

**Research Highlights**

Company Notes	2
Ratings History	4
Tigress Research Methodology Overview	5
Glossary of Key Terms and Measures	5
Contacts	6
Analyst Certification	6
Research Disclosures	6
Tigress Research Investment Rating Meanings and Distribution	6
Specific Disclosures for the companies that are the subject of this Report	7
Research Report Disclaimer	8
About Tigress Financial Partners LLC	8

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**Research Updates****Twitter, Inc. (TWTR-US) 2**

We reiterate our Neutral rating on TWTR. Q1 results underscored ongoing troubles; growth continues to decelerate as brand advertising demand slows. Despite the company's efforts to improve the core service by expanding video offerings and shifting ad products to Promoted Video from Promoted Tweets, we think competition continues to play a role in TWTR's slowing ARPU and slowing overall revenue growth. We believe it is prudent to remain on the sidelines until MAU and ad revenue growth stabilizes, which would be a signal to us that TWTR can generate economic profit growth and shareholder value creation in the future.

**Yelp Inc. Class A (YELP-US) 3**

We reiterate our Buy rating on YELP. Accelerating revenue growth in local advertising emphasizes our view that YELP's strategy shift to local advertising accounts is taking hold, and we expect continued strong results for the remainder of the year as their sales initiatives continues to yield results. While YELP benefitted from strong promotions during the quarter, we think the company can continue to drive brand awareness through aggressive marketing and capitalize on this awareness with its boots on the ground approach.

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## Research Highlights

### Company Notes

### Twitter, Inc. (TWTR-US) Internet Software & Services

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#### Research Action:

Reiterate Rating

Rating: Neutral

Prior Rating: Neutral

Price 06/10/2016: \$14.02

52 Week High / Low: \$38.82 / \$13.73

#### Key Data: (TTM as of Mar-16)

Excess Cash per Share: \$5.00

Annual Dividend: \$0.00

Dividend Yield: 0.00%

Ave. Volume (30 Day): 17.7M

Shares Outstanding: 701.9M

Float: 561.9M

Equity MV: \$9,840.6M

Sales TTM: \$2,376.6M

Beta: 1.47

EBITDAR: \$911.0M

NOPAT: \$304.2M

Total Invested Capital: \$6,913.2M

Return on Capital: -4.73%

Cost of Capital: 7.36%

Economic Profit: \$784.4M

Market Value Added: \$7,044.0M

Current Operations Value: -\$4,072.9M

Future Growth Value: \$18,030.2M

- **We reiterate our Neutral rating on TWTR.** Q1 results underscored ongoing troubles; growth continues to decelerate as brand advertising demand slows. Despite the company's efforts to improve the core service by expanding video offerings and shifting ad products to Promoted Video from Promoted Tweets, we think competition continues to play a role in TWTR's slowing ARPU and slowing overall revenue growth. We believe it is prudent to remain on the sidelines until MAU and ad revenue growth stabilizes, which would be a signal to us that TWTR can generate economic profit growth and shareholder value creation in the future.
- **Competitive forces weighing on TWTR's outlook.** We continue to believe that competition from the likes of Facebook (FB-US, Buy rated), Snapchat and other social media companies is putting pressure on TWTR's advertising revenue. Revenue growth decelerated from 45% to 37% in Q1, as softer brand advertising demand was a key driver here. Management also offered a less than optimistic outlook for Q2 where these trends are expected to persist. While there is some optimism about an advertising rebound in the 2H16 regarding upcoming events such as the Olympics, Euro 2016, the Presidential election in November and their recent announcement of a streaming deal for Thursday Night Football, we believe that the current risk reward remains in balance as we await more tangible evidence that recent platform changes can re-accelerate growth.
- **Business Performance continues to deteriorate.** Revenue grew 50.0% over the last twelve months from \$1.58B to \$2.38B and EBITDAR and NOPAT margins improved dramatically. Despite this growth, TWTR's Economic Profit remains deeply negative. From a valuation perspective, TWTR's remains elevated. Despite a recent decline in price TWTR's Future Growth Value Reliance (FGV/MV) is near a three year high, indicating that the market expectations regarding TWTR's ability to generate long term Economic Profit remains stubbornly elevated.

