

Groupon Announces Third Quarter 2014 Results

- **Gross billings of \$1.86 billion**
- **Revenue of \$757.1 million**
- **Adjusted EBITDA of \$67.0 million**
- **GAAP loss per share of \$0.03; non-GAAP earnings per share of \$0.03**

CHICAGO — (BUSINESS WIRE) — October 30, 2014 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended September 30, 2014.

“We had another record quarter, with worldwide billings increasing 39 percent and reaching their highest level ever,” said Eric Lefkofsky, CEO of Groupon. “We also made significant progress in our strategy to become the leading mobile commerce destination, with double-digit growth in our North American Local business, double-digit gross margins in North American Goods and positive Adjusted EBITDA in every segment for the first time in over a year.”

Third Quarter 2014 Summary

- Gross billings, which reflect the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds, increased 39% globally to \$1.86 billion in the third quarter 2014, compared with \$1.34 billion in the third quarter 2013. North America billings increased 16%, EMEA increased 10% and Rest of World increased 155%, driven by the first-quarter acquisition of Ticket Monster.
- Revenue increased 27%, to \$757.1 million in the third quarter 2014, compared with \$595.1 million in the third quarter 2013. North America revenue increased 16%, EMEA increased 56% and Rest of World increased 26%.
- Gross profit was \$380.1 million in the third quarter 2014, compared with \$359.6 million in the third quarter 2013.
- Adjusted EBITDA, a non-GAAP financial measure, was \$67.0 million in the third quarter 2014, compared with \$62.3 million in the third quarter 2013, reflecting SG&A expense related to the Ticket Monster and ideel acquisitions, as well as an increase in overall marketing expense.
- Third quarter 2014 net loss attributable to common stockholders was \$21.2 million, or \$0.03 per share. Earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related costs of \$46.1 million (or \$38.7 million net of tax), a non-GAAP financial measure, was \$0.03 per share.

- Third quarter results included \$18.6 million of pre-tax non-operating foreign currency losses and a \$7.7 million decrease in liabilities for uncertain tax positions.
- Operating cash flow for the trailing twelve months ended September 30, 2014 was \$180.3 million. Free cash flow, a non-GAAP financial measure, was \$25.4 million in the third quarter 2014, bringing free cash flow for the trailing twelve months ended September 30, 2014 to \$92.9 million.
- At the end of the quarter, Groupon had \$855.2 million in cash and cash equivalents.

Definitions and reconciliations of all non-GAAP financial measures are included below in the section titled “Non-GAAP Financial Measures” and in the accompanying tables.

Highlights

- **Units:** Global units, defined as vouchers and products sold before cancellations and refunds, increased 92% year-over-year to 88 million in the third quarter 2014. North America units increased 11%, EMEA units increased 30% and Rest of World units increased 316%.
- **Active deals:** At the end of the third quarter 2014, on average, active deals were approximately 300,000 globally, compared with more than 240,000 at the end of the second quarter 2014. North American active deals increased to over 120,000.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 24% year-over-year, to 52.7 million as of September 30, 2014, comprising 23.5 million in North America, 14.9 million in EMEA, and 14.3 million in Rest of World.
- **Customer spend:** Third quarter 2014 trailing twelve month billings per average active customer was \$149, compared with \$141 in the second quarter 2014.
- **Mobile:** Mobile mix, as measured by transactions completed on mobile devices, remains over half of the business. Over 100 million people have now downloaded Groupon mobile apps worldwide.
- **Marketplace:** The rollout of Groupon’s marketplace (“Pull”) continued to gain traction. In the third quarter 2014, approximately 10% of total traffic in North America searched, with customers who searched spending significantly more than those who did not.
- **Rest of World:** Rest of World billings grew 155% in the third quarter 2014, driven by Ticket Monster. As a result of the significant growth opportunities that exist for Ticket Monster, as well as for the Asian business more broadly, the company has hired financial advisers to evaluate a range of financing and strategic alternatives for those businesses that would, if pursued, unlock shareholder value.

Share Repurchase Program

During the third quarter 2014, Groupon repurchased 1,349,712 shares of its Class A common stock at an average price of \$6.16 per share, for an aggregate purchase price of \$8.3 million. Under the existing authorization, Groupon has repurchased a total of 26,087,004 shares at an average price of \$7.30 per share, for an aggregate purchase price of \$190.4 million. Groupon is authorized to repurchase up to an additional \$109.6 million of Class A common stock under the August 2013 share repurchase authorization. The program, which is intended to partially offset dilution from employee stock grants, terminates in August 2015.

2014 Investor and Analyst Day

Groupon will be hosting its first Investor and Analyst Day on Tuesday, November 11, 2014 in Chicago. A live webcast of the event will be available on the company's investor relations website at <http://investor.groupon.com>.

Outlook

Significant movement in foreign exchange rates, the Euro in particular, has led to an approximately \$7 million negative impact on Groupon's Adjusted EBITDA estimate since the company last provided full year guidance.

For the fourth quarter 2014, reflecting current foreign exchange rates, Groupon expects revenue of between \$875 million and \$925 million, Adjusted EBITDA of between \$80 million and \$100 million, and non-GAAP earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related expenses, net of tax, of between \$0.02 and \$0.04.

Conference Call

A conference call will be webcast live today at 4:00 p.m. CT / 5:00 p.m. ET, and will be available on Groupon's investor relations website at <http://investor.groupon.com>. This call will contain forward-looking statements and other material information regarding the Company's financial and operating results.

