

Management's Discussion and Analysis

May 15, 2019

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the three-month periods ended March 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, 2018 and 2017, as well as our unaudited interim condensed consolidated financial statements for the three-month periods ended March 31, 2019 and 2018. Please also refer to Yellow Pages Limited's press release announcing its results for the first quarter ended March 31, 2019 issued on May 15, 2019. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the "Investor Relations – Reports & Filings" section of our corporate website: <https://corporate.yip.ca/en>. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

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

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

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

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Pages" and "YP" refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca), Yellow Pages Homes Limited (Yellow Pages NextHome) sold as of July 23, 2018, YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC, dissolved as of December 20, 2018 (the latter two collectively YP USA), Bookenda Limited (Bookenda), YP Dine Solutions Limited (YP Dine) (the latter two 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, results of operations and businesses of YP. These statements are considered "forward-looking" because they are based on current expectations, as at May 15, 2019, 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;
- 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, and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA). 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 18 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's interim condensed 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 is also one component in the determination of short-term incentive compensation for all management employees.

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 all as reported in the Investing Activities section of the Company's interim condensed 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. Please refer to the table in Section 1 – *Our Business and Customer Offerings* for the components of CAPEX for the three-month periods ended March 31, 2019 and March 31, 2018.

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 of over 300 professionals offers this full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 178,800 SMEs.

Media Properties

The Company's media properties, primarily desktop, mobile and print, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover businesses in their neighbourhoods across the services, 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 based on time of day, mood, purpose and expert suggestions, in addition to offering online ordering capabilities;
- Bookenda.com (sold as of April 30, 2019) – A leading online transaction platform for users and merchants to interact and manage bookings and orders;
- RedFlagDeals.com™ (sold as of August 22, 2018) – Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums;
- Yellow Pages NextHome (sold as of July 23, 2018) – Provided Canadians with helpful information in making informed home buying, selling, and/or renting decisions. Digital properties operated under the Yellow Pages NextHome umbrella included YP NextHome Rent and YP NextHome New Construction.
- ComFree/DuProprio (sold as of July 6, 2018) – Quebec's leading real estate digital destination and one of the top five most-visited networks of real estate digital properties in Canada, CFDP offers 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 long-term success of our digital-first business is dependent upon maintaining and growing our digital revenues and customer base and overall profitability. Key analytics for the three-month period ended March 31, 2019 include:

- Adjusted EBITDA – Adjusted EBITDA declined to \$45.4 million or 43.3% of revenues for the three-month period ended March 31, 2019, relative to \$47.9 million or 30.1% of revenues for the same period last year.
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX improved to \$42.8 million for the three-month period ended March 31, 2019 compared to \$42.5 million for the three-month period ended March 31, 2018.
- YP Digital Revenues – YP digital revenues decreased 18.0% year-over-year and amounted to \$77.8 million for the three-month period ended March 31, 2019.
- YP Customer Count¹ and ARPC² – YP Segment customer count decreased to 178,800 customers for the twelve-month period ended March 31, 2019, as compared to 219,500 customers for same period last year. The customer count reduction of 40,700 in the twelve months ended March 31, 2019 compares to a decline of 18,600 in the comparable period of the previous year. YP Segment ARPC in the twelve-month period ended March 31, 2019 was \$2,481 in 2019 as compared to \$2,447 for the twelve-month period ended March 31, 2018 representing an increase of 1.4%.

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 ended March 31,	2019	2018
Additions to intangible assets	\$ 2,531	\$ 5,858
Additions to property and equipment	93	100
Less lease incentives received	–	(563)
CAPEX	\$ 2,624	\$ 5,395

Headcount¹

As at	March 31, 2019	March 31, 2018	Change
YP	967	1,522	(555)
Other	19	647	(628)
Total Headcount	986	2,169	(1,183)

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 during the first quarter of 2019 compared to the same period of 2018. We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial metrics are provided on page 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

Highlights

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

For the three-month periods ended March 31,	2019	2018
Revenues	\$ 104,787	\$ 159,314
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	\$ 45,381	\$ 47,933
Adjusted EBITDA margin	43.3%	30.1%
Net earnings (loss)	\$ 12,660	\$ (919)
Basic earnings (loss) per share	\$ 0.48	\$ (0.03)
CAPEX	\$ 2,624	\$ 5,395
Adjusted EBITDA less CAPEX	\$ 42,757	\$ 42,538
Cash flows from operating activities	\$ 33,548	\$ 31,411

