

Groupon, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	March 31, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 690,975	\$ 862,977
Accounts receivable, net	63,732	71,272
Prepaid expenses and other current assets	88,512	94,441
Current assets of discontinued operations	—	63,246
Total current assets	843,219	1,091,936
Property, equipment and software, net	158,222	169,452
Goodwill	275,978	274,551
Intangible assets, net	37,995	42,915
Investments (including \$112,606 and \$110,066 at March 31, 2017 and December 31, 2016, respectively, at fair value)	145,003	141,882
Deferred income taxes	5,118	5,151
Other non-current assets	18,300	23,484
Non-current assets of discontinued operations	—	12,006
Total Assets	\$ 1,483,835	\$ 1,761,377
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 18,805	\$ 28,551
Accrued merchant and supplier payables	637,693	770,992
Accrued expenses and other current liabilities	335,531	366,456
Current liabilities of discontinued operations	—	47,052
Total current liabilities	992,029	1,213,051
Convertible senior notes, net	181,582	178,995
Deferred income taxes	1,745	1,714
Other non-current liabilities	97,090	99,628
Non-current liabilities of discontinued operations	—	2,927
Total Liabilities	1,272,446	1,496,315
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized, 741,388,884 shares issued and 562,356,295 shares outstanding at March 31, 2017 and 736,531,771 shares issued and 564,835,863 shares outstanding at December 31, 2016	74	74
Additional paid-in capital	2,127,405	2,112,728
Treasury stock, at cost, 179,032,589 shares at March 31, 2017 and 171,695,908 shares at December 31, 2016	(833,451)	(807,424)
Accumulated deficit	(1,126,658)	(1,099,010)
Accumulated other comprehensive income (loss)	42,795	58,052
Total Groupon, Inc. Stockholders' Equity	210,165	264,420
Noncontrolling interests	1,224	642
Total Equity	211,389	265,062
Total Liabilities and Equity	\$ 1,483,835	\$ 1,761,377

Groupon, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenue:		
Third-party and other	\$ 301,577	\$ 309,629
Direct	372,049	388,806
Total revenue	673,626	698,435
Cost of revenue:		
Third-party and other	42,873	41,060
Direct	321,302	337,273
Total cost of revenue	364,175	378,333
Gross profit	309,451	320,102
Operating expenses:		
Marketing	86,342	87,295
Selling, general and administrative	232,046	262,978
Restructuring charges	2,731	11,513
Acquisition-related expense (benefit), net	12	3,464
Total operating expenses	321,131	365,250
Income (loss) from operations	(11,680)	(45,148)
Other income (expense), net	(4,602)	2,618
Income (loss) from continuing operations before provision (benefit) for income taxes	(16,282)	(42,530)
Provision (benefit) for income taxes	4,587	1,009
Income (loss) from continuing operations	(20,869)	(43,539)
Income (loss) from discontinued operations, net of tax	487	(2,057)
Net income (loss)	(20,382)	(45,596)
Net income attributable to noncontrolling interests	(4,032)	(3,523)
Net income (loss) attributable to Groupon, Inc.	\$ (24,414)	\$ (49,119)
Basic and diluted net income (loss) per share ⁽¹⁾:		
Continuing operations	\$ (0.04)	\$ (0.08)
Discontinued operations	—	—
Basic and diluted net income (loss) per share	\$ (0.04)	\$ (0.08)
Weighted average number of shares outstanding		
Basic	562,195,243	582,751,678
Diluted	562,195,243	582,751,678

