

Groupon Announces Second Quarter 2014 Results

- **Gross billings of \$1.82 billion**
- **Revenue of \$751.6 million**
- **Adjusted EBITDA of \$59.1 million**
- **GAAP loss per share of \$0.03; non-GAAP earnings per share of \$0.01**

CHICAGO — (BUSINESS WIRE) — August 5, 2014 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended June 30, 2014.

“We had another 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 continues to gain traction and add to our growth; we reached another all-time high in mobile, and with the launch of GNOME, we believe we’re making great strides in connecting local commerce.”

Second 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 second quarter 2014, compared with \$1.41 billion in the second quarter 2013. North America billings increased 12%, EMEA was approximately flat and Rest of World increased 145%, driven by the first-quarter acquisition of Ticket Monster.
- Revenue increased 23%, to \$751.6 million in the second quarter 2014, compared with \$608.7 million in the second quarter 2013. North America revenue increased 12%, EMEA increased 42% and Rest of World increased 40%.
- Gross profit was \$389.9 million in the second quarter 2014, compared with \$384.7 million in the second quarter 2013.
- Adjusted EBITDA, a non-GAAP financial measure, was \$59.1 million in the second quarter 2014, compared with \$80.5 million in the second quarter 2013, reflecting SG&A expense related to the Ticket Monster and ideeli acquisitions, as well as an increase in overall marketing expense.
- Second quarter 2014 net loss attributable to common stockholders was \$22.9 million, or \$0.03 per share. Earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related costs of \$43.8 million (or \$28.5 million net of tax), a non-GAAP financial measure, was \$0.01 per share.

- Operating cash flow for the trailing twelve months ended June 30, 2014 was \$122.9 million. Free cash flow, a non-GAAP financial measure, was negative \$53.8 million in the second quarter 2014, bringing free cash flow for the trailing twelve months ended June 30, 2014 to \$40.5 million.
- At the end of the quarter, Groupon had \$868.1 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 79% year-over-year to 83 million in the second quarter 2014. North America units increased 8%, EMEA units increased 10% and Rest of World units increased 342%.
- **Active deals:** At the end of the second quarter 2014, on average, active deals were over 240,000 globally, compared with more than 200,000 at the end of the first quarter 2014. North American active deals increased to over 105,000.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 25% year-over-year, to 53.2 million as of June 30, 2014, comprising 22.6 million in North America, 14.5 million in EMEA, and 16.1 million in Rest of World.
- **Customer spend:** Second quarter 2014 trailing twelve month billings per average active customer was \$137, compared with \$132 in the first quarter 2014.
- **Mobile:** Mobile mix, as measured by transactions completed on mobile devices, remains over half of the business, and reached another all-time high in June 2014. Nearly 92 million people have now downloaded Groupon mobile apps worldwide.
- **Marketplace:** The rollout of Groupon’s marketplace (“Pull”) continued to gain traction. In June 2014, approximately 10% of total traffic in North America searched, with customers that searched spending significantly more than those that did not.
- **Rest of World:** Rest of World billings grew 145% in the second quarter 2014. As a result of the growth and overall progress, Kal Raman is transitioning from COO to assume a new role as CEO of the Asia Pacific region, allowing him to focus on unlocking value for the Company's high-growth Asian markets.

Share Repurchase Program

During the second quarter 2014, Groupon repurchased 17,228,792 shares of its Class A common stock at an average price of \$6.15 per share, for an aggregate purchase price of \$106.0

million. Under the existing authorization, Groupon has repurchased a total of 24,737,292 shares at an average price of \$7.36 per share, for an aggregate purchase price of \$182.0 million. Groupon is authorized to repurchase up to an additional \$118.0 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.

Line of Credit

The Company has entered into a 3-year, \$250 million revolving credit facility, which will provide additional balance sheet flexibility going forward. The Company has no immediate plans to draw on the facility.

Outlook

For the third quarter 2014, the Company expects revenue of between \$720 million and \$770 million, Adjusted EBITDA of between \$50 million and \$70 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 has revised its full year outlook, and now expects Adjusted EBITDA to exceed \$270 million. Although the Company has the opportunity to reduce marketing spend over the remainder of the year to achieve a higher target, given recent returns on those investments, it believes it is important to maintain flexibility for investment in long-term growth.

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.

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; 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 August 5, 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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