Revenues

(In thousands of Canadian dollars)



Adjusted EBITDA

(In thousands of Canadian dollars)



Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars)



Cash Flows from Operating Activities

(In thousands of Canadian dollars)



Consolidated Operating and Financial Results

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

For the three-month periods ended March 31,	2019	% of Revenues	2018	% of Revenues
Revenues	\$ 104,787		\$ 159,314	
Cost of sales	40,196	38.4%	68,584	43.0%
Gross profit	64,591	61.6%	90,730	57.0%
Other operating costs	19,210	18.3%	42,797	26.9%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	45,381	43.3%	47,933	30.1%
Depreciation and amortization	11,128	10.6%	20,884	13.1%
Restructuring and other charges	2,862	2.7%	11,198	7.0%
Income from operations	31,391	30.0%	15,851	9.9%
Financial charges, net	13,765	13.1%	14,162	8.9%
Earnings before income taxes	17,626	16.8%	1,689	1.1%
Provision for income taxes	4,966	4.7%	2,608	1.6%
Net earnings (loss)	\$ 12,660	12.1%	\$ (919)	(0.6%)
Basic earnings (loss) per share	\$ 0.48		\$ (0.03)	
Diluted earnings (loss) per share	\$ 0.45		\$ (0.03)	

As at	March 31, 2019	December 31, 2018
Total assets	\$ 418,479	\$ 442,369
Senior Secured Notes (including current portion)	\$ 168,180	\$ 167,489
Exchangeable debentures	\$ 96,747	\$ 96,179
Total Senior Secured Notes and exchangeable debentures to total assets	63.3%	59.6%

Segmented Information

Following the organizational changes made throughout fiscal year 2018 including the disposal or liquidation of several affiliates, the Company made changes 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 and digital display advertising, video production and print advertising. This segment also includes the 411.ca digital directory service helping users find and connect with people and local businesses.

The Other segment includes the YP Dine and Bookenda, which allowed users to discover, search for and book local restaurants until their sale on April 30, 2019 and 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:

- 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;
- RedFlagDeals.com™, Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018;
- Yellow Pages NextHome until its sale on July 23, 2018;
- ComFree/DuProprio (CFDP) provided homeowners in Canada with media to sell their homes in a proven and cost-effective manner until its sale on July 6, 2018;
- Totem which provided customized content creation and delivery for global brands until its sale on May 31, 2018; and
- Western Media Group, magazines generating local lifestyle content specific to the Western Canada region until its sale as of May 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

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended March 31,	2019	2018	% Change
YP	\$ 103,675	\$ 127,834	(18.9%)
Print	25,873	32,974	(21.5%)
Digital	77,802	94,860	(18.0%)
Other	1,112	31,690	(96.5%)
Print	–	4,001	(100.0%)
Digital	1,112	27,689	(96.0%)
Intersegment eliminations	–	(210)	(100.0%)
Print	–	(11)	(100.0%)
Digital	–	(199)	(100.0%)
Total revenues	\$ 104,787	\$ 159,314	(34.2%)
Print	\$ 25,873	\$ 36,964	(30.0%)
Digital	\$ 78,914	\$ 122,350	(35.5%)

Total revenues for the first quarter ended March 31, 2019 of \$104.8 million decreased by 34.2% as compared to \$159.3 million for the same period last year. The decline in total revenue for the three-month period ended March 31, 2019 was due mainly to the divestitures in the Other segment as well as lower digital and print revenues in the YP segment.

Total digital revenues decreased 35.5% year-over-year and amounted to \$78.9 million during the first quarter of 2019 compared to \$122.4 million for the same period last year. The revenue decline was mostly attributable to the divestitures in the Other segment as well as lower revenues in the YP segment.

Total print revenues decreased 30.0% year-over-year and amounted to \$25.9 million during the first quarter of 2019 as compared to print revenues of \$37.0 million in the first quarter of 2018 as 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 three-month period ended March 31, 2019 totalled \$103.7 million compared to \$127.8 million for the same period last year. The \$24.1 million or 18.9% decrease for the three-month period ended March 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 18.0% year-over-year and amounted to \$77.8 million during the first quarter of 2019, this compares to \$94.9 million for the same period last year. The revenues were adversely impacted by a decline in the number of digital customers partially offset by a third consecutive quarter of higher spend by 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 21.5% year-over-year and amounted to \$25.9 million during the first quarter of 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 \$1.1 million for the first quarter ended March 31, 2019 as compared to \$31.7 million for the same period last year. The decline in Other revenues is mainly due to the divestitures.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended March 31,	2019	% of Revenues	2018	% of Revenues	% Change
YP	\$ 64,082	61.8%	\$ 78,965	61.8%	(18.8%)
Other	509	45.8%	11,776	37.2%	(95.7%)
Intersegment eliminations	–	–	(11)	nm	(100.0%)
Total gross profit	\$ 64,591	61.6%	\$ 90,730	57.0%	(28.8%)

