



GROUPON[®]

4Q16 Earnings
February 2017



Forward-Looking Statements

The statements contained in this release that refer to plans and expectations for the next quarter, the full year or the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve a number of risks and uncertainties, and actual results could differ materially from those discussed. The words "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue" and other similar expressions are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in our revenue and operating results; risks related to our business strategy, including our strategy to grow our local marketplaces, marketing strategy and spend and the productivity of those marketing investments; effectively dealing with challenges arising from our international operations, including fluctuations in currency exchange rates and any potential adverse impact from the United Kingdom's likely exit from the European Union; retaining existing customers and adding new customers; retaining and adding high quality merchants; cyber security breaches; incurring expenses as we expand our business; competing successfully in our industry; maintaining favorable payment terms with our business partners; providing a strong mobile experience for our customers; delivery and routing of our emails; product liability claims; managing inventory and order fulfillment risks; integrating our technology platforms; litigation; managing refund risks; retaining, attracting and integrating members of our executive team; difficulties, delays or our inability to successfully complete all or part of the announced restructuring actions or to realize the operating efficiencies and other benefits of such restructuring actions; higher than anticipated restructuring charges or changes in the timing of such restructuring charges; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act and regulation of the Internet and e-commerce; classification of our independent contractors; maintaining our information technology infrastructure; protecting our intellectual property; maintaining a strong brand; seasonality; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; the impact of our ongoing strategic review and any potential strategic alternatives we may choose to pursue; our senior convertible notes; and our ability to realize the anticipated benefits from the hedge and warrant transactions. For additional information regarding these and other risks and uncertainties, we urge you to refer to the factors included under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Annual Report on Form 10-K for the year ended December 31, 2016, and our other filings with the Securities and Exchange Commission, copies of which may be obtained by visiting the company's Investor Relations web site at <http://investor.groupon.com> or the SEC's web site at www.sec.gov. Groupon's actual results could differ materially from those predicted or implied and reported results should not be considered an indication of future performance.

You should not rely upon forward-looking statements as predictions of future events. Although Groupon believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither the company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements reflect Groupon's expectations as of February 15, 2017. Groupon undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in its expectations.

Additional information relating to certain of our financial measures contained herein is available in our most recent earnings release and at our website at investor.groupon.com.



Groupon is a clear leader in Local e-Commerce

- Only provider with substantial scale in large, attractive local market
 - Proven pay-for-performance small and medium sized business (SMB) advertising platform
 - Trusted consumer transactional platform with over 1B units sold
 - Mobile leader with a Top 25 US App
- Focus on unlocking scale benefits and driving shareholder returns through sustainable free cash flow growth
- Maintain balance sheet strength and financial flexibility



Executing against our 2016 key priorities

1 Invest in Customer Growth

+5.2m

NA Active Customers Added in 2016¹

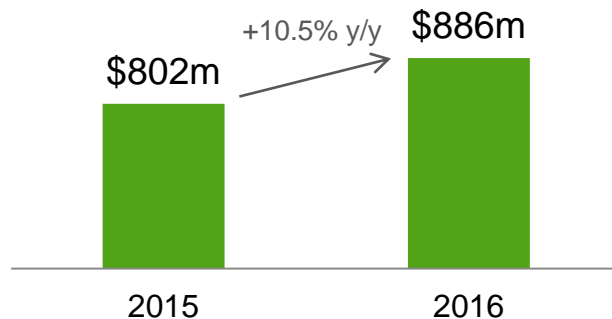
2 Streamline and Simplify



15 Countries in Go-Forward Footprint

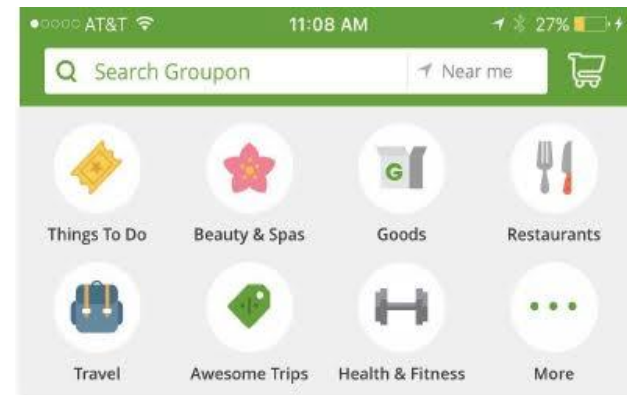
3 Reduce Empty Calorie Revenue

NA Gross Profit



NA Gross Profit up \$84m or 10.5% in 2016

4 Improve the Customer Experience



Launched updated mobile app in Q4

(1) We define active customers as unique user accounts that have made a purchase through one of our online marketplaces during the trailing twelve months. Includes 1 million incremental active customers from LivingSocial acquisition.

Focusing our key priorities for 2017

- 1** **Grow customers** through continued customer acquisition and focus on **accelerating purchase frequency**
- 2** **Improve the customer experience** by removing friction and creating more **seamless engagement** between the merchant and customer
- 3** **Streamline and simplify** to drive **gross profit dollar, adjusted EBITDA, and free cash flow growth**



Enhancing our financial profile

Gross Profit

Focus on driving Gross Profit dollar growth

- North America core Local and Goods; emerging products such as Card-Linked Offers, Beauty Booking, and Marketplace; International growth¹

Marketing

Plan to maintain 12-18 month payback of incremental spend on GP

- Similar % of Billings in 2017 as 2016 on a consolidated basis
- Increased investment planned in European focus cities

SG&A

Drive operational efficiency through shared services & automation

- 2016 headcount 8,323, down 1,549 year-over-year
- 15 countries in go-forward footprint; expect exits to be complete by early '17

Adj. EBITDA

Target sustained Adjusted EBITDA growth

- Facilitate flow through from Gross Profit; Continued investment in product and marketing, mostly offset by SG&A savings

Free Cash Flow

Resulting in consistent Adjusted EBITDA to FCF conversion

- Operating Cash Flow expected to trend near adjusted EBITDA levels
- Expect stable level of CapEx consistent with 2016; \$70 million range

