operations and financial condition of the Corporation.

From time to time, the Corporation may be the subject of litigation arising out of its operations. The Corporation is not currently a party to any material litigation. However, if any legitimate cause of action arose which was successfully prosecuted against the Corporation, the results of operations and financial condition could be adversely affected. Claims under such litigation may be material or may be indeterminate. Various types of claims may be made including, without limitation, breach of contract, negligence, tax and employment matters. The outcome of such litigation is uncertain and may materially impact the Corporation's financial condition or results of operations and the Corporation may be required to incur significant expenses or devote significant resources in defense against any such litigation. Moreover, unfavorable outcomes or settlements of litigation could encourage the commencement of additional litigation.

Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition

Certain non-management employees of the Corporation are unionized. The Corporation currently has seven union agreements. Each of the union agreements have been successfully renegotiated, four of which expire on December 31, 2021, two others on June 30, 2022 and the last on March 31, 2023.. If the Corporation is unable to renew the agreements with its unionized staff as they come up for renegotiation from time to time, it could result in additional work stoppages and other labour disturbances, which could have a material adverse effect on our business.

Challenge by tax authorities of the Corporation's position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition

In the normal course of the Corporation's activities, the tax authorities are carrying out ongoing reviews. In that respect, the Corporation is of the view that all expenses claimed by the different entities of the group are reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties have been correctly determined. There is no assurance that the tax authorities may not challenge these positions. Such challenge, if successful, may have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The loss of key relationships or changes in the level of service provided by mapping applications and search engines could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation has entered into agreements with mapping applications and search engines to promote its online directories. These agreements facilitate access to the Corporation's content and customer advertising, allow the Corporation to generate a higher volume of traffic than it would on its own as well as generate business leads for its advertisers, while retaining the client relationship. Loss of key relationships or changes in the level of service provided by the mapping applications and search engines could impact performance of the Corporation's internet marketing solutions. In addition, internet marketing services are provided by many other

competitors within the markets the Corporation serves and its clients could choose to work with other, sometimes larger providers of these services, or with other search engines directly. The foregoing could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The failure of the Corporation's computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's business activities rely significantly on the efficient and uninterrupted operation of computers and communications systems as well as those of third parties. The Corporation's media properties, sales and advertising processing, data storage, production, billing, collection and day-to-day operations could be adversely impaired by cyber-attacks, or the failure of such technology, which could in turn have a material adverse effect on the Corporation, its business, results from operations and financial condition.

In addition, the Corporation's computer and ISIT systems may be vulnerable to damage or interruption from a variety of sources and its disaster recovery systems may be deemed ineffective. Any failure of these systems could impair the Corporation's business. This 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

The ability of the Corporation to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance. There can be no assurance that the Corporation will be able to generate sufficient cash from its operations to pay its debt obligations. The Corporation's ability to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions is, to a large extent, subject to economic, financial, competitive, operational and other factors, many of which are beyond the Corporation's control.

There can be no assurance that the Corporation will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to the Corporation to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome the challenges associated with the evolution of its business and support its business strategy if cash flows from operations and cash on hand are insufficient.

Failure to generate sufficient funds, whether from operations or debt or equity financings or refinancing transactions, could require the Corporation to delay or abandon some of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on the Corporation, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation may be required to make incremental contributions to its pension plans in the future depending on various factors including future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a materially negative effect on the Corporation's liquidity and results from operations.

The funding requirements of the Corporation's pension plans, resulting from valuations of its pension plan assets and liabilities, depend on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from the Corporation's current estimates and could require the Corporation to make incremental contributions to its pension plans in the future and, therefore, could have a materially negative effect on the Corporation's liquidity, business, results from operations and financial condition.

There is no assurance that the Corporation's pension plans will be able to earn their assumed rate of return. A material portion of the Corporation's pension plans' assets is invested in public equity securities. As a result, the ability of the Corporation's pension plans to earn the rate of return that management has assumed depends significantly on the performance of capital markets. The market conditions also impact the discount rate used to calculate the Corporation's solvency obligations and thereby could also significantly affect the Corporation's cash funding requirements.

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 December 31, 2019.

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 December 31, 2019.

During the quarter beginning on October 1, 2019 and ended on December 31, 2019, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.