- (1) The structure of the Company's common stock changed during the year ended December 31, 2016. For additional information, refer to Note 8, *Stockholders' Equity and Compensation Arrangements*, and Note 12, *Income (Loss) per Share*, in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Groupon, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Operating activities		
Net income (loss)	\$ (20,382)	\$ (45,596)
Less: Income (loss) from discontinued operations, net of tax	487	(2,057)
Income (loss) from continuing operations	(20,869)	(43,539)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and software	28,667	29,761
Amortization of acquired intangible assets	5,400	4,654
Stock-based compensation	19,701	30,093
Restructuring-related long-lived asset impairments	—	45
Deferred income taxes	(74)	(2,310)
(Gain) loss, net from changes in fair value of contingent consideration	12	3,442
(Gain) loss from changes in fair value of investments	(303)	1,100
Amortization of debt discount on convertible senior notes	2,587	—
Change in assets and liabilities, net of acquisitions and dispositions:		
Restricted cash	1,853	502
Accounts receivable	10,594	(5,763)
Prepaid expenses and other current assets	5,380	18,939
Accounts payable	(13,184)	(1,499)
Accrued merchant and supplier payables	(138,238)	(109,264)
Accrued expenses and other current liabilities	(36,040)	11,967
Other, net	(1,719)	(12,905)
Net cash provided by (used in) operating activities from continuing operations	(136,233)	(74,777)
Net cash provided by (used in) operating activities from discontinued operations	(1,098)	(1,948)
Net cash provided by (used in) operating activities	(137,331)	(76,725)
Investing activities		
Purchases of property and equipment and capitalized software	(14,076)	(19,852)
Cash derecognized upon dispositions of subsidiaries	—	(40)
Acquisitions of intangible assets and other investing activities	56	(786)
Net cash provided by (used in) investing activities from continuing operations	(14,020)	(20,678)
Net cash provided by (used in) investing activities from discontinued operations	(7,547)	(100)
Net cash provided by (used in) investing activities	(21,567)	(20,778)
Financing activities		
Payments for purchases of treasury stock	(27,234)	(64,665)
Taxes paid related to net share settlements of stock-based compensation awards	(8,970)	(4,964)
Proceeds from stock option exercises and employee stock purchase plan	2,468	1,933
Distributions to noncontrolling interest holders	(3,450)	(3,365)
Payments of capital lease obligations	(8,067)	(6,954)
Other financing activities	(473)	—
Net cash provided by (used in) financing activities	(45,726)	(78,015)
Effect of exchange rate changes on cash and cash equivalents, including cash classified within current assets of discontinued operations	3,756	10,668
Net increase (decrease) in cash and cash equivalents, including cash classified within current assets of discontinued operations	(200,868)	(164,850)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	(28,866)	3,993
Net increase (decrease) in cash and cash equivalents	(172,002)	(168,843)
Cash and cash equivalents, beginning of period	862,977	824,307
Cash and cash equivalents, end of period	<u>\$ 690,975</u>	<u>\$ 655,464</u>