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## Research Highlights

### Company Notes

### Yelp Inc. Class A (YELP-US) Internet Software & Services

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**Research Action:**

Reiterate Rating

Rating: Buy

Prior Rating: Buy

Price 06/10/2016: \$26.83

52 Week High / Low: \$46.40 / \$14.53

**Key Data: (TTM as of Mar-16)**

Excess Cash per Share: \$4.90

Annual Dividend: \$0.00

Dividend Yield: 0.00%

Ave. Volume (30 Day): 2.1M

Shares Outstanding: 76.5M

Float: 53.8M

Equity MV: \$2,051.6M

Sales TTM: \$589.8M

Beta: 1.63

EBITDAR: \$159.1M

NOPAT: -\$18.7M

Total Invested Capital: \$994.2M

Return on Capital: -2.03%

Cost of Capital: 8.33%

Economic Profit: -\$95.7M

Market Value Added: \$1,347.4M

Current Operations Value: -\$153.9M

Future Growth Value: \$2,495.5M

- **We reiterate our Buy rating on YELP.** Accelerating revenue growth in local advertising emphasizes our view that YELP's strategy shift to local advertising accounts is taking hold, and we expect continued strong results for the remainder of the year as their sales initiatives continues to yield results. While YELP benefitted from strong promotions during the quarter, we think the company can continue to drive brand awareness through aggressive marketing and capitalize on this awareness with its boots on the ground approach.
- **Local advertising market is an attractive long term opportunity.** Astoundingly, \$7B dollars of advertising dollars are spent on yellow page advertising a year. We believe that YELP can take significant share of this market over the long term, especially as small local business owners become a younger demographic over time, thus making them more receptive to online and mobile advertising. We also believe that YELP can demonstrate a superior ROI for this market than can yellow page advertising and its recent transition to a cost per click (CPC) model will only drive home the company's unique value proposition.
- **Valuation remains attractive given prospects for strong sustainable Business Performance.** We are projecting sales to increase 25.0% from \$589.8M to \$740.0M over the next year. While this sales growth represents a deceleration of the 40% growth over the last twelve months, we are erring on the side of caution in our outlook and we think that sales growth could surprise to the upside for the remainder of the year as they did Q1. YELP's EV/EBITDAR has compressed from 72.0x to 7.3x since over the past two years. We find this valuation particularly attractive and believe downside is limited at current levels, especially with recent acceleration in the company's business performance metrics.

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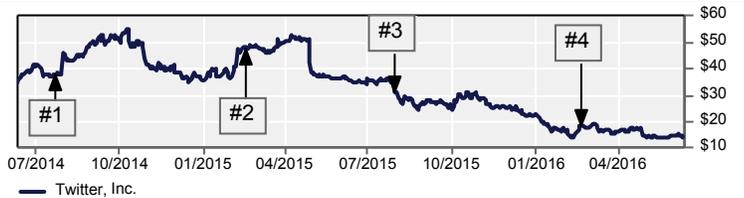
# Research Highlights

June 13, 2016  
Page 4 of 8

## Ratings History

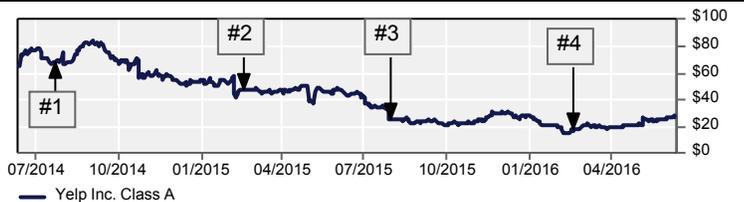
### Twitter, Inc. (TWTR-US)

Item #	Date	Research Action	Rating	Price
#4	02/19/2016	Reiterate Rating	Neutral	\$18.31
#3	07/30/2015	Reiterate Rating	Neutral	\$31.47
#2	02/17/2015	Reiterate Rating	Neutral	\$48.03
#1	07/22/2014	Initiation of Coverage	Neutral	\$37.65



### Yelp Inc. Class A (YELP-US)

Item #	Date	Research Action	Rating	Price
#4	02/19/2016	Upgrade	Buy	\$18.34
#3	07/30/2015	Reiterate Rating	Neutral	\$26.03
#2	02/17/2015	Reiterate Rating	Neutral	\$48.19
#1	07/22/2014	Initiation of Coverage	Neutral	\$68.57



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**Tigress Research Methodology Overview**

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

**Business Performance:** Measuring economic profitability, growth and operating efficiency.

**Risk:** Measuring business sustainability, volatility, strength and consistency.

**Valuation:** Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

*For more information on our research methodology, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

**Glossary of Key Terms and Measures**

**Excess Cash per Share:** Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

**EBITDAR:** Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

**NOPAT:** Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.

**Total Invested Capital:** Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.

**Return on Capital:** Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

**Cost of Capital:** Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.

**Economic Profit:** Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

**Current Operations Value:** Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.

**Future Growth Value:** Future Growth Value is the portion of market value based on un-earned Economic Profit

*For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

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Rating:	Meaning:	Rating Distribution (06/10/2016)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
<b>Strong Buy:</b>	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	12%	0	0%	
<b>Buy:</b>	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	55	42%	4	80%	
<b>Neutral:</b>	Expect little or no outperformance opportunity over the next 12 months.	52	40%	1	20%	
<b>Underperform:</b>	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	7	5%	0	0%	
<b>Sell:</b>	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
		<b>Total</b>	<b>131</b>	<b>100%</b>	<b>5</b>	<b>100%</b>

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## Research Highlights

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