

## Groupon Announces First Quarter 2014 Results

- **Gross billings of \$1.82 billion**
- **Revenue of \$757.6 million**
- **Adjusted EBITDA of \$40.3 million**
- **GAAP loss per share of \$0.06; non-GAAP loss per share of \$0.01**

CHICAGO — (BUSINESS WIRE) — May 6, 2014 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended March 31, 2014.

“We had a record quarter in terms of demand, with worldwide billings increasing 29% and reaching their highest level ever,” said Eric Lefkofsky, CEO of Groupon. “Our marketplace continued to gain traction and growth in our mobile business accelerated, with more than 10 million app downloads this quarter and mobile transactions reaching 54% in March.”

“We’re on track with our plans in 2014 to invest in the growth of Local, improve our Goods margins, and drive profitability in our International operations. As a result, we have further confidence in our results for the back half of the year, and have increased our full year outlook.”

### First 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 29% globally to \$1.82 billion in the first quarter 2014, compared with \$1.41 billion in the first quarter 2013. North America billings increased 15%, EMEA increased 4% and Rest of World increased 123%, driven by the acquisition of Ticket Monster.
- Revenue increased 26%, to \$757.6 million in the first quarter 2014, compared with \$601.4 million in the first quarter 2013. North America revenue increased 27%, EMEA increased 26% and Rest of World increased 23%.
- Gross profit increased 2%, to \$385.7 million in the first quarter 2014, compared with \$379.0 million in the first quarter 2013.
- Adjusted EBITDA, a non-GAAP financial measure, was \$40.3 million in the first quarter 2014, compared with \$71.9 million in the first quarter 2013, reflecting a \$29.4 million increase in marketing expense.
- First quarter 2014 net loss attributable to common stockholders was \$37.8 million, or \$0.06 per share, including stock compensation, amortization of acquired intangible assets, and

acquisition-related costs, net, of \$38.2 million (\$29.8 million net of tax). Loss per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related costs, net of tax, a non-GAAP financial measure, was \$0.01 per share.

- Operating cash flow for the trailing twelve months ended March 31, 2014 was \$189.0 million. Free cash flow, a non-GAAP financial measure, was negative \$37.1 million in the first quarter 2014, bringing free cash flow for the trailing twelve months ended March 31, 2014 to \$123.6 million.
- At the end of the quarter, Groupon had \$1.0 billion 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 85% year-over-year to 84 million in the first quarter 2014. North America units increased 14%, EMEA units increased 18% and Rest of World units increased 330%.
- **Active deals:** At the end of the first quarter 2014, on average, active deals were over 200,000 globally, compared with more than 140,000 at the end of the fourth quarter 2013. North American active deals increased to over 95,000.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 24% year-over-year, to 51.8 million as of March 31, 2014, comprising 21.8 million in North America, 14.5 million in EMEA, and 15.5 million in Rest of World.
- **Customer spend:** First quarter 2014 trailing twelve month billings per average active customer was \$132, compared with \$134 in the fourth quarter 2013.
- **Mobile:** In March 2014, 54% of global transactions were completed on mobile devices. Over 80 million people have now downloaded Groupon mobile apps worldwide, with over 10 million people downloading them in the first quarter alone.
- **Marketplace:** The rollout of Groupon’s marketplace (“Pull”) continued to gain traction. In March 2014, approximately 9% of total traffic in North America searched, with customers that searched spending significantly more than those that did not.

### Share Repurchase Program

During the first quarter 2014, Groupon repurchased 3,075,700 shares of its Class A common stock under its share repurchase authorization at an average price of \$9.58 per share, for an aggregate purchase price of \$29.5 million. Under the existing authorization, Groupon has

repurchased a total of 7,508,500 shares at an average price of \$10.13 per share, for an aggregate purchase price of \$76.0 million. Groupon is authorized to repurchase up to an additional \$224.0 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.

### **Outlook**

In the second quarter 2014, Groupon expects continued investment to accelerate long-term growth worldwide. As a result, for the second quarter 2014, the Company expects revenue of between \$725 million and \$775 million, Adjusted EBITDA of between \$45 million and \$65 million, and non-GAAP earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related expenses, net of tax, of between \$0.00 and \$0.02.

Groupon is increasing its full year outlook, and now expects Adjusted EBITDA to exceed \$300 million.

### **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 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 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.

Beginning in the first quarter 2014, we have changed our non-GAAP earnings (loss) per share measure to exclude amortization of acquired intangible assets, net of tax, in addition to stock compensation and acquisition-related expenses, which we have excluded historically. Given the significant acquisition activity in January 2014 and potential acquisition activity in the future, we believe that excluding non-cash amortization of acquired intangible assets from our non-GAAP earnings 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; 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 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](http://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 May 6, 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](http://www.Groupon.com). To download Groupon's five-star mobile apps, visit [www.groupon.com/mobile](http://www.groupon.com/mobile). To learn more about the company's merchant solutions and how to work with Groupon, visit [www.GrouponWorks.com](http://www.GrouponWorks.com)

### **Contacts:**

Investor Relations

Genny Konz

312-999-3098

[ir@groupon.com](mailto:ir@groupon.com)

Public Relations

Paul Taaffe

312-999-3964