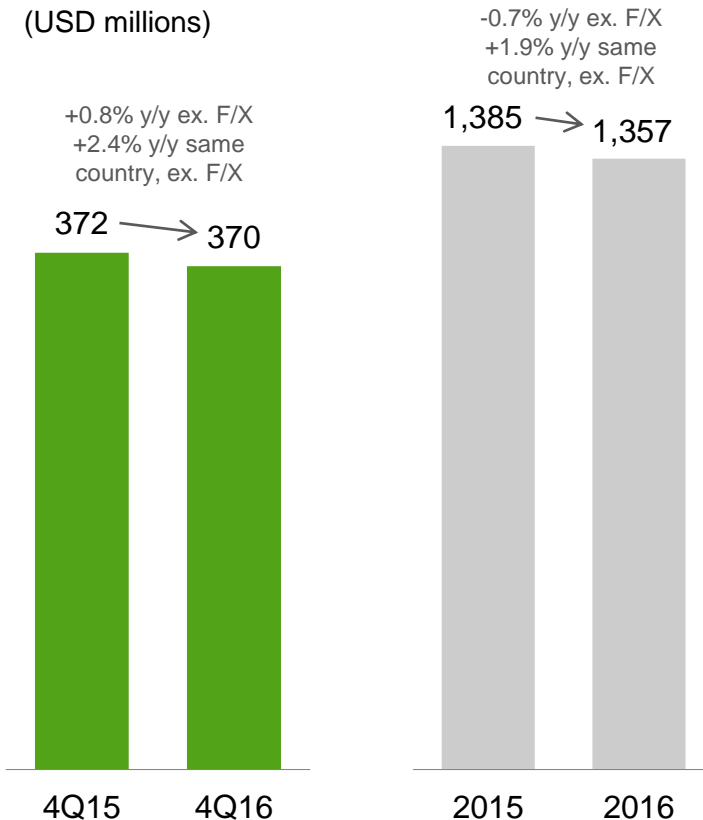
(1) International refers to our go-forward footprint of 15 countries for which we will continue to have business operations after we have completed the 11 previously announced planned country exits.



Gross Profit – Dollar growth aligned to strategy

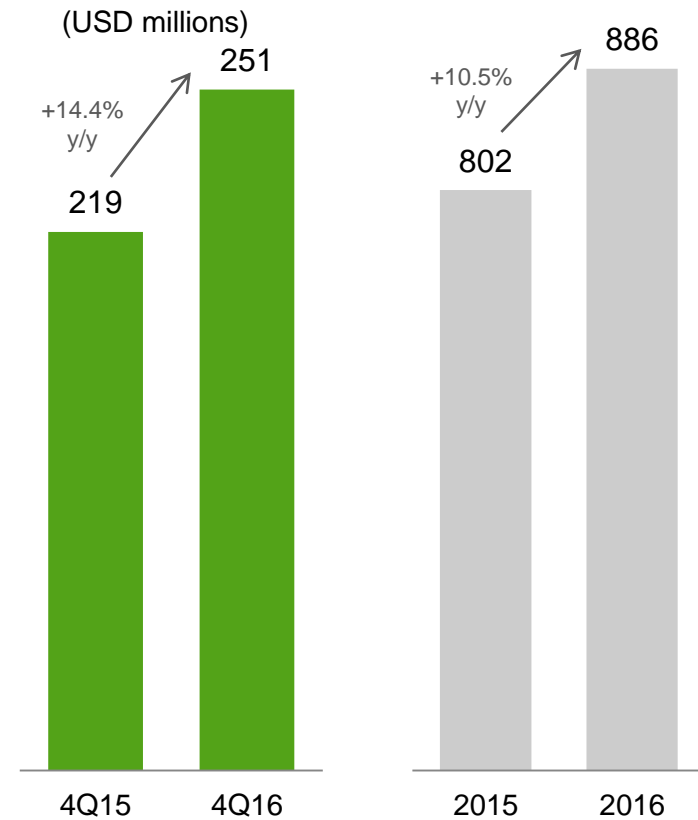
Global Gross Profit

(USD millions)



North America Gross Profit

(USD millions)



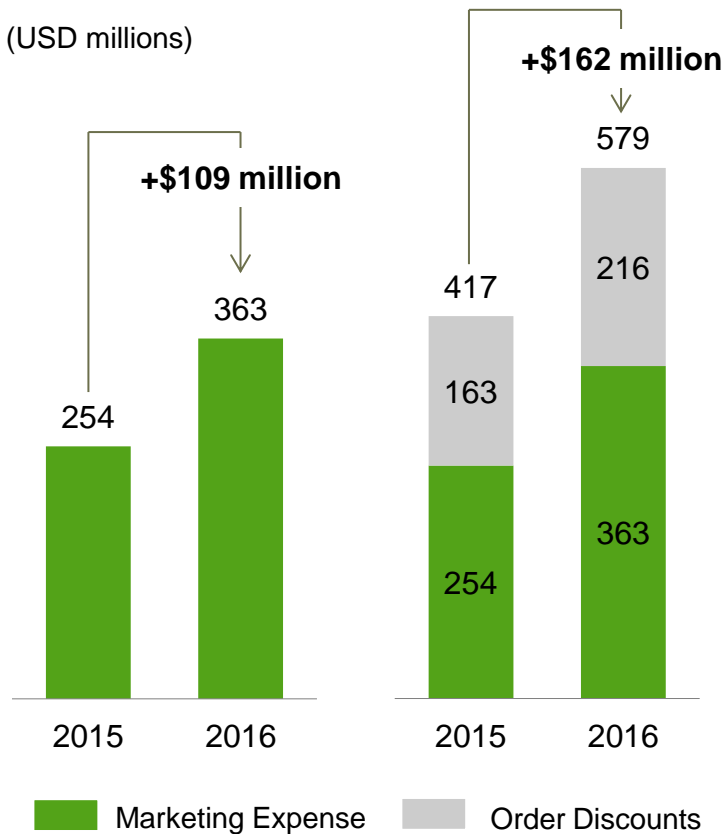
*North America gross profit up 14.4% or \$32 million year-over-year in Q4;
Up 10.5% or \$84 million in 2016*



Marketing – Invest at 12-18 month payback

Marketing Expense and Order Discounts

(USD millions)



$$\text{Marketing ROI} = \frac{\text{Incremental Gross Profit}}{\text{Incremental Marketing Spend}} = 100\%$$

