

Groupon, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 618,550	\$ 862,977
Accounts receivable, net	60,785	71,272
Prepaid expenses and other current assets	107,527	94,441
Current assets of discontinued operations	—	63,246
Total current assets	786,862	1,091,936
Property, equipment and software, net	162,577	169,452
Goodwill	282,011	274,551
Intangible assets, net	32,256	42,915
Investments (including \$108,230 and \$110,066 at June 30, 2017 and December 31, 2016, respectively, at fair value)	141,436	141,882
Deferred income taxes	4,838	5,151
Other non-current assets	17,457	23,484
Non-current assets of discontinued operations	—	12,006
Total Assets	\$ 1,427,437	\$ 1,761,377
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 18,389	\$ 28,551
Accrued merchant and supplier payables	606,020	770,992
Accrued expenses and other current liabilities	328,998	366,456
Current liabilities of discontinued operations	—	47,052
Total current liabilities	953,407	1,213,051
Convertible senior notes, net	184,237	178,995
Deferred income taxes	1,833	1,714
Other non-current liabilities	101,978	99,628
Non-current liabilities of discontinued operations	—	2,927
Total Liabilities	1,241,455	1,496,315
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized, 743,577,187 shares issued and 557,359,145 shares outstanding at June 30, 2017 and 736,531,771 shares issued and 564,835,863 shares outstanding at December 31, 2016	74	74
Additional paid-in capital	2,145,030	2,112,728
Treasury stock, at cost, 186,218,042 shares at June 30, 2017 and 171,695,908 shares at December 31, 2016	(858,291)	(807,424)
Accumulated deficit	(1,135,984)	(1,099,010)
Accumulated other comprehensive income (loss)	34,358	58,052
Total Groupon, Inc. Stockholders' Equity	185,187	264,420
Noncontrolling interests	795	642
Total Equity	185,982	265,062
Total Liabilities and Equity	\$ 1,427,437	\$ 1,761,377

Groupon, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Third-party and other	\$ 315,854	\$ 294,576	\$ 617,426	\$ 604,205
Direct	346,765	429,184	718,819	817,990
Total revenue	662,619	723,760	1,336,245	1,422,195
Cost of revenue:				
Third-party and other	38,478	38,109	81,351	79,169
Direct	296,074	370,274	617,376	707,547
Total cost of revenue	334,552	408,383	698,727	786,716
Gross profit	328,067	315,377	637,518	635,479
Operating expenses:				
Marketing	100,658	89,180	187,000	176,475
Selling, general and administrative	230,187	258,737	462,233	521,715
Restructuring charges	4,584	15,702	7,315	27,215
Gains on business dispositions	—	(9,339)	—	(9,339)
Acquisition-related expense (benefit), net	36	850	48	4,314
Total operating expenses	335,465	355,130	656,596	720,380
Income (loss) from operations	(7,398)	(39,753)	(19,078)	(84,901)
Other income (expense), net	5,878	(11,253)	1,276	(8,635)
Income (loss) from continuing operations before provision (benefit) for income taxes	(1,520)	(51,006)	(17,802)	(93,536)
Provision (benefit) for income taxes	3,883	(2,238)	8,470	(1,229)
Income (loss) from continuing operations	(5,403)	(48,768)	(26,272)	(92,307)
Income (loss) from discontinued operations, net of tax	(1,376)	(2,963)	(889)	(5,020)
Net income (loss)	(6,779)	(51,731)	(27,161)	(97,327)
Net income attributable to noncontrolling interests	(2,547)	(3,173)	(6,579)	(6,696)
Net income (loss) attributable to Groupon, Inc.	\$ (9,326)	\$ (54,904)	\$ (33,740)	\$ (104,023)
Basic and diluted net income (loss) per share ⁽¹⁾:				
Continuing operations	\$ (0.01)	\$ (0.09)	\$ (0.06)	\$ (0.17)
Discontinued operations	(0.01)	(0.01)	—	(0.01)
Basic and diluted net income (loss) per share	\$ (0.02)	\$ (0.10)	\$ (0.06)	\$ (0.18)
Weighted average number of shares outstanding ⁽¹⁾				
Basic	559,762,180	576,903,004	560,978,712	579,827,341
Diluted	559,762,180	576,903,004	560,978,712	579,827,341