Gross profit decreased to \$64.6 million for the three-month period ended March 31, 2019 compared to \$90.7 million for the same period last year primarily 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. Gross profit as a percentage of total revenues increased to 61.6% for the three-month period ended March 31, 2019 compared to 56.9% for the same period last year due to the dilutive effect on profitability of the lower margin Other segment in 2018.

Reportable Segments Gross Profit**YP**

Gross profit for the YP segment for the three-month period ended March 31, 2019 totalled \$64.1 million compared to \$79.0 million and the gross profit as a percentage of revenues remained stable at 61.8%. The decrease in gross profit is a result of the pressures from lower overall revenues and change in product mix. Our gross profit as a percentage has remained stable year-over-year as the revenue pressures were 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 \$0.5 million, or 45.8% of revenues, for the three-month period ended March 31, 2019, as compared to \$11.8 million, or 37.2% of revenues, for the same period last year. The decrease in gross profit for the three-month period ended March 31, 2019 is mainly due to the divestitures.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three-month period ended March 31,	2019	% of Revenues	2018	% of Revenues	% Change
YP	\$ 45,097	43.5%	\$ 46,898	36.7%	(3.8%)
Other	284	25.5%	1,035	3.3%	(72.6%)
Total Adjusted EBITDA	\$ 45,381	43.3%	\$ 47,933	30.1%	(5.3%)

Adjusted EBITDA decreased by 5.3% to \$45.4 million in the first quarter ended March 31, 2019, relative to \$47.9 million for the same period last year. The Company's Adjusted EBITDA margin for the first quarter of 2019 was 43.3% compared to 30.1% 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 first quarter ended March 31, 2019 was 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 in the YP segment.

Reportable Segments Adjusted EBITDA**YP**

Adjusted EBITDA for the YP segment for the three-month period ended March 31, 2019 totalled \$45.1 million compared to \$46.9 million for the same period last year as a result of lower overall revenues and pressures from the change in product mix. Despite these pressures, the Adjusted EBITDA margin for the YP segment for the first quarter of 2019 increased to 43.5% compared to 36.7% for the same period last year. This improvement was mainly due to an increased focus on the profitability of our products and services and reductions in both our cost of sales and other operating costs. The reductions in cost of sales were mainly due to 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. 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 mainly due to the employee attrition and previous year performances.

Other

Adjusted EBITDA for the Other segment for the first quarter ended March 31, 2019, was \$0.3 million, compared to \$1.0 million for the same period last year, the decrease is mainly due to the divestitures.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended March 31,	2019	2018	% Change
<i>YP</i>	\$ 42,681	\$ 42,483	0.5%
Adjusted EBITDA	45,097	46,898	(3.8%)
CAPEX	2,416	4,415	(45.3%)
<i>Other</i>	76	55	38.2%
Adjusted EBITDA	284	1,035	(72.6%)
CAPEX	208	980	(78.8%)
<i>Total Adjusted EBITDA less CAPEX</i>	\$ 42,757	\$ 42,538	0.5%
Adjusted EBITDA	\$ 45,381	\$ 47,933	(5.3%)
CAPEX	\$ 2,624	\$ 5,395	(51.4%)

Adjusted EBITDA less CAPEX increased by \$0.3 million to \$42.8 million during the first quarter of 2019, compared to \$42.5 million during the same period last year. The increase in Adjusted EBITDA less CAPEX for the three-month period ended March 31, 2019 was mainly impacted by decreased capital expenditures which offset the lower Adjusted EBITDA.

Reportable Segments Adjusted EBITDA less CAPEX**YP**

Adjusted EBITDA less CAPEX for the YP segment for the three-month period ended March 31, 2019 totalled \$42.7 million compared to \$42.5 million for the same period last year. The increase for the three-month period ended March 31, 2019 is mainly due to lower capital expenditures due to decreased spending in software development partially offset by lease incentives received in the three-month period ended March 31, 2018.

