Management's Discussion and Analysis

February 14, 2023

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, 2022 and 2021 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2022 and 2021. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2022 issued on February 15, 2023. 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 of non-GAAP Financial Measures Relative to Understanding Our Results" for a list of defined non-GAAP financial measures.

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, YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA)).

Caution Regarding Forward-Looking Information

This MD&A contains assertions about the objectives, strategies, financial condition, and results of operations and businesses of YP (including, without limitation, payment of a cash dividend per share per quarter to its common shareholders). These statements are considered "forward-looking" because they are based on current expectations, as at February 14, 2023, about our business and the markets we operate in, and on various estimates and assumptions.

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

- that general economic conditions in Canada will not deteriorate significantly further and will recover from the COVID-19 pandemic;
- 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 spend per customer;
- that the decline in print revenues will remain at or below approximately 25% per annum;
- that gross profit margins will not deteriorate materially from current levels;
- that continuing reductions in spending will mitigate the cash flow impact of revenue declines on cash flows; and
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant.

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

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

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

Definitions of Non-GAAP Financial Measures Relative to Understanding Our Results

In this MD&A, we present several metrics used to explain our performance, including non-GAAP financial measures which are not defined under IFRS. These non-GAAP financial measures are described below.

Adjusted EBITDA and Adjusted EBITDA Margin

We report on our Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA) as shown in Yellow Pages Limited's 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 income in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning under IFRS and are therefore not likely to be comparable 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, debt principal reductions and other sources and uses of cash, which are disclosed on page 19 of this MD&A.

Adjusted EBITDA is derived from revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business as these reflect its ongoing profitability. We believe that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business.

Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin

Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, are unlikely to be comparable to similar measures presented by other publicly traded companies. We define Adjusted EBITDA less CAPEX as Adjusted EBITDA, as defined above, less CAPEX, which we define as additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows. Adjusted EBITDA less CAPEX margin is defined as the percentage of Adjusted EBITDA less CAPEX to revenues. We use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of businesses in our industry. Adjusted EBITDA less CAPEX is also a component in the determination of short-term incentive compensation for management employees.

The most comparable IFRS financial measure to Adjusted EBITDA less CAPEX is Income from operations before depreciation and amortization and restructuring and other charges (defined above as Adjusted EBITDA) as shown in Yellow Pages Limited's consolidated statements of income. Refer to pages 8 and 14 of this MD&A for a reconciliation of Adjusted EBITDA less CAPEX.

This MD&A is divided into the following sections:

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

1. Our Business and Customer Offerings

Our Business

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

Customer Offerings

Yellow Pages offers small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages digital media properties, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production, e-commerce solutions as well as print advertising. The Company's dedicated sales force and customer care team of approximately 300 professionals offer this full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 92,100 SMEs.

Media Properties

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

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

Key Analytics

The success of our business is dependent upon decelerating the rate of revenue decline ("bending the revenue curve") as well as continuing to improve operating and capital spending efficiency. Our longer-term success is dependent upon growth or stability in digital revenues and retaining and growing our customer base. Key analytics for the year ended December 31, 2022 include:

- Total Revenues – Total Revenues decreased 6.7% year-over-year and amounted to $268.3 million for the year ended December 31, 2022, an improvement from the decrease of 13.8% reported last year.
- Digital revenues – Digital revenues decreased 5.6% year-over-year and amounted to $209.1 million for the year ended December 31, 2022, an improvement from the decrease of 12.2% reported last year.
- Adjusted EBITDA[1] – Adjusted EBITDA declined to $96.6 million or 36.0% of revenues for the year ended December 31, 2022, relative to $102.0 million or 35.5% of revenues for the same period last year.
- Adjusted EBITDA less CAPEX[1] – Adjusted EBITDA less CAPEX decreased to $91.6 million or 34.1% of revenues for the year ended December 31, 2022 compared to $96.9 million or 33.7% of revenues for the same period last year.
- YP Customer Count[2] – YP's customer count decreased to 92,100 customers for the year ended December 31, 2022, as compared to 104,700 customers for same period last year. The customer count reduction of 12,600 for the year ended December 31, 2022 compares to a decline of 20,700 in the comparable period of the previous year.
- Headcount[3] – Headcount decreased to 629 employees as at December 31, 2022 compared to 651 employees at December 31, 2021.

[1] *Adjusted EBITDA and adjusted EBITDA less CAPEX are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Definitions of these non-GAAP financial measures are provided on page 3 of this MD&A.*
[2] *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.*
[3] *The Company defines headcount as total employees including contracted employees but 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 2022 compared to 2021 and 2020. We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-GAAP 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,	**2022**	2021	2020
Revenues	**$ 268,278**	$ 287,646	$ 333,538
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA[1])	**$ 96,568**	$ 102,000	$ 129,442
Adjusted EBITDA margin[1]	**36.0%**	35.5%	38.8%
Net income	**$ 73,432**	$ 70,635	$ 60,298
Basic income per share	**$ 3.10**	$ 2.68	$ 2.27
CAPEX[1]	**$ 5,004**	$ 5,074	$ 5,573
Adjusted EBITDA less CAPEX[1]	**$ 91,564**	$ 96,926	$ 123,869
Adjusted EBITDA less CAPEX margin[1]	**34.1%**	33.7%	37.1%
Cash flows from operating activities[2]	**$ 49,500**	$ 104,579	$ 126,998

[1] *CAPEX, adjusted EBITDA and adjusted EBITDA less CAPEX are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Definitions of these non-GAAP financial measures are provided on page 3 of this MD&A.*
[2] *Includes funding of post-employment benefit plans of $24.0 million for the year ended December 31, 2022, pursuant to the plan of arrangement (see section "Pension Contributions" for details).*

