

Groupon Announces Second Quarter 2017 Results

Achieved Double Digit Unit and Gross Profit Growth in North America Local

- **Gross profit of \$328.1 million**
- **Net loss from continuing operations of \$5.4 million**
- **Adjusted EBITDA of \$53.3 million**
- **GAAP loss per share from continuing operations of \$0.01; non-GAAP income per share of \$0.02**
- **Operating cash flow of \$97.8 million for the trailing twelve month period; Free cash flow of \$36.4 million for the trailing twelve month period**
- **Maintains 2017 gross profit guidance of \$1.30 billion to \$1.35 billion and raises bottom end of 2017 Adjusted EBITDA guidance range to \$215 million to \$240 million**

CHICAGO — (BUSINESS WIRE) — August 2, 2017 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended June 30, 2017.

“Local commerce continues to be a vast opportunity, and we made great progress as a leader in the space with double-digit unit and gross profit growth in North America Local,” said CEO Rich Williams. “As we continue to build an amazing and voucherless customer experience and invest in our customers and merchants, we are excited about the growing strength of our local marketplace.”

Second Quarter 2017 Summary

North America

- North America gross profit in the second quarter 2017 increased 8% to \$233.9 million from \$217.2 million in the second quarter 2016 as strength in Local was partially offset by declines in Goods. In Local, gross profit increased 13% to \$179.6 million driven by double digit growth in units. Health, Beauty & Wellness and Things To Do were among the top performing categories in Local. In Goods, gross profit declined 13% to \$36.5 million as declines in revenue were partially offset by increases in margin.
- Our focus is to maximize gross profit, which may come at the expense of revenue. This emphasis includes an increasing shift toward offerings in our higher margin, more differentiated Local category, from our Goods category. In the second quarter 2017, North America revenue decreased 13% driven by a 30% decline in Goods direct revenue transactions, which are presented on a gross basis.
- North America active customers reached 31.9 million as of June 30, 2017, adding 300 thousand net new active customers during the second quarter 2017. Gross profit per active customer was \$30, flat with the first quarter 2017. Active customers represent

unique user accounts that have made a purchase through one of our online marketplaces during the trailing twelve months.

- Customer experience investments continued to expand with voucherless and cashless beauty booking programs launching in key major markets and comprising thousands of available deals across restaurants, spas and salons.

International

- International gross profit declined 4% (1% FX-neutral) in the second quarter 2017 to \$94.2 million as we continue to work to turn around the business following short term disruption relating to our country exits. Gross profit increased 3% in Local on an FX-neutral basis, offset by a 3% decline in Travel and a 9% decline in Goods. We made progress across several supply, marketing, and product initiatives in the second quarter, and believe our current initiatives will enable us to turn around international in the coming quarters.
- International active customers declined 300 thousand during the second quarter 2017 to 16.4 million as of June 30, 2017.

Consolidated

- Gross billings were \$1.36 billion in the second quarter 2017, down 2% (1% FX-neutral) from \$1.39 billion in the second quarter 2016. Gross billings reflect the total dollar value of customer purchases of goods and services.
- Revenue was \$662.6 million in the second quarter 2017, down 8% from \$723.8 million in the second quarter 2016.
- Gross profit was \$328.1 million in the second quarter 2017, up 4% (5% FX-neutral) from \$315.4 million in the second quarter 2016.
- SG&A declined 11% year-over-year to \$230.2 million in the second quarter 2017 as we continued to drive operational efficiency through automation and our more streamlined organization, which we expect not only to improve our customer experience but also create greater operating leverage over time. We ended the second quarter 2017 with headcount of 6,661, down 615 year-over-year.
- Marketing was \$100.7 million in the second quarter 2017, up 13% year-over-year. We are seeing strong results from our offline campaign “Save Up to \$100 a Week on What You Do Every Day,” and expect to increase investments in overall marketing in the third and fourth quarters of 2017.
- Net loss from continuing operations was \$5.4 million in the second quarter 2017. This compares to \$48.8 million in the second quarter 2016, which included \$15.7 million of

restructuring charges. The improvement was also impacted by non-operating foreign currency gains of \$10.8 million, as compared to losses of \$1.6 million in the prior period.

- Net loss attributable to common stockholders was \$9.3 million, or \$0.02 per share. Non-GAAP net income attributable to common stockholders was \$12.0 million, or \$0.02 per share.
- Adjusted EBITDA, a non-GAAP financial measure, was \$53.3 million in the second quarter 2017, up 50% from \$35.6 million in the second quarter 2016.
- Global units sold declined 4% year-over-year to 44.5 million in the second quarter 2017. Units in North America declined 2% as double digit growth in Local was offset by declines in Goods, while International declined 8%. Units are defined as purchases made through our online marketplaces, before refunds and cancellations.
- Operating cash flow was \$97.8 million for the trailing twelve month period as of the second quarter 2017. Free cash flow, a non-GAAP financial measure, was \$36.4 million for the trailing twelve month period ending June 30, 2017.
- Cash and cash equivalents as of June 30, 2017 were \$618.6 million, and we had no outstanding borrowings under our \$250.0 million revolving credit facility.

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.