Groupon, Inc.
Supplemental Financial Information and Business Metrics ⁽¹⁾
(financial data in thousands; active customers in millions)
(unaudited)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017						
North America Segment:						Q1 2017					
Gross Billings ⁽²⁾ :						Y/Y Growth					
Local	\$ 539,623	\$ 542,439	\$ 530,768	\$ 590,684	\$ 587,766	8.9	%				
Travel	103,390	105,388	93,564	90,059	114,163	10.4					
Goods	294,061	318,427	296,630	431,388	262,588	(10.7)					
Total Gross Billings	\$ 937,074	\$ 966,254	\$ 920,962	\$ 1,112,131	\$ 964,517	2.9	%				
Revenue:											
Local	\$ 192,153	\$ 184,139	\$ 176,220	\$ 209,799	\$ 200,545	4.4	%				
Travel	20,914	21,401	21,241	19,023	20,462	(2.2)					
Goods	287,746	311,382	285,820	421,931	252,350	(12.3)					
Total Revenue	\$ 500,813	\$ 516,922	\$ 483,281	\$ 650,753	\$ 473,357	(5.5)	%				
Gross Profit:											
Local	\$ 164,018	\$ 158,812	\$ 152,873	\$ 185,280	\$ 169,342	3.2	%				
Travel	15,712	16,334	17,257	15,052	15,165	(3.5)					
Goods	36,213	42,028	31,531	50,437	36,430	0.6					
Total Gross Profit	\$ 215,943	\$ 217,174	\$ 201,661	\$ 250,769	\$ 220,937	2.3	%				
Operating income (loss)	\$ (41,934)	\$ (31,284)	\$ (24,471)	\$ 12,246	\$ (14,783)	64.7	%				
International Segment:						Q1 2017					
Gross Billings:						Y/Y Growth		FX Effect ⁽³⁾	Y/Y Growth excluding FX ⁽³⁾		
Local	\$ 200,141	\$ 196,857	\$ 184,068	\$ 221,337	\$ 191,219	(4.5)	%	3.4	(1.1)	%	
Travel	63,723	56,409	58,964	60,099	53,161	(16.6)		1.0	(15.6)		
Goods	168,748	170,019	158,965	211,963	149,079	(11.7)		3.0	(8.7)		
Total Gross Billings	\$ 432,612	\$ 423,285	\$ 401,997	\$ 493,399	\$ 393,459	(9.1)	%	2.9	(6.2)	%	
Revenue:											
Local	\$ 68,907	\$ 67,956	\$ 64,282	\$ 68,900	\$ 63,575	(7.7)	%	3.8	(3.9)	%	
Travel	12,451	11,640	13,524	12,141	11,002	(11.6)		1.5	(10.1)		
Goods	116,264	127,242	125,468	173,071	125,692	8.1		3.7	11.8		
Total Revenue	\$ 197,622	\$ 206,838	\$ 203,274	\$ 254,112	\$ 200,269	1.3	%	3.6	4.9	%	
Gross Profit:											
Local	\$ 64,221	\$ 62,970	\$ 59,257	\$ 63,987	\$ 59,194	(7.8)	%	3.9	(3.9)	%	
Travel	11,242	10,484	12,378	11,087	10,036	(10.7)		1.8	(8.9)		
Goods	28,696	24,749	19,972	26,063	19,284	(32.8)		2.0	(30.8)		
Total Gross Profit	\$ 104,159	\$ 98,203	\$ 91,607	\$ 101,137	\$ 88,514	(15.0)	%	3.2	(11.8)	%	
Operating income (loss)	\$ (3,214)	\$ (8,469)	\$ (370)	\$ (2,749)	\$ 3,103	196.5	%				
Consolidated Results of Operations:											
Gross Billings:											
Local	\$ 739,764	\$ 739,296	\$ 714,836	\$ 812,021	\$ 778,985	5.3	%	0.9	6.2	%	
Travel	167,113	161,797	152,528	150,158	167,324	0.1		0.4	0.5		
Goods	462,809	488,446	455,595	643,351	411,667	(11.1)		1.1	(10.0)		
Total Gross Billings	\$ 1,369,686	\$ 1,389,539	\$ 1,322,959	\$ 1,605,530	\$ 1,357,976	(0.9)	%	0.9	—	%	
Revenue:											
Local	\$ 261,060	\$ 252,095	\$ 240,502	\$ 278,699	\$ 264,120	1.2	%	1.0	2.2	%	
Travel	33,365	33,041	34,765	31,164	31,464	(5.7)		0.6	(5.1)		
Goods	404,010	438,624	411,288	595,002	378,042	(6.4)		1.0	(5.4)		
Total Revenue	\$ 698,435	\$ 723,760	\$ 686,555	\$ 904,865	\$ 673,626	(3.6)	%	1.0	(2.6)	%	
Gross Profit:											
Local	\$ 228,239	\$ 221,782	\$ 212,130	\$ 249,267	\$ 228,536	0.1	%	1.1	1.2	%	
Travel	26,954	26,818	29,635	26,139	25,201	(6.5)		0.7	(5.8)		
Goods	64,909	66,777	51,503	76,500	55,714	(14.2)		0.9	(13.3)		
Total Gross Profit	\$ 320,102	\$ 315,377	\$ 293,268	\$ 351,906	\$ 309,451	(3.3)	%	1.0	(2.3)	%	
Operating income (loss)	\$ (45,148)	\$ (39,753)	\$ (24,841)	\$ 9,497	\$ (11,680)	74.1	%				
Net cash provided by (used in) operating activities from continuing operations	\$ (74,777)	\$ (51,009)	\$ (39,879)	\$ 294,593	\$ (136,233)	(82.2)	%				
Free Cash Flow	\$ (94,629)	\$ (67,508)	\$ (52,561)	\$ 275,339	\$ (150,309)	(58.8)	%				