Consolidated Operating and Financial Results

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

For the years ended December 31,	2022	% of Revenues	2021	% of Revenues	2020	% of Revenues
Revenues	**$ 268,278**		$ 287,646		$ 333,538	
Cost of sales	**112,371**	**41.9%**	116,692	40.6%	127,789	38.3%
Gross profit	**155,907**	**58.1%**	170,954	59.4%	205,749	61.7%
Other operating costs	**59,339**	**22.1%**	68,954	24.0%	76,307	22.9%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**96,568**	**36.0%**	102,000	35.5%	129,442	38.8%
Depreciation and amortization	**15,397**	**5.7%**	19,635	6.8%	27,664	8.3%
Restructuring and other charges	**3,231**	**1.2%**	5,344	1.9%	8,131	2.4%
Income from operations	**77,940**	**29.1%**	77,021	26.8%	93,647	28.1%
Financial charges, net	**1,808**	**0.7%**	9,343	3.2%	14,512	4.4%
Loss on early repayment of debt	**–**	**–**	7,764	2.7%	–	–
Loss on sale of businesses	**–**	**–**	–	–	423	0.1%
Income before income taxes	**76,132**	**28.4%**	59,914	20.8%	78,712	23.6%
Provision for (recovery of) income taxes	**2,700**	**1.0%**	(10,721)	(3.7%)	18,414	5.5%
Net income	**$ 73,432**	**27.4%**	$ 70,635	24.6%	$ 60,298	18.1%
Basic income per share	**$ 3.10**		$ 2.68		$ 2.27	
Diluted income per share	**$ 3.02**		$ 2.64		$ 2.10	

Analysis of Consolidated Operating and Financial Results

The President and Chief Executive Officer ("CEO") is the Chief Operating Decision Maker and he uses Income from operations before depreciation and amortization and restructuring and other charges (Adjusted EBITDA) less CAPEX, to measure performance. Definitions of these non-GAAP financial measures are provided on page 3 of this MD&A. The CEO also reviews revenues by similar products and services, such as Print and Digital.

Fiscal year 2022 versus 2021

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022		2021	% Change
Digital	**$**	**209,130**	$	221,471	(5.6%)
Print		**59,148**		66,175	(10.6%)
Total revenues	**$**	**268,278**	$	287,646	(6.7%)

Total revenues for the year ended December 31, 2022 decreased by 6.7% to $268.3 million, as compared to $287.6 million for the same period last year. The decrease in revenues is mainly due to the decline of our higher margin digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins.

Total digital revenues decreased 5.6% year-over-year and amounted to $209.1 million for the year ended December 31, 2022, as compared to $221.5 million for the same period last year. The revenue decline for the period ended December 31, 2022, was mainly attributable to a decrease in digital customer count partially offset by an increase in spend per customer.

Total print revenues decreased 10.6% year-over-year and amounted to $59.1 million for year ended December 31, 2022. The revenue decline is mainly attributable to the decrease in the number of print customers as well as the spend per customer.

The decline rates for total revenues, digital revenues and print revenues all significantly improved year-over-year. Total revenue decline of 6.7% this year compares to a decline of 13.8% reported last year. Digital revenue decline of 5.6% this year compares to a decline of 12.2% reported last year. Print revenue decline of 10.6% this year compares to a decline of 18.6% reported last year. These improvements were due to better spend per customer in digital, increased renewal rates as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total gross profit	**$**	**155,907**	**58.1%**	$	170,954	59.4%	(8.8%)

Gross profit decreased to $155.9 million or 58.1% of revenues for the year ended December 31, 2022, compared to $171.0 million, or 59.4% of total revenues, for the same period last year. The decrease in gross profit is a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations, cost reductions and increased pricing.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total Adjusted EBITDA	**$**	**96,568**	**36.0%**	$	102,000	35.5%	(5.3%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

For the year ended December 31, 2022 Adjusted EBITDA decreased by $5.4 million or 5.3% to $96.6 million, compared to $102.0 million for the same period last year. The adjusted EBITDA margin increased during the year ended December 31, 2022 to 36.0%, compared to 35.5% for the same period last year. The decrease in Adjusted EBITDA for the year ended December 31, 2022, is the result of revenue pressures as well as ongoing investments in our tele-sales force capacity, partially offset by price increases, the efficiencies from optimization in cost of sales, reductions in other operating costs including reductions in our workforce and associated employee expenses, the decrease in bad debt expense and the decrease in cash-settled stock-based compensation expense. The decrease in cash settled stock-based compensation expense results from the revaluations of the cash settled stock-based compensation liabilities at December 31, 2022, resulting in a $1.9 million recovery related to cash settled stock-based compensation expense for the year ended December 31, 2022, compared to a charge of $4.2 million for the comparative year ended December 31, 2021. The $1.9 million recovery related to cash settled stock-based compensation expense is driven by the refinement of the volatility parameter of the pricing model from using the historical share price volatility of its common shares as a reliable observable input to reflect expected volatility. The charge of $4.2 million in 2021 was driven by the increase in YP's share price. The Company received a total of $1.1 million of emergency wage subsidies for the year ended December 31, 2022 compared to $4.2 million for the year ended December 31, 2021. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will continue to cause some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Adjusted EBITDA	**$**	**96,568**	**36.0%**	$	102,000	35.5%	(5.3%)
CAPEX		**5,004**	**1.9%**		5,074	1.8%	(1.4%)
Total Adjusted EBITDA less CAPEX	**$**	**91,564**	**34.1%**	$	96,926	33.7%	(5.5%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

For the year ended December 31, 2022 Adjusted EBITDA less CAPEX decreased by $5.4 million or 5.5% to $91.6 million, compared to $96.9 million for the same period last year. The decrease is driven by the decrease in Adjusted EBITDA. The adjusted EBITDA less CAPEX margin increased during the period ended December 31, 2022 to 34.1% compared to 33.7% for the same period last year.