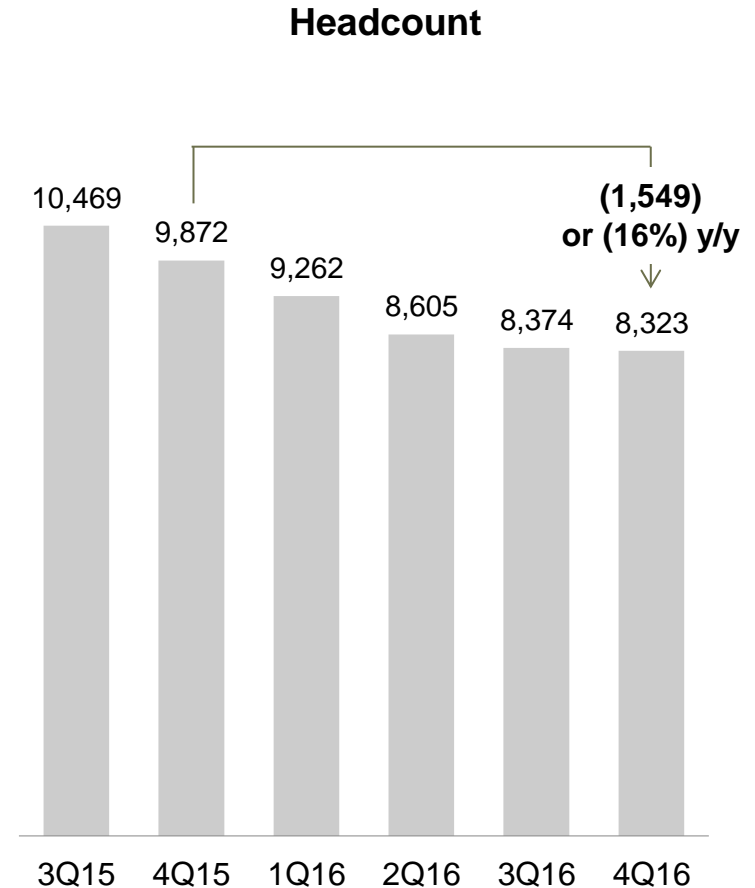
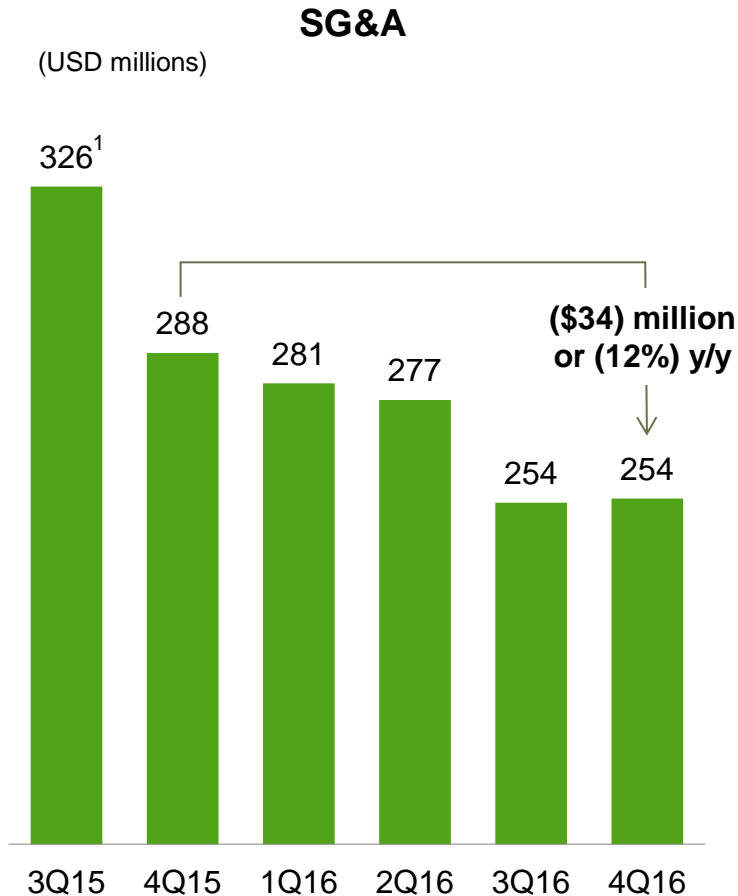
$$\text{Time to Payback} = 12 \text{ to } 18 \text{ months}$$

- Increased payback thresholds from 6 months to 12-18 months for marketing and order discounts
- Online channel spend driven by automated processes governed by ROI parameters
- ROI tracking across marketing channels, platforms, and categories

Marketing increased \$109 million year-over-year in 2016, or \$162 million including order discounts



SG&A – Streamline and simplify



*Global SG&A declined by \$34 million year-over-year in Q4;
significant headcount reductions*

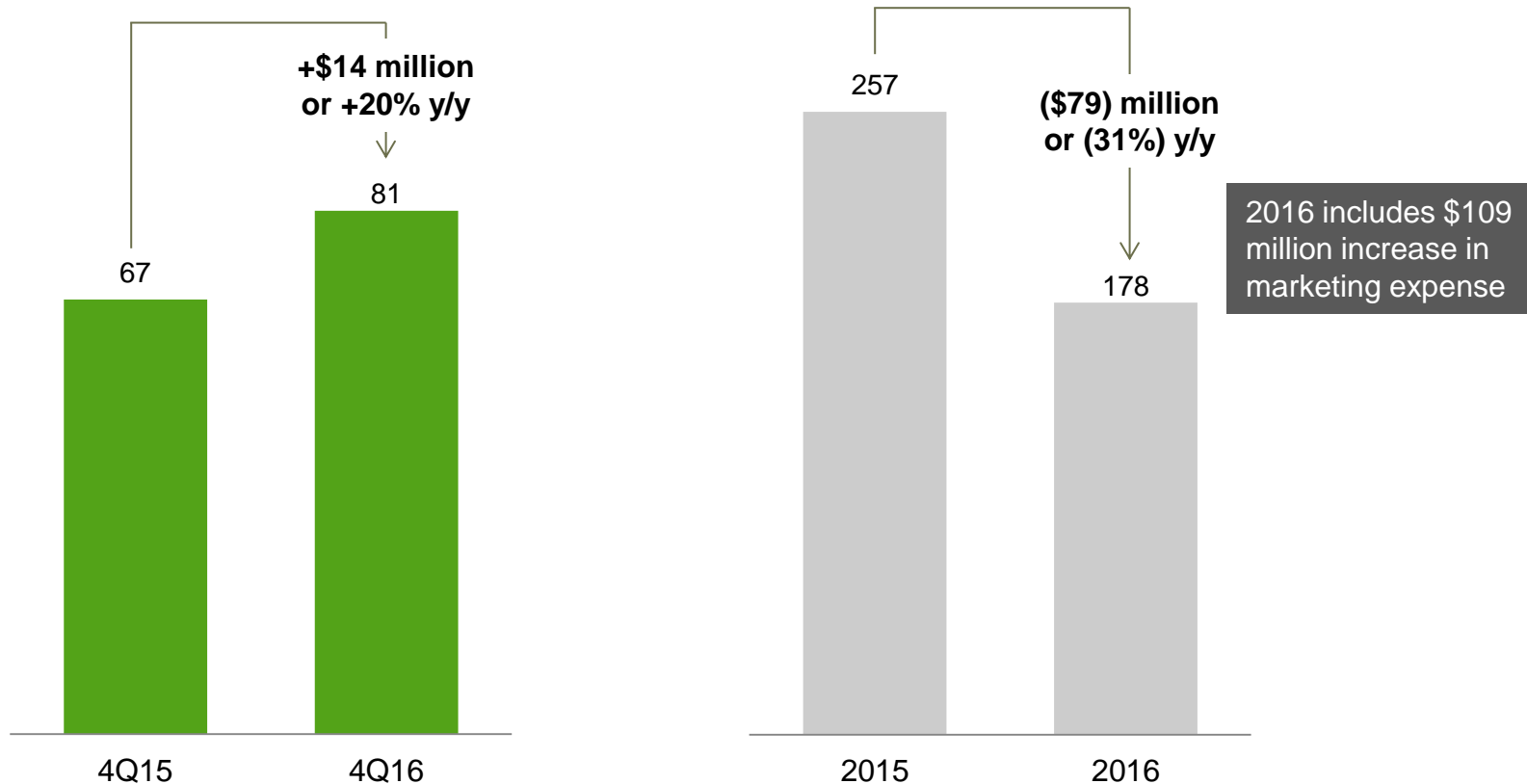
(1) Includes \$37.5M litigation reserve



Adj. EBITDA – Expect to return to growth trajectory in 2017

Global Adjusted EBITDA¹

(USD millions)