	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
Other Metrics:					
Active Customers ⁽⁴⁾					
North America	26.9	27.9	29.1	31.1	31.6
International	17.3	17.0	16.6	16.8	16.7
Total Active Customers	44.2	44.9	45.7	47.9	48.3
TTM Gross Billings / Average Active Customer					
North America	\$ 146	\$ 145	\$ 142	\$ 138	\$ 136
International	109	105	103	102	101
Consolidated	131	129	127	124	123
TTM Gross Profit / Average Active Customer					
North America	\$ 32	\$ 32	\$ 31	\$ 31	\$ 30
International	26	25	25	23	22
Consolidated	30	29	29	28	27
Consolidated Units	47.2	46.2	44.4	57.9	45.7
<i>Year-over-year growth:</i>					
North America	6.0 %	5.9 %	6.4 %	3.2 %	(0.4) %
International	(15.6)	(18.4)	(18.5)	(0.3)	(8.7)
Consolidated	(2.2)	(3.2)	(2.9)	2.0	(3.1)
Headcount					
Sales ⁽⁵⁾	3,068	2,893	2,695	2,626	2,624
Other	4,777	4,383	4,389	4,641	4,496
Total Headcount	7,845	7,276	7,084	7,267	7,120

- (1) The financial results of the exited 11 countries are presented as discontinued operations in the accompanying condensed consolidated financial statements and tables. All prior period financial information and operational metrics have been retrospectively adjusted to reflect this presentation.
- (2) Represents the total dollar value of customer purchases of goods and services.
- (3) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year periods.
- (4) Reflects the total number of unique user accounts who made a purchase through one of our online marketplaces during the trailing twelve months. North America active customers for the quarter ended March 31, 2017 includes approximately 0.9 million incremental active customers from the acquisition of LivingSocial, Inc.
- (5) Includes merchant sales representatives, as well as sales support personnel from our continuing operations.

Groupon, Inc.
Non-GAAP Reconciliation Schedules
(in thousands, except share and per share amounts)
(unaudited)

Adjusted EBITDA, non-GAAP earnings attributable to common stockholders and non-GAAP earnings per share are non-GAAP performance measures. The Company reconciles Adjusted EBITDA to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations" for the periods presented and the Company reconciles non-GAAP earnings per share to the most comparable U.S. GAAP performance measure, "Diluted net income (loss) per share," for the periods presented.

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, "Income (loss) from continuing operations."

	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
Income (loss) from continuing operations	\$ (43,539)	\$ (48,768)	\$ (34,447)	\$ (39,455)	\$ (20,869)
Adjustments:					
Stock-based compensation ⁽¹⁾	27,293	34,210	25,457	22,563	19,650
Depreciation and amortization	34,415	33,916	32,897	34,681	34,067
Acquisition-related expense (benefit), net	3,464	850	(9)	1,345	12
Restructuring charges	11,513	15,702	1,163	12,060	2,731
Gains on business dispositions	—	(9,339)	(2,060)	—	—
Non-operating expense (income), net	(2,618)	11,253	7,917	54,737	4,602
Provision (benefit) for income taxes	1,009	(2,238)	1,690	(5,779)	4,587
Total adjustments	<u>75,076</u>	<u>84,354</u>	<u>67,055</u>	<u>119,607</u>	<u>65,649</u>
Adjusted EBITDA	<u>\$ 31,537</u>	<u>\$ 35,586</u>	<u>\$ 32,608</u>	<u>\$ 80,152</u>	<u>\$ 44,780</u>