Depreciation and Amortization

Depreciation and amortization decreased to $15.4 million for the year ended December 31, 2022 compared to $19.6 million for the same period last year primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the years ended December 31,		2022		2021
Severance, benefits and outplacement	**$**	**1,054**	$	4,520
Impairment of property and equipment and right-of-use assets and future operation costs related to lease contracts for vacated offices		**1,850**		733
Other costs		**327**		91
Total restructuring and other charges	**$**	**3,231**	$	5,344

Yellow Pages Limited recorded restructuring and other charges of $3.2 million during the year ended December 31, 2022 consisting mainly of restructuring charges of $1.0 million associated with workforce reductions as well as a $1.4 million charge related to the impairment of property and equipment and right-of-use assets related to vacant office space and $0.5 million charge related to future operation costs provisioned related to lease contracts of vacant offices, and $0.3 million of other costs.

Yellow Pages Limited recorded restructuring and other charges of $5.3 million during the year ended December 31, 2021 consisting mainly of restructuring charges of $4.6 million associated with workforce reductions and a $0.9 million charge related to future operation costs provisioned related to lease contracts for office closures, partially offset by a $0.2 million recovery related to the surrender of vacated office space.

Financial Charges, net

Financial charges decreased to $1.8 million for the year ended December 31, 2022 compared to $9.3 million for the same period last year. The decrease is mainly due to lower interest due to the full repayment of the Exchangeable debentures on May 31, 2021 and higher interest income as a result of higher cash balances and higher interest rates.

Loss on early repayment of debt

Yellow Pages Limited recorded a loss on early repayment of debt of $7.8 million during the year ended December 31, 2021, consisting of a loss of $4.8 million on the early repayment of the Exchangeable debentures and a loss of $3.0 million related to the derecognition of the redemption option of the Exchangeable debentures.

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.42% for the year ended December 31, 2022 and 26.40% for the same period in 2021. The Company recorded an income tax expense of $2.7 million for the year ended December 31, 2022, including the recognition of previously unrecognized tax attributes and temporary differences of $17.8 million. In comparison, the company recorded an income tax recovery of $10.7 million for the year ended December 31, 2021, including the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million. The Company recorded an income tax expense of 3.55% of income for the year ended December 31, 2022 (2021 – an income tax recovery of 17.9% these recoveries are non-cash items).

The difference between the effective and the statutory rates for the years ended December 31, 2022 and 2021 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income increased to $73.4 million for the year ended December 31, 2022 compared to net income of $70.6 million for the same period last year due to higher income before income taxes, partially offset by higher income taxes from lower recognition of previously unrecognized tax attributes and temporary differences. The increase in income before income taxes for the year-ended December 31, 2022 of $16.2 million is explained by lower Adjusted EBITDA, being more than offset by the decrease in financial charges due to lower debt and higher cash balances as well as the decrease in depreciation and amortization and restructuring and other charges. Furthermore, the year-ended December 31, 2021 was impacted by the loss on the early repayment of debt of $7.8 million.

Fiscal year 2021 versus 2020

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2021	2020	% Change
Digital	$ 221,471	$ 252,252	(12.2%)
Print	66,175	81,286	(18.6%)
Total revenues	$ 287,646	$ 333,538	(13.8%)

Total revenues for the year ended December 31, 2021 decreased by 13.8% to $287.6 million, as compared to $333.5 million for the same period in 2020. The decrease in revenues was mainly due to the decline of our higher margin digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins.

Total digital revenues decreased 12.2% year-over-year and amounted to $221.5 million for the year ended December 31, 2021, as compared to $252.3 million for the same period in 2020. The revenue decline for the period ended December 31, 2021, was mainly attributable to a decrease in digital customer count partially offset by an increase in spend per customer.

Print revenues decreased 18.6% year-over-year and amounted to $66.2 million for the year ended December 31, 2021. The revenue decline was mostly attributable to decreases in the number of print customers as well as the spend per customer.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Total gross profit	$	170,954	59.4%	$	205,749	61.7%	(16.9%)

Gross profit decreased to $171.0 million or 59.4% of revenues for the year ended December 31, 2021, compared to $205.7 million, or 61.7% of total revenues, for the same period in 2020. The decrease in gross profit was a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations and cost reductions.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Total Adjusted EBITDA	$	102,000	35.5%	$	129,442	38.8%	(21.2%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

For the year ended December 31, 2021 Adjusted EBITDA decreased by $27.4 million or 21.2% to $102.0 million or 35.5% of revenues, compared to $129.4 million or 38.8% of revenues for the same period in 2020. The decrease in Adjusted EBITDA resulted from revenue pressures, investments in our tele-sales force capacity, as well as the impact of the Company's share-price on cash settled stock-based compensation expense and lower wage subsidies received, partially offset by efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses as well the Company's office space footprint and other spending across the Company. The change in YP's share price, resulted in an incremental charge of $4.2 million related to cash settled stock-based compensation expense for the year ended December 31, 2021, compared to a charge of $3.7 million for the period ended December 31, 2020. Furthermore, 2020 benefited from $1.0 million recovery in compensation expense related to forfeitures. The Company received a total of $4.2 million of emergency wage subsidies for the year ended December 31, 2021 compared to $7.3 million for the period ended December 31, 2020.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Adjusted EBITDA	$	102,000	35.5%	$	129,442	38.8%	(21.2%)
CAPEX		5,074	1.8%		5,573	1.7%	(9.0%)
Total Adjusted EBITDA less CAPEX	$	96,926	33.7%	$	123,869	37.1%	(21.8%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

For the year ended December 31, 2021 Adjusted EBITDA less CAPEX decreased by $26.9 million or 21.8% to $96.9 million, compared to $123.9 million for the same period in 2020. The decrease is mainly driven by the decrease in Adjusted EBITDA, partially offset by lower capital expenditures driven by lower spend in software development year-over-year.