Other

Adjusted EBITDA less CAPEX for the Other segment for the three-month period ended March 31, 2019, remained stable at \$0.1 million as compared to the same period last year as the divested businesses' contribution to Adjusted EBITDA less CAPEX were minimal.

Depreciation and Amortization

Depreciation and amortization decreased to \$11.1 million for the three-month period ended March 31, 2019 compared to \$20.9 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 three-month periods ended March 31,	2019	2018
Severance, benefits and outplacement	\$ 2,684	\$ 19,549
Settlement of litigation	(99)	(10,558)
Impairment of right-of-use assets and future operation costs related to lease contracts for offices closed	44	2,134
Pension settlement costs and past service costs, net	–	73
Other fees	233	–
Total restructuring and other charges	\$ 2,862	\$ 11,198

We recorded restructuring and other charges of \$2.9 million during the first quarter of 2019 (2018 – \$11.2 million) consisting mainly of restructuring charges of \$2.7 million associated with workforce reductions.

For the three-month period ended March 31, 2018, we recorded restructuring and other charges of \$11.2 million primarily due to \$19.5 million associated with workforce reductions, as well as impairment of right-of-use assets and future operation costs related to lease contracts for offices closed, partially offset by the impact of a favourable litigation settlement on a contractual obligation with a vendor.

Financial Charges

Financial charges decreased to \$13.8 million for the three-month period ended March 31, 2019 compared to \$14.2 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 interest rate on our debt portfolio excluding capital leases as at March 31, 2019 was 9.2% (March 31, 2018 – 9.5%).

Provision for Income Taxes

The combined statutory provincial and federal tax rate was stable at 26.9% for the three-month period ended March 31, 2019 and 2018. The Company recorded an expense of \$5.0 million for the first quarter of 2019 compared to \$2.6 million for the same period last year.

The difference between the effective and the statutory rates during the first quarters in 2019 and 2018 is due to the non-deductibility of certain expenses for tax purposes. The first quarter of 2018 was further impacted by increases in the valuation allowances and non-recognition of certain tax attributes and deductible temporary differences due to losses in certain subsidiaries.

Net earnings

We recorded net earnings of \$12.7 million during the first quarter of 2019 compared with a net loss of \$0.9 million during the first quarter of 2018. The improvement in profitability of \$13.6 million for the three-month period ended March 31, 2019 is explained principally by lower depreciation and amortization expenses and a decrease in restructuring and other charges.

Summary of Consolidated Quarterly Results

The following table prepared in accordance with IFRS, under International Accounting Standard (IAS 34), Interim Financial Reporting, shows selected consolidated financial data of Yellow Pages for the eight most recent quarters.

Quarterly Results

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

	2019				2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	\$ 104,787	\$ 124,519	\$ 130,150	\$ 163,212	\$ 159,314	\$ 178,549	\$ 175,695	\$ 193,515
Operating costs	59,406	83,370	83,889	105,990	111,381	132,860	129,751	143,573
Income from operations before depreciation and amortization, impairment of intangible assets, and goodwill, and restructuring and other charges (Adjusted EBITDA)	45,381	41,149	46,261	57,222	47,933	45,689	45,944	49,942
Adjusted EBITDA margin	43.3%	33.0%	35.5%	35.1%	30.1%	25.6%	26.1%	25.8%
Depreciation and amortization	11,128	17,063	18,945	19,202	20,884	26,205	29,915	29,262
Impairment of intangible assets, property and equipment and goodwill	—	—	—	—	—	507,032	—	—
Restructuring and other charges (recovery)	2,862	1,198	5,220	(1,754)	11,198	17,552	6,784	2,778
Income (loss) from operations	31,391	22,888	22,096	39,774	15,851	(505,100)	9,245	17,902
Financial charges, net	13,765	13,516	13,074	13,977	14,162	16,221	12,492	12,808
(Gain) loss on sale of businesses	—	(205)	(6,827)	903	—	—	—	—
Impairment of available-for-sale investments	—	—	—	—	—	—	3,720	—
Provision for (recovery of) income taxes	4,966	(30,380)	(11,276)	8,248	2,608	63,014	(902)	2,344
Loss from investment in a jointly controlled entity	—	—	—	—	—	267	1,116	362
Net earnings (loss)	\$ 12,660	\$ 39,957	\$ 27,125	\$ 16,646	\$ (919)	\$ (584,602)	\$ (7,181)	\$ 2,388
Basic earnings (loss) per share	\$ 0.48	\$ 1.51	\$ 1.03	\$ 0.63	\$ (0.03)	\$ (22.26)	\$ (0.27)	\$ 0.09
Diluted earnings (loss) per share	\$ 0.45	\$ 1.28	\$ 0.89	\$ 0.56	\$ (0.03)	\$ (22.26)	\$ (0.27)	\$ 0.09