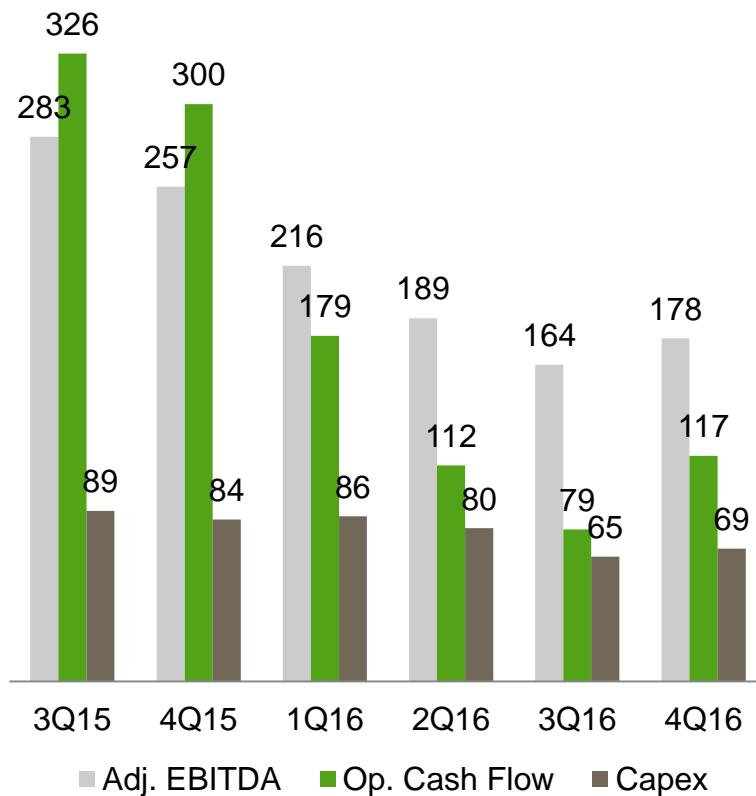
2016 Adjusted EBITDA of \$178 million exceeded full-year guidance range (\$150 - \$165 million)



Free Cash Flow – Focus on improving conversion

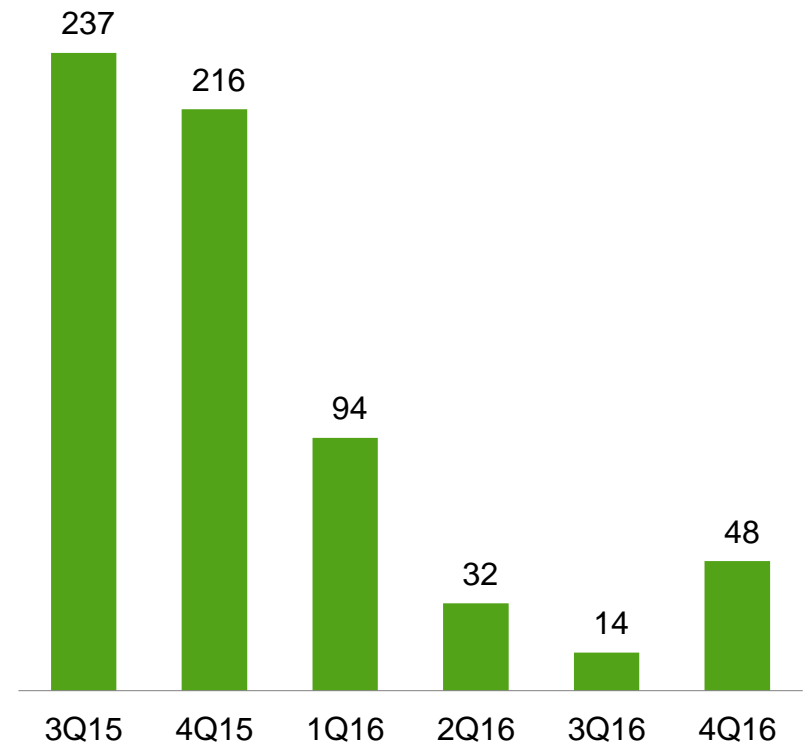
Adjusted EBITDA¹, Operating Cash Flow², and Capital Expenditures

(TTM, USD millions)



Free Cash Flow^{2,3}

(TTM, USD millions)



(1) Adjusted EBITDA is a non-GAAP performance measure. See the appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."

(2) The Company adopted the guidance in ASU 2016-09 on January 1, 2016. ASU 2016-09 requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a retrospective basis, which has resulted in adjustments to net cash provided by operating activities for the three-month periods ended September 30, 2015, and December 31, 2015.

(3) Free Cash Flow is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net cash provided by (used in) operating activities from continuing operations."



Strong balance sheet and return of capital to shareholders

Liquidity and Capital Resources

(USD millions)

Cash Balance ¹	\$892
Undrawn Revolver ¹	\$250

Share Repurchase Activity

(USD millions)

Value of Share Repurchases

4Q16	\$50
FY2016	\$162
Remaining Repurchase Authorization	\$195

Go-forward country footprint

Focus Our Country Footprint

26

As of
9/30/2016

15

Go-forward
Footprint

North America



Canada, U.S.

EMEA



Belgium, France,
Germany, Ireland, Italy,
Netherlands, Poland,
Spain, U.A.E., U.K.

ROW



Australia, Japan,
New Zealand

*2016 contribution from 11 countries we plan to exit by early 2017:
Gross profit of \$76 million and adjusted EBITDA loss of \$6 million*



2017 Guidance

	2016			2017
	Consolidated	Countries in Go-Forward Footprint ²	Countries in Go-Forward Footprint ex. F/X ²	Guidance
Gross Profit (USD billions)	\$1.36	\$1.28	\$1.26	\$1.30 - 1.35
Adjusted EBITDA¹ (USD millions)	\$178	\$184	\$184	\$200 - 240

We expect that the 11 countries we plan to exit by the end of the first quarter 2017 will be reported as discontinued operations. As such, we are providing 2017 guidance based on the outlook for the 15 countries that will constitute our continuing operations for 2017. The 2016 gross profit and adjusted EBITDA for those 15 countries have been presented above for comparability purposes.

(1) Adjusted EBITDA is a non-GAAP performance measure. See the appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."

(2) The 2016 amounts for countries in our go-forward footprint reflect the current year results of the 15 countries for which we will continue to have business operations after we have completed the 11 previously announced planned country exits.