Groupon encourages investors to use its investor relations website as a way of easily finding information about the company. Groupon promptly makes available on this website, free of charge, the reports that the company files or furnishes with the SEC, corporate governance information (including Groupon's Global Code of Conduct), and select press releases and social media postings.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP), we have provided the following non-GAAP financial measures in this release and the accompanying tables: foreign exchange rate neutral operating results, Adjusted

EBITDA, free cash flow and earnings (loss) per share excluding stock-based compensation, amortization of acquired intangible assets, and acquisition-related expense (benefit), net. These non-GAAP financial measures are presented to aid investors in better understanding Groupon's performance and to facilitate comparisons to many of our peers who present similar measures. However, these measures are not intended to be a substitute for those reported in accordance with U.S. GAAP. These measures may be different from non-GAAP financial measures used by other companies, even when similar terms are used to identify such measures. For reconciliations of these measures to the most applicable financial measures under U.S. GAAP, see "Non-GAAP Reconciliation Schedules" and "Supplemental Financial Information and Business Metrics" included in the tables accompanying this release.

We exclude the following items from one or more of our non-GAAP financial measures:

Stock-based compensation. We exclude stock-based compensation because it is primarily non-cash in nature and we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and liquidity.

Acquisition-related expense (benefit), net. Acquisition-related expense (benefit), net is comprised of the change in the fair value of contingent consideration arrangements and, beginning in the fourth quarter of 2013, also includes external transaction costs related to business combinations, primarily consisting of legal and advisory fees. External transaction costs were not material for periods prior to the fourth quarter of 2013 presented in this release and the accompanying tables. The composition of our contingent consideration arrangements and the impact of those arrangements on our operating results vary over time based on a number of factors, including the terms of our business combinations and the timing of those transactions. We exclude acquisition-related expense (benefit), net because we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and facilitate comparisons to our historical operating results.

Depreciation and amortization. We exclude depreciation and amortization expenses because they are non-cash in nature and we believe that non-GAAP financial measures excluding these items provide meaningful supplemental information about our operating performance and liquidity.

Descriptions of the non-GAAP financial measures included in this release and the accompanying tables are as follows:

Foreign exchange rate neutral operating results show our current period operating results as if foreign currency exchange rates had remained the same as those in effect in the comparable prior-year period.

Adjusted EBITDA is a non-GAAP financial measure that we define as net income (loss) excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation, and acquisition-related expense (benefit), net. Our definition of Adjusted EBITDA may differ from similar measures used by other companies, even when similar terms are used to identify such measures. Adjusted EBITDA is a key measure used by our management and Board of Directors to evaluate operating performance, generate future plans and make strategic decisions regarding the allocation of capital. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Earnings (loss) per share excluding stock-based compensation, amortization of acquired intangible assets, and acquisition-related expense (benefit), net is a non-GAAP financial measure that adjusts our earnings (loss) per share to exclude the impact of stock-based compensation expense, amortization of acquired intangible assets, and acquisition-related expense (benefit), net, and the income tax effect of those items. We believe that this non-GAAP financial measure provides useful supplemental information for evaluating our operating performance.

We previously changed our non-GAAP earnings (loss) per share measure, effective beginning with the first quarter 2014, to exclude amortization of acquired intangible assets, net of tax, in addition to stock compensation and acquisition-related expenses, which we excluded historically. Due to our significant acquisition activity in January 2014 and potential acquisition activity in the future, we believe that excluding the impact of this item from our non-GAAP earnings (loss) per share measure enables more meaningful comparisons with our historical results.

Free cash flow is a non-GAAP financial measure that comprises net cash provided by (used in) operating activities less purchases of property and equipment and capitalized software. We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe that it typically represents a more useful measure of cash flows because purchases of fixed assets, software developed for internal use and website development costs are necessary components of our ongoing operations. Free cash flow is not intended to represent the total increase or decrease in Groupon's cash balance for the applicable period.

Note on 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 that involve a number of risks and uncertainties, and actual results could differ materially from those discussed. The risks and uncertainties that could cause our results to differ materially from those included in the forward-looking statements include, but are not limited to, volatility in our revenue and operating results; risks related to our business strategy; including our marketing strategy and spend; responding to

changes in the market; effectively dealing with challenges arising from our international operations; retaining existing customers and adding new customers; retaining and adding new and high quality merchants; cyber security breaches; incurring expenses as we expand our business; competing against smaller competitors and competitors with more financial resources than us; maintaining favorable terms with our business partners; maintaining a strong brand; managing inventory and order fulfillment risks; integrating our technology platforms; managing refund risks; retaining our executive team; litigation; regulations, including the CARD Act and regulation of the Internet; tax liabilities; tax legislation; maintaining our information technology infrastructure; protecting our intellectual property; handling acquisitions, joint ventures and strategic investments effectively; seasonality; payment-related risks; customer and merchant fraud; global economic uncertainty; compliance with rules and regulations associated with being a public company; and our ability to raise capital if necessary. 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 and subsequent Quarterly Reports on Form 10-Q, 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 October 30, 2014. 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.

About Groupon

Groupon (NASDAQ: GRPN) is a global leader of local commerce and the place you start when you want to buy just about anything, anytime, anywhere. By leveraging the company's global relationships and scale, Groupon offers consumers a vast marketplace of unbeatable deals all over the world. Shoppers discover the best a city has to offer on the web or on mobile with Groupon Local, enjoy vacations with Groupon Getaways, and find a curated selection of electronics, fashion, home furnishings and more with Groupon Goods.

Groupon is redefining how traditional small businesses attract, retain and interact with customers by providing merchants with a suite of products and services, including customizable deal campaigns, credit card payment processing capabilities, and point-of-sale solutions that help businesses grow and operate more effectively. To search for great deals or subscribe to Groupon

emails, visit www.Groupon.com. To download Groupon's five-star mobile apps, visit www.groupon.com/mobile. To learn more about the company's merchant solutions and how to work with Groupon, visit www.GrouponWorks.com

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