- (1) Represents stock-based compensation recorded within cost of revenue, marketing expense, and selling, general and administrative expense. Non-operating expense (income), net, includes \$0.2 million, \$0.2 million, \$0.3 million, \$0.2 million and \$0.1 million of additional stock-based compensation for the three months ended March 31, 2016, June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017, respectively. Restructuring charges includes \$2.6 million and \$2.1 million of additional stock-based compensation for the three months ended March 31, 2016 and June 30, 2016, respectively.

The following is a reconciliation of the Company's annual outlook for Adjusted EBITDA to the Company's outlook for the most comparable U.S. GAAP performance measure, "Income (loss) from continuing operations."

	<u>Year Ending December 31, 2017</u>
Expected income (loss) from continuing operations range	<u>\$(42,500) to \$(17,500)</u>
Expected adjustments:	
Stock-based compensation	80,000 to 90,000
Depreciation and amortization	130,000
Restructuring charges	5,000
Non-operating expense (income), net	20,000
Provision (benefit) for income taxes	7,500 to 12,500
Total expected adjustments	<u>\$242,500 to \$257,500</u>
Expected Adjusted EBITDA range	<u>\$200,000 to \$240,000</u>

The outlook provided above does not reflect the potential impact of any additional restructuring actions that the Company may decide to pursue, business acquisitions or dispositions, changes in the fair values of investments or contingent consideration, foreign currency gains or losses or unusual or infrequently occurring items that may occur during 2017.

The following is a reconciliation of net income (loss) attributable to common stockholders to non-GAAP net income (loss) attributable to common stockholders and a reconciliation of diluted net income (loss) per share to non-GAAP net income (loss) per share for the three months ended March 31, 2017:

	Three Months Ended March 31, 2017	
Net income (loss) attributable to common stockholders	\$	(24,414)
Stock-based compensation		19,701
Amortization of acquired intangible assets		5,400
Acquisition-related expense (benefit), net		12
Restructuring charges		2,731
Losses (gains), net from changes in fair value of investments		(303)
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings		(110)
Non-cash interest expense on convertible senior notes		2,587
Income tax effect of above adjustments		55
Income from discontinued operations, net of tax	\$	(487)
Non-GAAP net income (loss) attributable to common stockholders	\$	5,172
Weighted-average shares of common stock - basic		562,195,243
Effect of dilutive securities		7,527,970
Weighted-average shares of common stock - diluted		569,723,213
Diluted net income (loss) per share	\$	(0.04)
Impact of stock-based compensation, amortization of acquired intangible assets, acquisition-related expense (benefit), net, intercompany foreign currency losses (gains), special charges and credits, income from discontinued operations and related tax effects		0.05
Non-GAAP net income (loss) per share	\$	0.01

Free cash flow is a non-GAAP financial measure. The following is a reconciliation of free cash flow to the most comparable U.S. GAAP financial measure, "Net cash provided by (used in) operating activities from continuing operations."

	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
Net cash provided by (used in) operating activities from continuing operations	\$ (74,777)	\$ (51,009)	\$ (39,879)	\$ 294,593	\$ (136,233)
Purchases of property and equipment and capitalized software from continuing operations	(19,852)	(16,499)	(12,682)	(19,254)	(14,076)
Free cash flow	\$ (94,629)	\$ (67,508)	\$ (52,561)	\$ 275,339	\$ (150,309)
Net cash provided by (used in) investing activities from continuing operations	\$ (20,678)	\$ (18,957)	\$ (11,902)	\$ (4,049)	\$ (14,020)
Net cash provided by (used in) financing activities	\$ (78,015)	\$ 169,225	\$ (38,342)	\$ (67,533)	\$ (45,726)