(1) The structure of the Company's common stock changed during the year ended December 31, 2016. For additional information, refer to Note 8, *Stockholders' Equity and Compensation Arrangements*, and Note 12, *Income (Loss) per Share*, in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

Groupon, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating activities				
Net income (loss)	\$ (6,779)	\$ (51,731)	\$ (27,161)	\$ (97,327)
Less: Income (loss) from discontinued operations, net of tax	(1,376)	(2,963)	(889)	(5,020)
Income (loss) from continuing operations	(5,403)	(48,768)	(26,272)	(92,307)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, equipment and software	28,496	29,335	57,163	59,096
Amortization of acquired intangible assets	6,183	4,581	11,583	9,235
Stock-based compensation	21,440	36,510	41,141	66,603
Restructuring-related long-lived asset impairments	—	—	—	45
Gains on business dispositions	—	(9,339)	—	(9,339)
Deferred income taxes	833	(2,838)	759	(5,148)
(Gain) loss, net from changes in fair value of contingent consideration	36	850	48	4,292
(Gain) loss from changes in fair value of investments	1,448	4,607	1,145	5,707
Amortization of debt discount on convertible senior notes	2,655	2,396	5,242	2,396
Change in assets and liabilities, net of acquisitions and dispositions:				
Restricted cash	(1,305)	(1,197)	548	(695)
Accounts receivable	5,635	5,263	16,229	(500)
Prepaid expenses and other current assets	(16,519)	(55,839)	(11,139)	(36,900)
Accounts payable	2,461	(4,194)	(10,723)	(5,693)
Accrued merchant and supplier payables	(44,716)	(11,365)	(182,954)	(120,629)
Accrued expenses and other current liabilities	(5,451)	(7,012)	(41,491)	4,955
Other, net	(16,488)	6,001	(18,207)	(6,904)
Net cash provided by (used in) operating activities from continuing operations	(20,695)	(51,009)	(156,928)	(125,786)
Net cash provided by (used in) operating activities from discontinued operations	(1,097)	(3,001)	(2,195)	(4,949)
Net cash provided by (used in) operating activities	(21,792)	(54,010)	(159,123)	(130,735)
Investing activities				
Purchases of property and equipment and capitalized software	(15,385)	(16,499)	(29,461)	(36,351)
Cash derecognized upon dispositions of subsidiaries	—	(352)	—	(352)
Proceeds from maturity of investment	1,843	—	1,843	—
Acquisitions of businesses, net of acquired cash	—	(900)	—	(940)
Acquisitions of intangible assets and other investing activities	(240)	(1,206)	(184)	(1,992)
Net cash provided by (used in) investing activities from continuing operations	(13,782)	(18,957)	(27,802)	(39,635)
Net cash provided by (used in) investing activities from discontinued operations	(2,001)	104	(9,548)	4
Net cash provided by (used in) investing activities	(15,783)	(18,853)	(37,350)	(39,631)
Financing activities				
Proceeds from issuance of convertible senior notes	—	250,000	—	250,000
Issuance costs for convertible senior notes and revolving credit agreement	—	(8,097)	—	(8,097)
Purchase of convertible note hedges	—	(59,163)	—	(59,163)
Proceeds from issuance of warrants	—	35,495	—	35,495
Payments for purchases of treasury stock	(24,279)	(25,784)	(51,513)	(90,449)
Taxes paid related to net share settlements of stock-based compensation awards	(6,386)	(11,571)	(15,356)	(16,535)
Proceeds from stock option exercises and employee stock purchase plan	9	114	2,477	2,047
Distributions to noncontrolling interest holders	(2,976)	(3,762)	(6,426)	(7,127)
Payment of contingent consideration related to acquisitions	(5,689)	(285)	(5,689)	(285)
Payments of capital lease obligations	(8,603)	(7,722)	(16,670)	(14,676)
Other financing activities	—	—	(473)	—
Net cash provided by (used in) financing activities	(47,924)	169,225	(93,650)	91,210
Effect of exchange rate changes on cash and cash equivalents, including cash classified within current assets of discontinued operations	13,074	(4,742)	16,830	5,926
Net increase (decrease) in cash and cash equivalents, including cash classified within current assets of discontinued operations	(72,425)	91,620	(273,293)	(73,230)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	(2,591)	(28,866)	1,402
Net increase (decrease) in cash and cash equivalents	(72,425)	94,211	(244,427)	(74,632)
Cash and cash equivalents, beginning of period	690,975	655,464	862,977	824,307
Cash and cash equivalents, end of period	\$ 618,550	\$ 749,675	\$ 618,550	\$ 749,675