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	March 31, 2019	December 31, 2018
Cash and restricted cash	\$ 110,684	\$ 81,452
Senior Secured Notes	\$ 168,180	\$ 167,489
Exchangeable debentures	96,747	96,179
Lease obligations	59,399	75,320
Total debt	\$ 324,326	\$ 338,988
Deficiency	(106,077)	(119,164)
Total capitalization	\$ 218,249	\$ 219,824
Total debt net of cash and restricted cash, to total capitalization	97.9%	117.2%

As at March 31, 2019, Yellow Pages had \$213.6 million of debt net of cash and restricted cash, compared to \$257.5 million as at December 31, 2018.

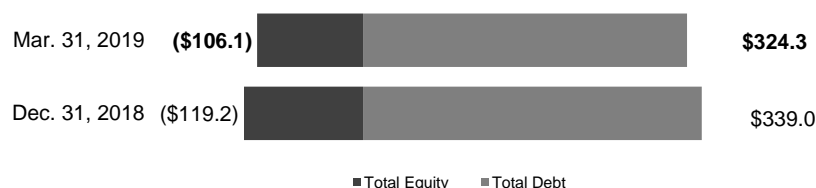
The total debt net of cash and restricted cash to latest Twelve-Month Adjusted EBITDA¹ ratio as at March 31, 2019 was 1.1 times compared to 1.3 times as at December 31, 2018. The decrease is mainly due to decrease in lease obligations and higher cash balance at March 31, 2019.

Total Debt Net of Cash and restricted cash to Latest Twelve-Month Adjusted EBITDA¹ 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. 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 March 31, 2019, the Company fixed charge coverage ratio was 1.0 times. The Company had \$4.3 million of letters of credit issued and outstanding under the ABL, and a \$11.9 million deficiency in qualified collateral. As such, \$28.8 million of the ABL was available as at March 31, 2019. As at March 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 is required to use an amount equal to 100% of its consolidated Excess Cash Flow 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 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. If the consolidated leverage ratio on the last day of the mandatory redemption period is no greater than 1.5 to 1, the redemption required reduces to 75.0% of its consolidated Excess Cash Flow. At March 31, 2019, the consolidated leverage ratio for the Company was below 1.5 to 1 therefore reducing the mandatory redemption percentage of Excess Cash Flow to 75%. As such, the Company will make a mandatory redemption payment of \$50.9 million, including accrued and unpaid interest of \$0.4 million on its Notes on May 31, 2019. The mandatory redemption is included in the current portion of Senior Secured Notes of the interim condensed consolidated financial statements as at March 31, 2019.

Optional Redemption

From November 1, 2018 to October 31, 2019, the Company may, at its option, 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 may, at its option, redeem all or part of the Notes at 101% of the aggregate principal amount, plus accrued and unpaid interest. Beginning on November 1, 2020, the Company may, at its option, redeem all or part of the Notes at 100% of the aggregate principal amount, plus accrued and unpaid interest. The Company will make an optional redemption payment of \$40.8 million on June 13, 2019, including accrued and unpaid interest of \$0.5 million and optional redemption price premium of \$0.8 million. The optional redemption amount is included in the non-current portion of the Senior Secured Notes of the interim condensed consolidated financial statements as at March 31, 2019.

Certain Covenants

The indenture governing the Notes limits or affects the Company's ability to, among other things, incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into transactions with affiliate and consolidate, merge or sell all or substantially all of its assets. Such covenants are subject to certain limitations and exceptions as provided in the indenture governing the Notes.

As at March 31, 2019, the Company was in compliance with all covenants under the indenture governing the Notes.

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 March 31, 2019 and December 31, 2018, the face value of the Exchangeable Debentures was \$107.1 million. As at March 31, 2019, the value of the Exchangeable Debentures less unaccreted interest was \$96.7 million compared to \$96.2 million as at December 31, 2018.

Interest on the Exchangeable Debentures accrues at a rate of 8.0% per annum if, for the applicable interest period, it is paid in cash or 12.0% 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.

As at March 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 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 \$nil as at March 31, 2019 (Dec 31, 2018 – \$nil).