Depreciation and Amortization

Depreciation and amortization decreased to $19.6 million for the year ended December 31, 2021, compared to $27.7 million for the same period in 2020, primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges
(In thousands of Canadian dollars)

For the years ended December 31,	2021	2020
Severance, benefits and outplacement	$ 4,520	$ 2,895
Impairment of right-of-use assets and property and equipment and provision for future operation costs related to lease contracts for vacated offices	733	5,512
Other costs (recoveries)	91	(276)
Total restructuring and other charges	$ 5,344	$ 8,131

Yellow Pages Limited recorded restructuring and other charges of $5.3 million during the year ended December 31, 2021 consisting mainly of restructuring charges of $4.6 million associated with workforce reductions and a $0.9 million charge related to future operation costs provisioned related to lease contracts for office closures, partially offset by a $0.2 million recovery related to the surrender of vacated office space.

Restructuring and other charges of $8.1 million were recorded for the year ended December 31, 2020 consisting mainly of restructuring charges of $2.6 million associated with workforce reductions, a $2.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a $4.6 million charge related to the impairment of property and equipment and right-of-use assets related to vacated office space, partially offset by a $1.2 million recovery related to the surrender of vacated office space.

Financial Charges

Financial charges decreased to $9.3 million for the year ended December 31, 2021 compared to $14.5 million for the year ended December 31, 2020. The decrease was mainly due to lower interest due to the full repayment of the Exchangeable debentures on May 31, 2021.

Loss on early repayment of debt

Yellow Pages Limited recorded a loss on early repayment of debt of $7.8 million during the year ended December 31, 2021, consisting of a loss of $4.8 million on the early repayment of the Exchangeable debentures and a loss of $3.0 million related to the derecognition of the redemption option of the Exchangeable debentures.

(Recovery of) provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.4% for the year ended December 31, 2021 and 26.5% for the same period in 2020. The Company recorded an income tax recovery of $10.7 million for the year ended December 31, 2021, including the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million. In comparison, the company recorded income tax expense of $18.4 million for the year ended December 31, 2020, including the recognition of previously unrecognized tax attributes and temporary differences of $2.8 million. The Company recorded an income tax recovery of 17.9% of income for the year ended December 31, 2021 (2020 – an income tax expense of 23.4%), these recoveries are non-cash items.

The difference between the effective and the statutory rates for the years ended December 31, 2021 and 2020 was mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income increased to $70.6 million for the year ended December 31, 2021 compared to net income of $60.3 million, for the same period in 2020 due to higher recognition of previously unrecognized tax attributes and temporary differences. Income before income taxes decreased from $78.7 million to $59.9 million for the year ended December 31, 2021, explained principally by lower Adjusted EBITDA and the loss on early repayment of debt, partially offset by decreases in depreciation and amortization, restructuring and other charges, and financial charges.

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)

				2022				2021
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	**$ 64,595**	$ 66,310	$ 69,584	$ 67,789	$ 68,624	$ 70,920	$ 74,588	$ 73,514
Operating costs	**43,616**	39,920	45,796	42,378	44,264	44,303	50,148	46,931
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA[1])	**20,979**	26,390	23,788	25,411	24,360	26,617	24,440	26,583
Adjusted EBITDA margin[1]	**32.5%**	39.8%	34.2%	37.5%	35.5%	37.5%	32.8%	36.2%
Depreciation and amortization	**3,327**	3,514	4,208	4,348	4,557	5,058	4,928	5,092
Restructuring and other charges	**464**	612	1,773	382	2,665	1,423	200	1,056
Income from operations	**17,188**	22,264	17,807	20,681	17,138	20,136	19,312	20,435
Financial charges, net	**523**	55	458	772	1,214	1,132	3,202	3,795
Loss on early repayment of debt	**–**	–	–	–	–	–	7,764	–
Income before income taxes	**16,665**	22,209	17,349	19,909	15,924	19,004	8,346	16,640
(Recovery of) provision for income taxes	**(12,766)**	5,516	4,671	5,279	(22,811)	5,257	2,328	4,505
Net income	**$ 29,431**	$ 16,693	$ 12,678	$ 14,630	$ 38,735	$ 13,747	$ 6,018	$ 12,135
Basic income per share	**$ 1.64**	$ 0.66	$ 0.50	$ 0.56	$ 1.48	$ 0.52	$ 0.23	$ 0.46
Diluted income per share	**$ 1.63**	$ 0.60	$ 0.49	$ 0.56	$ 1.46	$ 0.51	$ 0.22	$ 0.44

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

Sequential quarterly revenue trends are impacted by the print publication distribution schedules, with the second quarter being the strongest quarter. Year-over-year the quarterly revenues have decreased principally due to lower customer count partially offset by an increasing spend per customer, driven by, the increase in digital spend per customer more than offsetting the decline in print spend per customer.

During 2022, the quarterly decline rates for total revenues, have significantly improved on a year-over-year basis. These improvements were due to better spend per customer in digital, increased renewal rates as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Quarterly Operating costs decreased year-over-year driven by efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses. YP recorded a $3.6 million recovery in operating costs related to cash settled stock-based compensation expense during the third quarter of 2022, driven by the decrease in the Company's share price during the third quarter as well as a decrease in the volatility parameter of the pricing model from using the historical share price volatility of its common shares as a reliable observable input to reflect expected volatility. During the fourth quarter of 2022, YP's share price increase resulted in the incremental charge related to stock-based compensation expense of $1.4 million. The Company received $0.5 million and $0.6 million in emergency wages subsidies in each of the first and third quarters of 2022, respectively. In the second quarter of 2021, the increase in YP's share price resulted in an incremental charge related to cash settled stock-based compensation expense of $3.4 million, partially offset by the receipt of a $1.9 million emergency wage subsidy. The Company also received $0.7 million during the first quarter of 2021 and $0.8 million in emergency wage subsidies in each of the third and fourth quarters of 2021, respectively.

Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, put pressure on the Adjusted EBITDA margin. Furthermore, the quarters are also impacted by the movement in YP's share price and the emergency wage subsidies received as discussed above.

Depreciation and amortization has steadily decreased due to lower intangible assets resulting from decreasing software development expenditures in recent years.

The Company's restructuring and other charges mainly relate to workforce reductions and impairments of property and equipment and right-of-use assets and future operating costs related to lease contracts for previously vacated offices.

The financial charges have further declined in the last six quarters since the full repayment of Exchangeable debentures in the second quarter of 2021.

The Company recorded a loss on early repayment of debt related to the Exchangeable debentures of $7.8 million in the second quarter of 2021.

Net income for the fourth quarter of 2022 and 2021 benefited from the recording of previously unrecognized tax attributes and temporary differences of $17.8 million and $27.0 million in the provision for (recovery of) income taxes, respectively.

Analysis of Fourth Quarter 2022 Results

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022		2021	% Change
Digital	$	51,509	$	53,798	(4.3%)
Print		13,086		14,826	(11.7%)
Total revenues	$	**64,595**	$	68,624	(5.9%)

Total revenues for the fourth quarter ended December 31, 2022 decreased by 5.9% year-over-year and amounted to $64.6 million as compared to $68.6 million for the same period last year. The decrease for the quarter ended December 31, 2022 is 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.

Total digital revenues decreased 4.3% year-over-year and amounted to $51.5 million during the fourth quarter of 2022 compared to $53.8 million for the same period last year. The revenue decline is mainly attributable to a decrease in digital customer count partially offset by a higher spend per customer.

Total print revenues decreased 11.7% year-over-year and amounted to $13.1 million during the fourth quarter of 2022 as compared to $14.8 million in the fourth quarter of 2021. The revenue decline was mostly attributable to decreases in the number of print customers as well as the spend per customer.

The decline rates for total revenues, digital revenues and print revenues all significantly improved year-over-year. Total revenue decline of 5.9% this quarter compares to a decline of 10.5% reported for the same period last year. Digital revenue decline of 4.3% this quarter compares to a decline of 8.7% reported for the same period last year. Print revenue decline of 11.7% this quarter compares to a decline of 16.5% reported for the same period last year. These improvements were due to better spend per customer in digital, increased renewal rates, as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total gross profit	$	**37,827**	**58.6%**	$	40,117	58.5%	(5.7%)

Gross profit totalled $37.8 million or 58.6% of revenues for the three-month period ended December 31, 2022, compared to $40.1 million, or 58.5% of revenues, for the same period last year. The decrease in gross profit for the three-month period ended December 31, 2022 is a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations, cost reductions and increased pricing.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total Adjusted EBITDA	**$**	**20,979**	**32.5%**	$	24,360	35.5%	(13.9%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

Adjusted EBITDA decreased to $21.0 million or 32.5% of revenues in the fourth quarter ended December 31, 2022, relative to $24.4 million or 35.5% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three-month period ended December 31, 2022 is the result of revenue pressures, ongoing investments in our tele-sales force capacity, the increase in cash-settled stock-based compensation expense due to movements in YP's share price and lower wage subsidies received, partially offset by price increases, efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses and the decrease in bad debt expense. The increase in YP's share price during the quarter resulted in an incremental charge related to cash settled stock-based compensation expense of $1.4 million for the three-month period ended December 31, 2022 compared to $0.3 million for the same period last year. The Company has not received emergency wage subsidy during the three-month period ended December 31, 2022 compared to $0.8 million received during the same period last year. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will continue to cause some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Adjusted EBITDA	**$**	**20,979**	32.5%	$	24,360	35.5%	(13.9%)
CAPEX		**986**	1.5%		1,220	1.8%	(19.2%)
Total Adjusted EBITDA less CAPEX	**$**	**19,993**	31.0%	$	23,140	33.7%	(13.6%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 3 of this MD&A.*

Adjusted EBITDA less CAPEX decreased by $3.1 million to $20.0 million during the fourth quarter of 2022, compared to $23.1 million during the same period last year. The decrease in Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2022 is mainly due to lower Adjusted EBITDA partially offset by lower capital expenditures.

Depreciation and Amortization

Depreciation and amortization decreased to $3.3 million for the three-month period ended December 31, 2022 compared to $4.6 million for the same period last year. The decrease is primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the three-month periods ended December 31,		2022		2021
Severance, benefits and outplacement	**$**	**210**	$	2,048
Provision for future operation costs related to lease contracts for vacated offices		**340**		535
Other (recoveries) costs		**(86)**		82
Total restructuring and other charges	**$**	**464**	$	2,665

Yellow Pages Limited recorded restructuring and other charges of $0.5 million during the three-month period ended December 31, 2022 consisting mainly of restructuring charges of $0.2 million associated with workforce reductions and a $0.3 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space. Restructuring and other charges of $2.7 million were recorded for the three-month period ended December 31, 2021 consisting mainly of restructuring charges of $2.1 million associated with workforce reductions, and a $0.5 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space.

Financial Charges

Financial charges decreased to $0.5 million for the three-month period ended December 31, 2022 compared to $1.2 million for the same period last year. The decrease for the quarter is mainly due to higher interest income.

(Recovery of) provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.42% and 26.40% for the three-month periods ended December 31, 2022 and 2021, respectively. The Company recorded a recovery for income tax of $12.8 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $17.8 million for the three-month period ended December 31, 2022. In comparison, the Company recorded a recovery for income tax of $22.8 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million for the three-month period ended December 31, 2021. These recoveries were non-cash items.