Groupon, Inc.
Supplemental Financial Information and Business Metrics ⁽¹⁾
(financial data in thousands; active customers in millions)
(unaudited)

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017					
North America Segment:						Q2 2017				
Gross Billings ⁽²⁾ :						Y/Y Growth				
Local	\$ 542,439	\$ 530,768	\$ 590,684	\$ 587,766	\$ 615,833	13.5	%			
Travel	105,388	93,564	90,059	114,163	112,670	6.9				
Goods	318,427	296,630	431,388	262,588	245,924	(22.8)				
Total Gross Billings	\$ 966,254	\$ 920,962	\$ 1,112,131	\$ 964,517	\$ 974,427	0.8	%			
Revenue:										
Local	\$ 184,139	\$ 176,223	\$ 209,799	\$ 200,545	\$ 207,534	12.7	%			
Travel	21,401	21,239	19,023	20,462	22,320	4.3				
Goods	311,382	285,819	421,931	252,350	222,058	(28.7)				
Total Revenue	\$ 516,922	\$ 483,281	\$ 650,753	\$ 473,357	\$ 451,912	(12.6)	%			
Gross Profit:										
Local	\$ 158,812	\$ 152,873	\$ 185,280	\$ 169,342	\$ 179,609	13.1	%			
Travel	16,334	17,257	15,052	15,165	17,755	8.7				
Goods	42,028	31,531	50,437	36,430	36,496	(13.2)				
Total Gross Profit	\$ 217,174	\$ 201,661	\$ 250,769	\$ 220,937	\$ 233,860	7.7	%			
Operating income (loss)	\$ (31,284)	\$ (24,470)	\$ 12,265	\$ (14,783)	\$ (12,033)	61.5	%			
International Segment:						Q2 2017				
Gross Billings:						Y/Y Growth		FX Effect ⁽³⁾	Y/Y Growth excluding FX ⁽³⁾	
Local	\$ 196,857	\$ 184,068	\$ 221,337	\$ 191,219	\$ 189,408	(3.8)	%	3.9	0.1	%
Travel	56,409	58,964	60,099	53,161	45,981	(18.5)		1.8	(16.7)	
Goods	170,019	158,965	211,963	149,079	154,417	(9.2)		2.5	(6.7)	
Total Gross Billings	\$ 423,285	\$ 401,997	\$ 493,399	\$ 393,459	\$ 389,806	(7.9)	%	3.0	(4.9)	%
Revenue:										
Local	\$ 67,956	\$ 64,282	\$ 68,900	\$ 63,575	\$ 66,108	(2.7)	%	4.2	1.5	%
Travel	11,640	13,524	12,141	11,002	10,796	(7.3)		1.9	(5.4)	
Goods	127,242	125,468	173,071	125,692	133,803	5.2		2.8	8.0	
Total Revenue	\$ 206,838	\$ 203,274	\$ 254,112	\$ 200,269	\$ 210,707	1.9	%	3.2	5.1	%
Gross Profit:										
Local	\$ 62,970	\$ 59,257	\$ 63,987	\$ 59,194	\$ 62,303	(1.1)	%	4.3	3.2	%
Travel	10,484	12,378	11,087	10,036	9,996	(4.7)		1.9	(2.8)	
Goods	24,749	19,972	26,063	19,284	21,908	(11.5)		2.5	(9.0)	
Total Gross Profit	\$ 98,203	\$ 91,607	\$ 101,137	\$ 88,514	\$ 94,207	(4.1)	%	3.6	(0.5)	%
Operating income (loss)	\$ (8,469)	\$ (370)	\$ (2,762)	\$ 3,103	\$ 4,635	154.7	%			
Consolidated Results of Operations:										
Gross Billings:										
Local	\$ 739,296	\$ 714,836	\$ 812,021	\$ 778,985	\$ 805,241	8.9	%	1.1	10.0	%
Travel	161,797	152,528	150,158	167,324	158,651	(1.9)		0.6	(1.3)	
Goods	488,446	455,595	643,351	411,667	400,341	(18.0)		0.8	(17.2)	
Total Gross Billings	\$ 1,389,539	\$ 1,322,959	\$ 1,605,530	\$ 1,357,976	\$ 1,364,233	(1.8)	%	0.9	(0.9)	%
Revenue:										
Local	\$ 252,095	\$ 240,505	\$ 278,699	\$ 264,120	\$ 273,642	8.5	%	1.2	9.7	%
Travel	33,041	34,763	31,164	31,464	33,116	0.2		0.7	0.9	
Goods	438,624	411,287	595,002	378,042	355,861	(18.9)		0.9	(18.0)	
Total Revenue	\$ 723,760	\$ 686,555	\$ 904,865	\$ 673,626	\$ 662,619	(8.4)	%	0.9	(7.5)	%
Gross Profit:										
Local	\$ 221,782	\$ 212,130	\$ 249,267	\$ 228,536	\$ 241,912	9.1	%	1.2	10.3	%
Travel	26,818	29,635	26,139	25,201	27,751	3.5		0.7	4.2	
Goods	66,777	51,503	76,500	55,714	58,404	(12.5)		0.9	(11.6)	
Total Gross Profit	\$ 315,377	\$ 293,268	\$ 351,906	\$ 309,451	\$ 328,067	4.0	%	1.2	5.2	%
Operating income (loss)	\$ (39,753)	\$ (24,840)	\$ 9,503	\$ (11,680)	\$ (7,398)	81.4	%			
Net cash provided by (used in) operating activities from continuing operations	\$ (51,009)	\$ (39,879)	\$ 294,593	\$ (136,233)	\$ (20,695)	59.4	%			
Free Cash Flow	\$ (67,508)	\$ (52,561)	\$ 275,339	\$ (150,309)	\$ (36,080)	46.6	%			