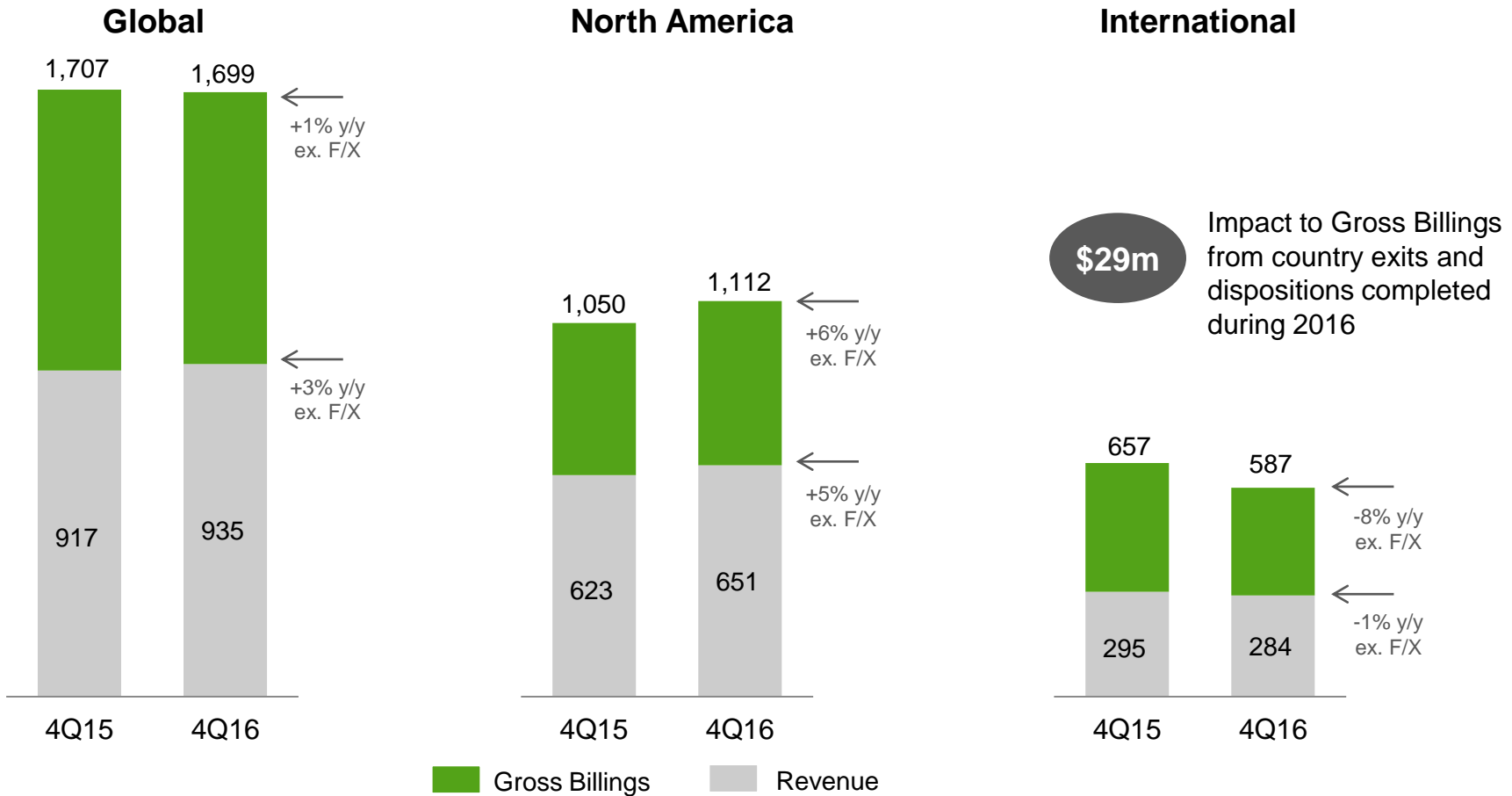
Appendix



Financial Update

Gross Billings and Revenue

(USD millions)



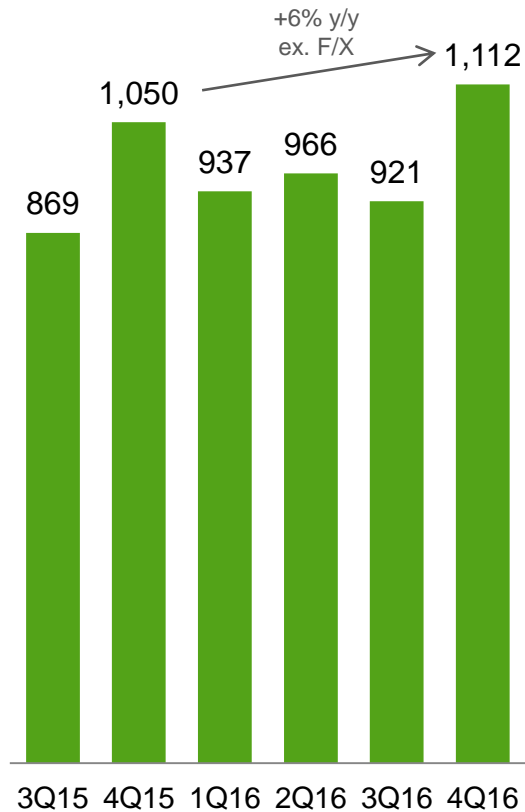
North America billings growth of 6% and Global billings growth of 1% on an FX-neutral basis in Q4



North America Update

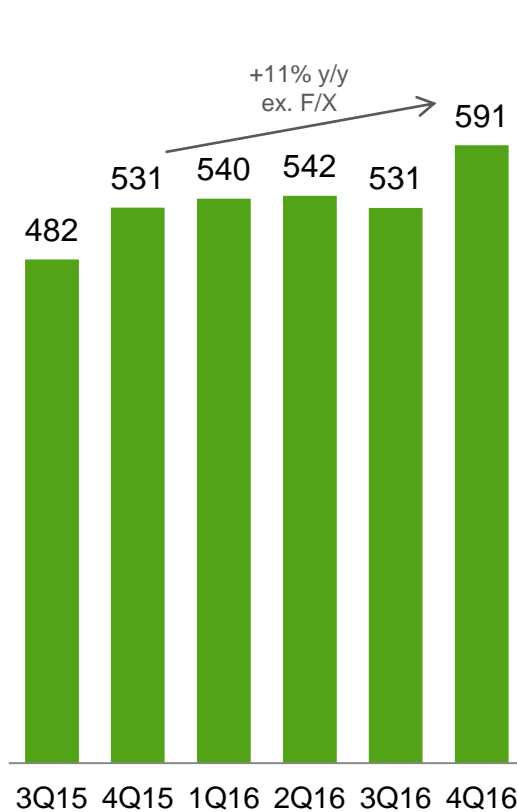
NA Gross Billings

(USD millions)