The difference between the effective and the statutory rates during the three-month period ended December 31, 2022 and 2021 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income for the three-month period ended December 31, 2022 amounted to $29.4 million as compared to net income of $38.7 million for the same period last year. The decrease is mainly attributable to higher recognition of previously unrecognized tax attributes and temporary differences in 2021. Income before taxes increased from $15.9 million for the fourth quarter of 2021 to $16.7 million for the three-month period ended December 31, 2022, explained principally by lower Adjusted EBITDA being more than offset by decreases in restructuring and other charges, depreciation and amortization and financial 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,		**2022**		2021
Cash	**$**	**43,907**	$	123,559
Lease obligations (including current portion)		**47,129**		49,879
Total debt	**$**	**47,129**	$	49,879
Equity		**65,781**		116,131
Total capitalization	**$**	**112,910**	$	166,010
Total debt net of cash (cash net of debt)[1]	**$**	**3,222**	$	(73,680)
Total debt net of cash to total capitalization		**2.9%**		n.a

[1] *The term debt net of cash (cash net of debt) does not have a standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We define debt net of cash (cash net of debt) as Lease obligations including current portion, less cash, as shown in the Company's consolidated statements of financial position.*

Asset-Based Loan

The Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, has an asset-based loan (ABL) with a term to September 2025 and a total commitment of $20.0 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, CDOR (Canadian Dollar Offered Rate) loans or letters of credit. The ABL is subject to a trailing twelve-month fixed charge coverage ratio when there is an event of default or when excess availability is less than 10% of the facility limit. Upon such event, the fixed charged coverage ratio must be a minimum of 1.1 times. As at December 31, 2022, the Company had $2.3 million of letters of credit issued and outstanding and an availability of $17.7 million under the ABL.

As at December 31, 2022, the Company was in compliance with all covenants under the loan agreement governing the ABL.

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 lease and post-employment benefit obligations. As at December 31, 2022, the Company had $43.9 million of cash and $17.7 million available under the ABL.

Options

On March 24, 2022, the Board of Directors (the "Board") approved an amendment to the Stock Option Plan in order provide the Board the discretion to amend the exercise price of Options, subject to TSX approval, in the event a stock dividend or cash dividend (other than any ordinary course cash dividend) is declared on the Corporation's common shares.

On March 23, 2021, the Board approved an amendment to the Stock Option Plan to increase the insider participation limits and the maximum number of shares issuable to one person from 5% of the issued and outstanding shares to 10% of the issued and outstanding shares. In addition, the Stock Option Plan was amended to provide that any shares repurchased by the Company for cancellation pursuant to a NCIB will not constitute non-compliance with these limits for any options outstanding prior to such purchase of Shares for cancellation.

A maximum of 2,806,932 stock options may be granted under the Stock Option Plan. 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.

Stock options granted that are payable in cash are presented as a liability.

Share Data

Outstanding Share Data

As at	February 14, 2023	December 31, 2022	December 31, 2021
Common shares outstanding[1]	18,658,347	18,658,347	27,459,686
Common share purchase warrants outstanding[2]	–	–	2,995,483
Stock options outstanding[3]	2,132,132	2,132,132	2,332,893

[1] *On October 4, 2022, the Company repurchased from shareholders pro rata an aggregate of 7,949,125 common shares pursuant to the plan of arrangement (refer to the section ''Plan of Arrangement'' for details.*

[2] *The Common share purchase warrants expired on December 20, 2022.*

[3] *Included in the stock options outstanding balance of 2,132,132 as at February 14, 2023 and December 31, 2022, are nil stock options exercisable as at those dates. Included in the stock options outstanding balance of 2,332,893 as at December 31, 2021 were nil stock options exercisable as at that date.*

Share repurchases - NCIBs

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

On August 5, 2021, the Company announced a new NCIB commencing August 10, 2021 to purchase up to $16.0 million of the Company's outstanding shares for cancellation on or before August 9, 2022. Upon completion of this NCIB program on May 30, 2022, the Company purchased under this NCIB program, a total of 1,122,511 common shares for cash of $16.0 million. For the year ended December 31, 2022, the Company purchased under this NCIB program 871,135 common shares, for cash of $12.4 million. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder's capital to deficit within the Company's consolidated financial statements. For the year ended December 31, 2021, the Company purchased under this NCIB program 251,376 common shares for cash of $3.6 million.

Share repurchase - Plan of Arrangement

On August 4, 2022, the Board approved a distribution to shareholders of approximately $100.0 million by way of a share repurchase from all shareholders pursuant to a statutory arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). The shareholders of the Company (the "Shareholders") approved the Arrangement at a special meeting of the Shareholders held on September 23, 2022 and the Company subsequently obtained the final order from the Supreme Court of British Columbia approving the Arrangement on September 27, 2022. On October 4, 2022, the Company repurchased from shareholders *pro rata* an aggregate of 7,949,125 common shares (including 388,082 shares held in treasury) at a purchase price of $12.58 per share pursuant to the Arrangement for a total of $101.0 million, including $1.0 million of transaction costs. The $101.0 million cash outlay was reduced by $4.9 million for the cancellation of 388,082 of YP's 1,298,994 shares held in Treasury for a net cash outlay of $96.1 million. Also pursuant to the Arrangement, the Company advanced $24.0 million to the Defined Benefit Pension Plan's (the "Pension Plan") wind-up deficit for the year ended December 31, 2022 (refer to "*Pension Contributions*" section for additional details).

Dividend policy

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

During the year ended December 31, 2022, the Company paid quarterly dividends of $0.15 per common share. The dividends were paid on March 15, June 15, September 15 and December 15 of 2022 for a total consideration of $14.2 million to common shareholders. During the year ended December 31, 2021, the Company paid quarterly dividends of $0.11 per common share on March 15, 2021 and of $0.15 per common share on June 30, September 15 and December 15 of 2021 for a total consideration of $14.7 million to common shareholders.