Credit Ratings

DBRS Limited	Standard and Poor's Rating Services
B (high)/Issuer rating – stable outlook	B-/Corporate credit rating – stable outlook
BB (low)/Credit rating for Senior Secured Notes	B+/Credit rating for Senior Secured Notes
B (low)/Credit rating for Exchangeable Debentures	CCC/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 March 31, 2019, the Company had \$110.7 million of cash and restricted cash and \$28.8 million available under the ABL.

Share Data

Outstanding Share Data

As at	May 14, 2019	March 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	2,216,089	2,216,089	1,347,052

¹ As at May 14, 2019, 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 2,216,089 as at May 14, 2019 and March 31, 2019 are 52,950 stock options exercisable as at those dates. Included in the stock options outstanding balance of 1,347,052 as at December 31, 2018 were 60,425 stock options exercisable as at that date.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the three-month periods ended March 31,	2019	2018
Cash flows from operating activities		
Cash flows from operations, excluding change in operating assets and liabilities	\$ 35,276	\$ 34,610
Change in operating assets and liabilities	(1,728)	(3,199)
	\$ 33,548	\$ 31,411
Cash flows used in investing activities		
Additions to intangible assets	\$ (2,531)	\$ (5,858)
Additions to property and equipment	(93)	(100)
Lease incentives received	–	563
	\$ (2,624)	\$ (5,395)
Cash flows used in financing activities		
Payment of lease obligations	(1,692)	(1,628)
	\$ (1,692)	\$ (1,628)
NET INCREASE IN CASH AND RESTRICTED CASH	\$ 29,232	\$ 24,388
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD	81,452	46,405
CASH AND RESTRICTED CASH, END OF PERIOD	\$ 110,684	\$ 70,793

Cash flows from operating activities

Cash flows from operating activities increased by \$2.1 million to \$33.5 million from \$31.4 million for the three-month period ended March 31, 2018 due to lower Adjusted EBITDA of \$2.6 million offset mainly by lower payments for restructuring and other charges of \$1.7 million, lower funding of post-employment benefit plans of \$1.5 million and lower interest paid of \$0.7 million. Cash flows also benefited by an additional \$1.5 million generated by the change in operating assets and liabilities.

Cash flows used in investing activities

Cash flows used in investing activities decreased by \$2.8 million from \$5.4 million for the three-month period ended March 31, 2018 to \$2.6 million for the same period in 2019 mainly due to lower investments in software development partially offset by lease incentives received in 2018.

Cash flows used in financing activities

Cash flows used in financing activities remained stable at \$1.7 million for the three-month period ended March 31, 2019.

Financial and Other Instruments

(See Note 21 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2018 and 2017).

The Company's financial instruments primarily consist of cash and restricted cash, trade and other receivables, trade and other payables, Senior Secured Notes and Exchangeable Debentures.

There is no carrying value of embedded derivatives as at March 31, 2019. The carrying value is calculated, as is customary in the industry, using discounted cash flows based on quarter-end market rates.

4. Critical Assumptions and Estimates

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

Our critical assumptions and accounting estimates have not changed since the release of our MD&A for the years ended December 31, 2018 and 2017. These critical assumptions and estimates relate to intangible assets, property and equipment, employee future benefits and income taxes. Please refer to Section 4 – *Critical Assumptions and Estimates* for the years ended December 31, 2018 and 2017.

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

The Company adopted the Annual Improvements 2015 - 2017 Cycle for the amendments to IAS 12- Income Taxes and IAS 23- Borrowing Costs, effective January 1, 2019. The adoption of these narrow scope amendments did not have a significant impact on the Company's 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. IFRIC 23 has not had a significant impact on the consolidated financial statements of Yellow Pages Limited.

Amendments to IAS 19 – *Employee Benefits*

The Company 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 YP's consolidated financial statements for the three-month period ended March 31, 2019 as a result of the adoption of these amendments to IAS 19.

5. Risks and Uncertainties

Please refer to the Risks and Uncertainties section of our MD&A for the years ended December 31, 2018 and 2017 and our Annual Information Form dated March 25, 2019 for a complete description of the risks factors to which the Corporation may be exposed, including, for example, "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition".

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

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

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Our risks and uncertainties have not changed since the release of our MD&A for the years ended December 31, 2018 and 2017, except as described in the Forward-Looking Information section of this MD&A. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2018 and 2017.

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 March 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 March 31, 2019.

During the quarter beginning on January 1, 2019 and ended on March 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.