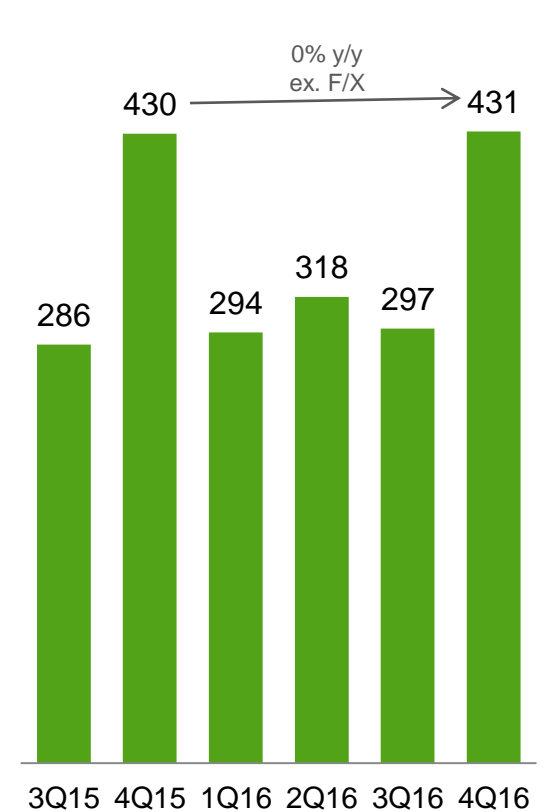
NA Local Gross Billings

(USD millions)



NA Shopping Gross Billings

(USD millions)



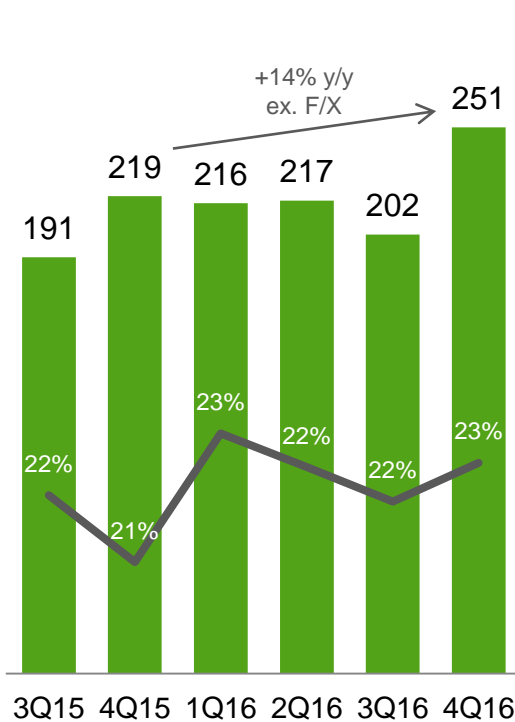
North America Local Gross Billings accelerated to 11% in Q4



North America Update

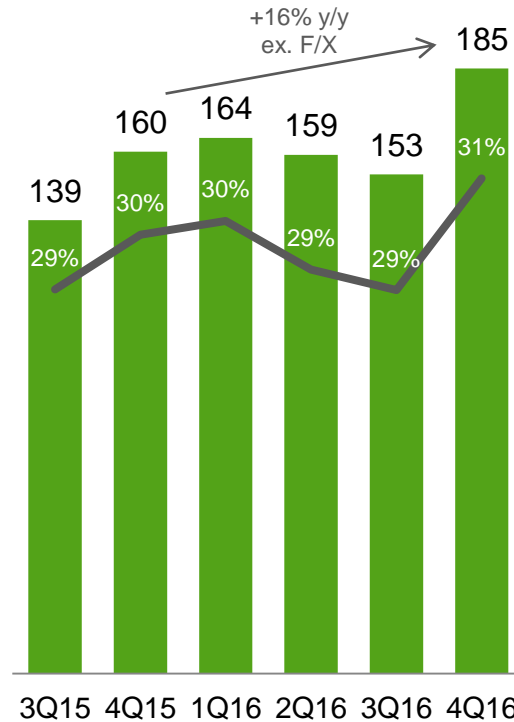
NA Gross Profit

(USD millions)



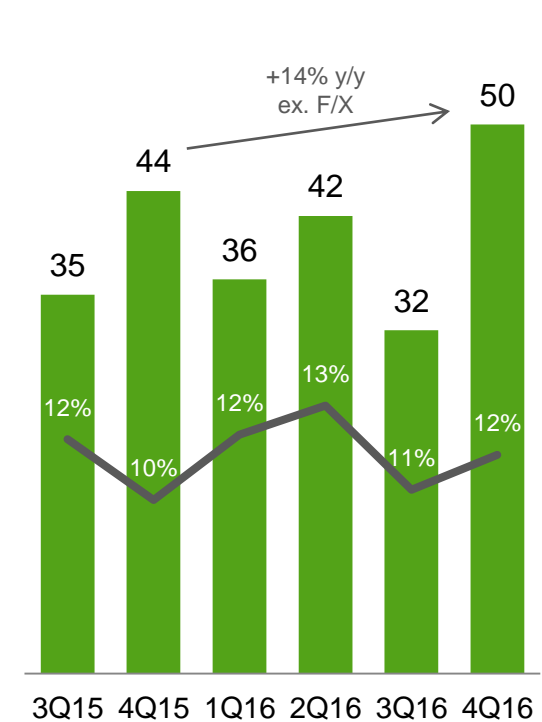
NA Local Gross Profit

(USD millions)



NA Shopping Gross Profit

(USD millions)



Gross Profit



Gross Margin % of Billings

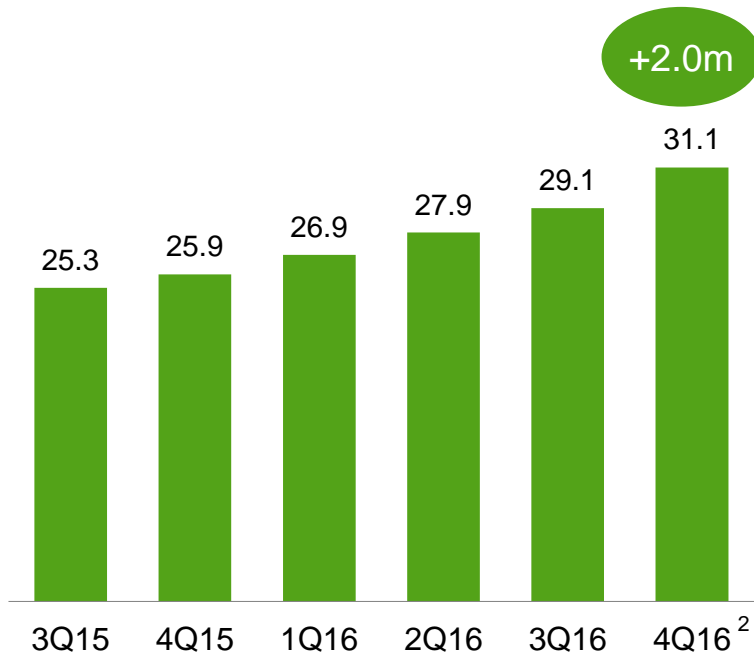
North America Gross Profit grew 14% in Q4