Share Repurchase

During the second quarter 2017, Groupon repurchased 7,185,453 shares of its common stock for an aggregate purchase price of \$24.8 million. Groupon repurchased 14,522,134 shares for an aggregate purchase price of \$50.9 million for the year-to-date period as of June 30, 2017. Up to \$144.3 million of common stock was available for repurchase under Groupon’s share repurchase program as of June 30, 2017. The timing and amount of any share repurchases are determined based on market conditions, limitations under our Amended and Restated Credit Agreement, share price and other factors, and the program may be discontinued or suspended at any time.

Outlook

Groupon is updating its outlook for 2017, which reflects current foreign exchange rates, as well as expected marketing investments and cost benefits associated with our streamlining initiatives. The basis for our full year 2017 guidance is continuing operations.

- For the full year 2017, Groupon expects gross profit to be in the range of \$1.30 billion to \$1.35 billion, which is unchanged.

- Groupon is raising the bottom end of its expected Adjusted EBITDA guidance range to \$215 million to \$240 million in 2017.

Conference Call

A conference call will be webcast live today at 9:00 a.m. CDT / 10:00 a.m. EDT 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. Groupon uses its investor relations site (investor.groupon.com) and its blog (<https://www.groupon.com/blog>) as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. GAAP, we have provided the following non-GAAP financial measures: Adjusted EBITDA, non-GAAP net income (loss) attributable to common stockholders, non-GAAP earnings (loss) per share, free cash flow and foreign currency exchange rate neutral operating results. These non-GAAP financial measures, which are presented on a continuing operations basis, are intended to aid investors in better understanding our current financial performance and prospects for the future as seen through the eyes of management. We believe that these non-GAAP financial measures facilitate comparisons with our historical results and with the results of peer companies who present similar measures (although other companies may define non-GAAP measures differently than we define them, even when similar terms are used to identify such measures). However, these non-GAAP financial measures are not intended to be a substitute for those reported in accordance with U.S. GAAP. 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 external transaction costs related to business combinations, primarily consisting of legal and advisory fees. 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.

Interest and Other Non-Operating Items. Interest and other non-operating items include: gains and losses related to minority investments, foreign currency gains and losses, interest income and interest expense, including non-cash interest expense from our convertible senior notes. We exclude interest and other non-operating items from certain of our non-GAAP financial measures because we believe that excluding these items provides meaningful supplemental information about our core operating performance and facilitates comparisons to our historical operating results.

Special Charges and Credits. For the three months ended March 31, 2017 and 2016, special charges and credits included charges related to our restructuring plan. For the three months ended March 31, 2016, special charges and credits also included gains from business dispositions. We exclude special charges and credits from Adjusted EBITDA because we believe that excluding those items provides meaningful supplemental information about our core operating performance and facilitates comparisons with our historical results.

Income Tax Effect of Items Excluded from Non-GAAP Financial Measures. We determine the income tax effect of items excluded from our measures of non-GAAP net income (loss) attributable to common stockholders and non-GAAP earnings (loss) per share by performing a tax provision calculation using pre-tax income (loss) amounts that have been adjusted to exclude those items in the respective jurisdictions to which they relate. The difference between the income tax expense (benefit) determined on that basis and our reported income tax expense (benefit) represents the income tax effect of the excluded items.

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 prior-year period. We present foreign exchange rate neutral information to facilitate comparisons to our historical operating results.

Adjusted EBITDA is a non-GAAP performance measure that we define as net income (loss) from continuing operations excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation, acquisition-related expense (benefit), net, and other special charges and credits. 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 operating 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 performance in the same manner as our management and Board of Directors. However, Adjusted EBITDA is not intended to be a substitute for income (loss) from continuing operations.

Non-GAAP net income (loss) attributable to common stockholders and *non-GAAP earnings (loss) per share* are non-GAAP performance measures that adjust our net income (loss) attributable to common stockholders and earnings (loss) per share to exclude the impact of:

- stock-based compensation,
- amortization of acquired intangible assets,
- acquisition-related expense (benefit), net,
- special charges and credits, including restructuring charges,
- non-cash interest expense on convertible senior notes,
- non-operating foreign currency gains and losses related to intercompany balances and reclassifications of cumulative translation adjustments to earnings as a result of business dispositions or country exits,
- non-operating gains and losses from minority investments that we have elected to record at fair value with changes in fair value reported in earnings,
- income (loss) from discontinued operations, and
- the income tax effect of those items.

We believe that excluding the above items from our measures of non-GAAP net income (loss) attributable to common stockholders and non-GAAP earnings (loss) per share provides useful supplemental information for evaluating our operating performance and facilitates comparisons to our historical results by eliminating items that are non-cash in nature, relate to discrete events, or are otherwise not indicative of the core operating performance of our ongoing business.

Free cash flow is a non-GAAP liquidity measure that comprises net cash provided by (used in) operating activities from continuing operations less purchases of property and equipment and capitalized software from continuing operations. We use free cash flow 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 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 August 2, 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.

About Groupon

Groupon (NASDAQ: GRPN) is building the daily habit in local commerce, offering a vast mobile and online marketplace where people discover and save on amazing things to do, eat, see and buy. By enabling real-time commerce across local businesses, travel destinations, consumer products and live events, shoppers can find the best a city has to offer.

Groupon is redefining how small businesses attract and retain customers by providing them with customizable and scalable marketing tools and services to profitably grow their businesses.

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