On February 14, 2023, the Board declared a cash dividend of $0.15 per common share, payable on March 15, 2023 to shareholders of record as at February 24, 2023. Future quarterly dividends are subject to Board approval.

Contractual Obligations and Other Commitments

(in thousands of Canadian dollars)

			Payments due for the years following December 31, 2022			
		Total	**1 year**	**2 – 3 years**	**4 – 5 years**	**Thereafter**
Lease obligations[1,2]	**$**	**47,129**	$ 3,396	$ 7,675	$ 8,137	$ 27,921
Operating portion of lease obligations		**58,036**	4,961	11,193	11,535	30,347
Purchase obligations		**32,196**	14,407	12,968	2,562	2,259
Total contractual obligations	**$**	**137,361**	**$ 22,764**	**$ 31,836**	**$ 22,234**	**$ 60,527**

1 *Principal amount.*
2 *Net present value.*

Lease obligations

We entered into finance lease agreements for premises. As at December 31, 2022, minimum payments under these finance leases up to 2033 total $47.1 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, 2022, minimum payments for the operating portion under these leases up to 2033 total $58.0 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 2023 and 2032. We also have purchase obligations under service contracts for both operating and capital expenditures. As at

December 31, 2022, we have an obligation to purchase services for $32.2 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Contributions

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, 2022, the DB component of the YP Pension Plan's assets market value totalled $404.1 million and were invested in a diversified portfolio of Canadian fixed income securities, Canadian and international equity securities, real estate and private market funds. Its annual rate of return on assets was (17.9%) for 2022, 1.96% 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, 2019. The valuation was prepared consistent with the Ontario funding basis, which requires no solvency deficit contribution 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"), which is determined based on plan characteristics. There was no resulting solvency contribution, as it was determined that the plan was above the 85% solvency threshold, but the annual required contribution to cover the PfAD was determined to be $4.7 million for a 10-year period starting in 2021. The next actuarial valuation for funding purposes prepared at December 31, 2022 will be filed by September 30, 2023.

On May 12, 2021, the Board approved a voluntary incremental $4.0 million cash contribution in 2021 bringing cash payments to the Pension Plan's wind-up deficit to $6.0 million, as part of a deficit-reduction plan to increase the probability that the Pension Plan will be fully funded on a wind-up basis by 2030. The deficit-reduction plan includes an intention to make cash payments to the wind-up deficit of $6.0 million every year until 2030. The probability of achieving a wind-up ratio of 100% by 2030 is dependent upon other, uncontrollable factors, including, inter alia, market returns and discount rates. The Board will review the deficit-reduction plan annually.

In 2022, pursuant to the Arrangement (refer to the section "*Share repurchase – Plan of Arrangement*" for additional details), the Company advanced the previously announced voluntary incremental cash contributions to the Pension Plan's wind-up deficit by an amount of $24.0 million during the year ended December 31, 2022, bringing 2022 cash payments to the Pension Plan's wind-up deficit to $30.0 million. The incremental voluntary cash infusion of $24.0 million during the year ended December 31, 2022 represents advancing the voluntary $6.0 million contributions intended in years 2027, 2028, 2029 and 2030 that were part of the deficit-reduction plan announced in May of 2021 to increase the probability that the Pension Plan will be fully funded by 2030.

As of December 31, 2021, the Company's Pension Plan had a Prior Year Credit Balance ("PYCB") of $3.1 million. During 2022, the Company drew down $2.7 million (2021 - $2.7 million) of the PYCB, thereby reducing cash payments required into the Pension Plan and leaving a PYCB of $0.4 million as of December 31, 2022. Total cash payments for pension and other benefit plans expected in 2023 amount to approximately $12.5 million, including the $6.0 million contribution toward the Pension Plan's wind-up deficit. Total cash payments for pension and other benefit plans made by the Company during the year ended December 31, 2022 totalled $36.7 million.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,	2022	2021
Cash flows from operating activities		
Change in operating assets and liabilities	**$ 4,728**	$ 26,154
Stock-based compensation cash payments	**(7,155)**	(5,541)
Funding of post-employment benefit plans in excess of costs	**(32,106)**	(7,523)
Income taxes paid, net	**(7,758)**	–
Cash flows from operations, excluding the above	**91,791**	91,489
	$ 49,500	$ 104,579
Cash flows used in investing activities		
Additions to intangible assets	**$ (4,911)**	$ (4,957)
Additions to property and equipment	**(93)**	(117)
Payments received from net investment in subleases	**1,338**	593
	$ (3,666)	$ (4,481)
Cash flows used in financing activities		
Repayment of exchangeable debentures	**$ –**	$ (107,033)
Repurchase of common shares through NCIBs	**(12,404)**	(5,334)
Repurchase of common shares per plan of arrangement, net of treasury shares and transaction costs	**(96,125)**	–
Issuance of common shares	**153**	111
Payment of lease obligations	**(2,947)**	(3,045)
Dividends paid	**(14,163)**	(14,730)
	$ (125,486)	$ (130,031)
NET DECREASE IN CASH	**$ (79,652)**	$ (29,933)
CASH, BEGINNING OF YEAR	**123,559**	153,492
CASH, END OF YEAR	**$ 43,907**	$ 123,559

Cash flows from operating activities

Cash flows from operating activities decreased by $55.1 million to $49.5 million for the year ended December 31, 2022 from $104.6 million last year. The decrease is mainly due to increased funding of post-employment benefit plans of $24.6 million mainly pursuant to the Arrangement, income taxes paid of $7.8 million, of which $5.5 million related to 2021 and $2.3 million related to instalments for 2022, increased stock-based compensation cash settlements of $1.6 million, lower Adjusted EBITDA of $5.4 million, and by a decrease of $21.4 million from the change in operating assets and liabilities. The change in operating assets and liabilities is mainly due to the timing in the collection of trade receivables and the timing of payment of trade payables as well as the impact of the share price on cash settled stock-based compensation. The first quarter of 2022 also benefited from the cancellation of the forward contracts resulting in a decrease in other receivables of $3.1 million.