Active Customers

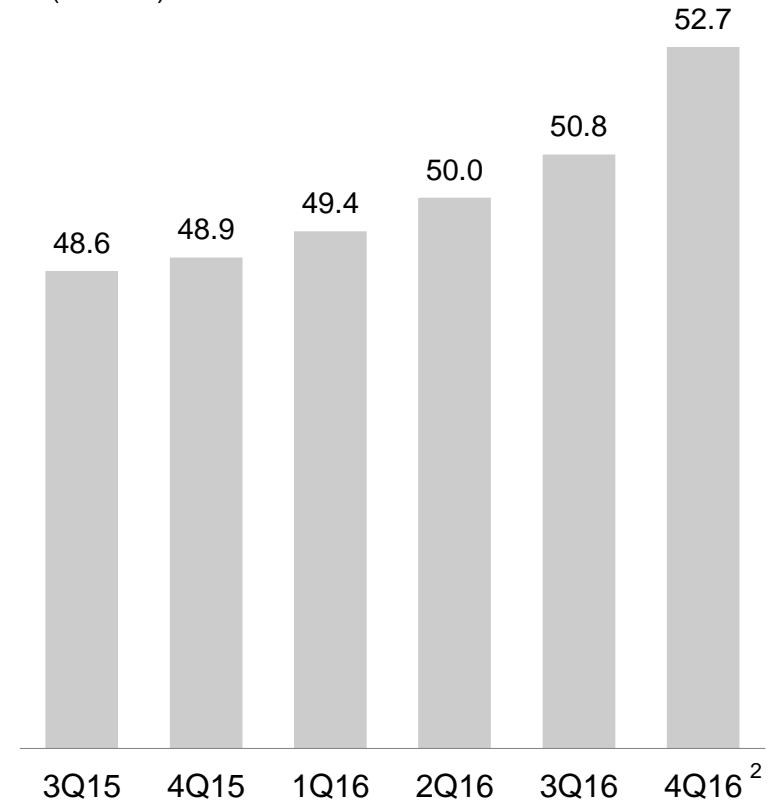
North America Active Customers¹

(millions)



Global Active Customers¹

(millions)



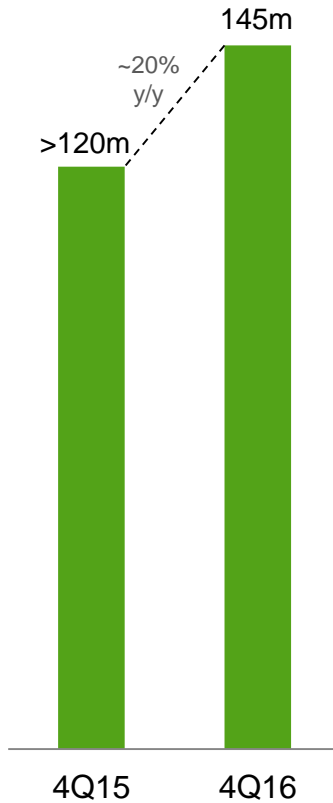
Added 5.2m customers in North America year-over-year and 900k customers internationally, excluding the impact of country exits, in 2016

(1) We define active customers as unique user accounts that have made a purchase through one of our online marketplaces during the trailing twelve months.

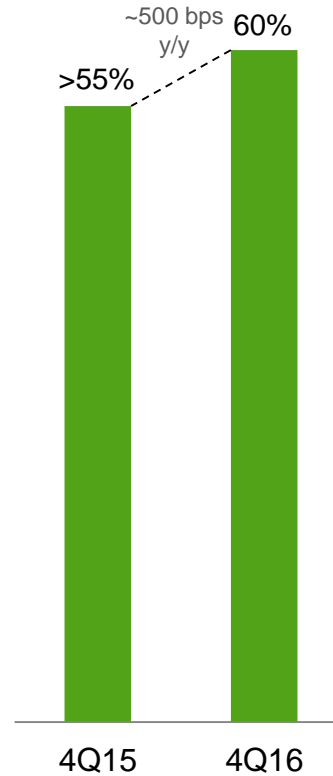
(2) Includes 1 million incremental active customers from LivingSocial acquisition.

Operating Metrics

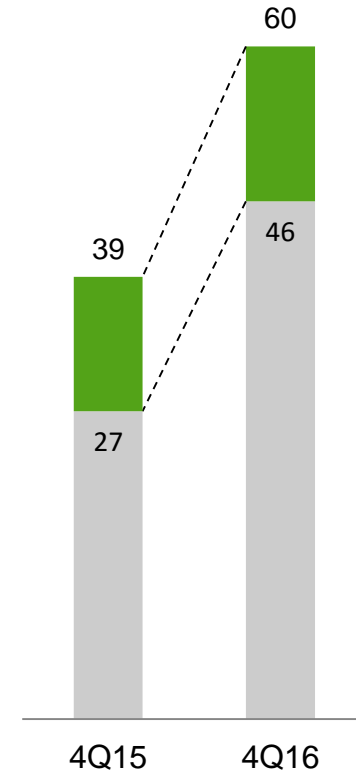
Mobile App Downloads (cumulative life-to-date)



Mobile Transactions (% of total)



Order Discounts (USD millions)



Global

North America



Non-GAAP Reconciliations¹

Adjusted EBITDA - Quarterly

(in thousands)

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

	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Income (loss) from continuing operations	\$26,566	\$(16,739)	\$(15,267)	\$(24,613)	\$(32,552)	\$(45,596)	\$(51,731)	\$(35,792)	\$(50,204)
Adjustments:									
Stock-based compensation⁽²⁾	29,961	35,144	38,467	35,432	32,691	27,976	35,244	26,176	23,242
Depreciation and amortization	30,122	32,200	31,372	35,635	33,763	34,797	34,290	33,253	35,328
Acquisition-related expense (benefit), net	(809)	(269)	505	1,064	557	3,464	850	(9)	1,345
Restructuring charges	—	—	—	24,146	5,422	12,444	16,085	1,459	13,620
Gains on business dispositions	—	—	—	(13,710)	—	—	(9,339)	(2,060)	(312)
Prepaid marketing write-off	—	—	—	6,690	—	—	—	—	—
Securities litigation expense	—	—	—	37,500	—	—	—	—	—
Non-operating expense (income), net	11,531	19,927	(2,941)	8,160	3,393	(3,486)	10,761	7,028	61,804
Provision (benefit) for income taxes	(4,457)	2,107	8,982	(53,970)	23,736	1,749	(2,199)	2,079	(4,176)
Total adjustments	66,348	89,109	76,385	80,947	99,562	76,944	85,692	67,926	130,851
Adjusted EBITDA	\$92,914	\$72,370	\$61,118	\$56,334	\$67,010	\$31,348	\$33,961	\$32,134	\$80,647

(1) See press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

(2) Represents stock-based compensation recorded within cost of revenue, marketing expense, and selling, general and administrative expense. Non-operating expense (income), net, includes \$0.02 million, \$0.1 million, \$0.2 million, \$0.2 million, \$0.2 million, \$0.3 million and \$0.1 million of additional stock-based compensation for the three months ended June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016, September 30, 2016 and December 31, 2016, 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.



Non-GAAP Reconciliations cont'd

Adjusted EBITDA – Annual (in thousands)

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

	2016	2015
Income (loss) from continuing operations	\$(183,323)	\$(89,171)
Adjustments:		
Stock-based compensation⁽¹⁾	112,638	141,734
Depreciation and amortization	137,668	132,970
Acquisition-related expense (benefit), net	5,650	1,857
Restructuring charges	43,608	29,568
Gains on business dispositions	(11,711)	(13,710)
Prepaid marketing write-off	—	6,690
Securities litigation expense	—	37,500
Non-operating expense (income), net	76,107	28,539
Provision (benefit) for income taxes	(2,547)	(19,145)
Total adjustments	361,413	346,003
Adjusted EBITDA	\$178,090	\$256,832

(1) Includes stock-based compensation recorded within cost of revenue, marketing expense, and selling, general and administrative expense. Restructuring charges and non-operating expense (income), net, includes \$4.7 million and \$0.8 million of additional stock-based compensation for the year ended December 31, 2016. Non-operating expense (income), net, includes \$0.3 million of additional stock-based compensation for the year ended December 31, 2015.



Non-GAAP Reconciliations cont'd

Non-GAAP Earnings Per Share and Non-GAAP Earnings

(in thousands, except share and per share amounts)

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:

	Three Months Ended December 31, 2016	Year Ended December 31, 2016
Net income (loss) attributable to common stockholders	\$(52,588)	\$(194,587)
Stock-based compensation¹	23,402	113,469
Amortization of acquired intangible assets	5,305	18,948
Acquisition-related expense (benefit), net	1,345	5,650
Restructuring charges	13,620	43,608
Gains on business dispositions	(312)	(11,711)
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings²	16,292	7,915
Losses (gains), net from changes in fair value of investments	40,840	48,141
Non-cash interest expense on convertible senior notes	2,522	7,376
Income tax effect of above adjustments	(7,952)	(15,801)
Non-GAAP net income (loss) attributable to common stockholders	\$42,474	\$23,008
Weighted-average shares of common stock – basic	570,546,159	576,354,258
Effect of dilutive securities	54,543,720	36,458,342
Weighted-average shares of common stock – diluted	625,089,879	612,812,600
Diluted net income (loss) per share	\$(0.09)	\$(0.34)
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 (loss) from discontinued operations and related tax effects	0.16	0.38
Non-GAAP net income (loss) per share	\$0.07	\$0.04

(1) Excludes \$4.7 million of stock-based compensation classified within restructuring charges for the year ended December 31, 2016.

(2) Foreign currency gains (losses), net for the three months and year ended December 31, 2016 includes \$6.0 million and \$5.7 million, respectively, of net cumulative translation losses that were reclassified to earnings as a result of the Company's exit from certain countries as part of its restructuring plan.



Non-GAAP Reconciliations cont'd

Expected Adjusted EBITDA range *(in thousands)*

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

	Year Ending December 31, 2017
Expected income (loss) from continuing operations range¹	\$(42,500) to \$(17,500)
Expected adjustments:	
Stock-based compensation	90,000 to 100,000
Depreciation and amortization	125,000
Non-operating expense (income), net	20,000
Provision (benefit) for income taxes	7,500 to 12,500
Total expected adjustments	\$242,500 to \$257,500
Expected adjusted EBITDA range	\$200,000 to \$240,000

(1) The expected income (loss) from continuing operations range 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.



Non-GAAP Reconciliations cont'd

Free Cash Flow

(in thousands)

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

	3Q15 ¹	4Q15 ¹	1Q16	2Q16	3Q16	4Q16
Net cash provided by (used in) operating activities from continuing operations (TTM)	\$325,971	\$299,747	\$179,415	\$112,080	\$78,898	\$117,105
Purchases of property and equipment and capitalized software from continuing operations (TTM)	(88,598)	(83,988)	(85,646)	(79,589)	(64,722)	(68,893)
Free Cash Flow (TTM)	\$237,373	\$215,759	\$93,769	\$32,491	\$14,176	\$48,212
Net cash provided by (used in) investing activities from continuing operations (TTM)	\$(181,187)	\$(177,250)	\$(178,585)	\$(168,897)	\$(82,957)	\$(57,486)
Net cash provided by (used in) financing activities (TTM)	\$(216,683)	\$(515,785)	\$(557,962)	\$(247,180)	\$(270,729)	\$(14,665)

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":

	3Q15 ¹	4Q15 ¹	1Q16	2Q16	3Q16	4Q16
Net cash provided by (used in) operating activities from continuing operations	\$(7,640)	\$250,455	\$(76,725)	\$(54,010)	\$(40,822)	\$288,662
Purchases of property and equipment and capitalized software from continuing operations	(27,735)	(15,507)	(19,952)	(16,395)	(12,868)	(19,678)
Free Cash Flow	\$(35,375)	\$234,948	\$(96,677)	\$(70,405)	\$(53,690)	\$268,984
Net cash provided by (used in) investing activities from continuing operations	\$(98,028)	\$(31,238)	\$(20,778)	\$(18,853)	\$(12,088)	\$(5,767)
Net cash provided by (used in) financing activities	\$(14,793)	\$(323,597)	\$(78,015)	\$169,225	\$(38,342)	\$(67,533)

(1) The Company adopted the guidance in ASU 2016-09 on January 1, 2016. ASU 2016-09 requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a retrospective basis, which has resulted in adjustments to net cash provided by (used in) operating activities, net cash used in financing activities, and free cash flow for the three-month periods ended September 30, 2015 and December 31, 2015.



Non-GAAP Reconciliations cont'd

Foreign exchange rate neutral

The following is a quarterly reconciliation of foreign exchange rate neutral Gross billings growth from the comparable quarterly period of the prior year to reported Gross billings growth from the comparable quarterly period of the prior year:

	4Q16
EMEA Gross billings growth	(9) %
FX Effect	4
EMEA Gross billings growth, excluding FX	(5) %
Rest of World Gross billings growth	(15) %
FX Effect	—
Rest of World Gross billings growth, excluding FX	(15) %
Consolidated Gross billings growth, excluding FX	— %
FX Effect	1
Consolidated Gross billings growth	1 %

The following is a quarterly reconciliation of foreign exchange rate neutral Revenue growth from the comparable quarterly period of the prior year to reported Revenue growth from the comparable quarterly period of the prior year:

	4Q16
EMEA Revenue growth	(2) %
FX Effect	3
EMEA Revenue growth, excluding FX	1 %
Rest of World Revenue growth	(12) %
FX Effect	4
Rest of World Revenue growth, excluding FX	(8) %
Consolidated Revenue growth	2 %
FX Effect	1
Consolidated Revenue growth, excluding FX	3 %