Cash flows used in investing activities

Cash flows used in investing activities decreased by $0.8 million year-over-year mainly due to the increase in payments received from investment in subleases.

Cash flows used in financing activities

Cash flows used in financing activities decreased by $4.5 million to $125.5 million for the year ended December 31, 2022 compared to $130.0 million last year due mainly to the repayment of the exchangeable debentures of $107.0 million made in 2021 offset by an increase of $7.1 million for the repurchase of common shares through NCIBs and $96.1 million for the repurchase of shares pursuant to the Arrangement and a decrease of $0.6 million for the payment of dividends during the year ended December 31, 2022.

Financial and Other Instruments

(See Note 8 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2022 and 2021).

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

Following the repayment of the exchangeable debentures on May 31, 2021, the redemption option on the exchangeable debentures, was derecognized and was included in the loss on early repayment of debt.

4. Critical Assumptions and Estimates

Significant 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. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current events including but not limited to economic conditions and the COVID-19 pandemic. These estimates are subject to measurement uncertainty and actual results could differ from current estimates as a result of changes in these assumptions. The impact of these changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

The more significant estimates made by management are described below.

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 anticipated.

Measurement of the ECL allowance on trade receivables

In relation to the impairment of trade receivables (including contract assets), the Company uses the expected credit losses ("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 trade receivable. 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 further significant change in economic conditions or customer solvency or any new information that may impact our assumptions.

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 is 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.

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.

Accounting standards

Effective January 1, 2022, the Company adopted the following amended accounting standards;

Amendments to IFRS 3 – *Business Combinations*

The amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The adoption of these amendments did not have any impact to the Company's financial statements. They may have an impact on the accounting of future business combinations, if any.

Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*

The amendments to IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*, specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments to IAS 37, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The adoption of these amendments did not have any impact on the Company's financial statements.

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

Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

On February 12, 2021, the IASB, issued amendments to IAS 8, these amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 - *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current*

On January 20, 2020, the IASB issued amendments to IAS 1, to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements, although it does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*

On February 12, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and amended IFRS practice Statement 2, Making Material Judgements to require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments are effective for annual periods beginning on or after January 1, 2023, earlier application is permitted. The Company is currently assessing the impact of this amendment on its current accounting policy disclosure.

Amendments to IAS 12 – *Income taxes*

On May 7, 2021, IASB published Deferred Tax related to Assets and Liabilities arising from a single transaction. The amendments clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

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. Careful consideration should be given to the following risk factors which could have a material adverse effect on the Corporation, its business, results of operation and financial condition. 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

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.

The inability of the Corporation to attract, retain and upsell customers

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.

Substantial competition could reduce the market share of the Corporation

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.

A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits

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

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 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

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

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

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

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 Information Systems/Information Technology ("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

We have three billing and collection services agreements. The agreement with Bell Canada ("Bell") expires on December 31, 2023 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 Partner may also be terminated, including the Bell Canada Trademark License Agreement, the TELUS Trademark License Agreement, the Bell 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

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

Certain non-management employees of the Corporation are unionized. The Corporation currently has six union agreements. Three have been recently renegotiated, of which, two will expire on December 31, 2025 and the other on June 30, 2026. Of the remaining three, one will expire on March 31, 2023 and the remaining two expired on December 31, 2021 and June 30, 2022 respectively. 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.

Challenge by tax authorities of the Corporation's position on certain income tax matters

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

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 failure of the Corporation's computers and communications systems

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.

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.

The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions

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. 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

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.

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.

The impacts of COVID-19 are unpredictable

The continuing global health, social, political and economic implications of the COVID-19 pandemic are highly unpredictable and could have significant impacts on our business, operations and future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, our current and future financial performance, including quarterly and annual revenue growth rates and expenses as a percentage of revenues, may differ significantly from our historical performance and our future operating results may fall below expectations. The impacts of the pandemic on our business, operations and future financial performance could include, but are not limited to:

- A significant decline in revenue as customer spending slows due to an economic downturn and/or as customer demand otherwise decreases. This decline in revenue could persist through and beyond a recessionary period.
- Adverse impacts to our growth rates, cash flows and margins - particularly if expenses do not decrease across our business at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation and other costs associated with its office facilities and maintenance costs. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on its long-term outlook and opportunities.
- Major disruptions to the respective businesses of our principal customers and suppliers which could have a material impact on our business, operations, prospects and revenues and accordingly our financial position.
- The COVID-19 pandemic has caused organizations globally to rapidly and broadly shift to remote working, which has resulted in certain inherent productivity, connectivity and oversight challenges. Continued and/or new governmental lockdowns, restrictions, or regulations arising from the COVID-19 pandemic which restrict the movement of people in the jurisdictions in which we operate could significantly impact the ability of our employees, partners, customers and vendors to work productively. Governmental restrictions have been globally inconsistent and it is not clear if and when a full return to worksite locations or travel will be permitted or for how long or what restrictions will be in place in these jurisdictions at any given time.

An outbreak or escalation of a contagious disease

A local, regional, national or international outbreak or escalation of a contagious disease, including the COVID-19 virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or fear of the foregoing, could adversely impact the ability of the Corporation's sales force to interact with customers and potential customers, cause economic uncertainty decreasing the willingness of customers to purchase services from the Corporation, cause labour shortages for the Corporation, interrupt supplies from third parties upon which the Corporation relies, increase operating costs, result in governmental regulation adversely impacting the Corporation's business and otherwise have an adverse effect on the Corporation's business, financial condition and results of operations.

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, 2022.

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, 2022.

During the quarter beginning on October 1, 2022 and ended on December 31, 2022, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.