	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>
Other Metrics:					
Active Customers ⁽⁴⁾					
North America	27.9	29.1	31.1	31.6	31.9
International	17.0	16.6	16.8	16.7	16.4
Total Active Customers	44.9	45.7	47.9	48.3	48.3
TTM Gross Billings / Average Active Customer					
North America	\$ 145	\$ 142	\$ 138	\$ 136	\$ 133
International	105	103	102	101	101
Consolidated	129	127	124	123	121
TTM Gross Profit / Average Active Customer					
North America	\$ 32	\$ 31	\$ 31	\$ 30	\$ 30
International	25	25	23	22	23
Consolidated	29	29	28	27	28
Consolidated Units	46.2	44.4	57.9	45.7	44.5
<i>Year-over-year unit growth:</i>					
North America	5.9 %	6.4 %	3.2 %	(0.4) %	(1.9) %
International	(18.4)	(18.5)	(0.3)	(8.7)	(7.8)
Consolidated	(3.2)	(2.9)	2.0	(3.1)	(3.8)
Headcount ⁽⁵⁾					
Sales ⁽⁶⁾	2,893	2,695	2,626	2,624	2,485
Other	4,383	4,389	4,641	4,496	4,176
Total Headcount	7,276	7,084	7,267	7,120	6,661

- (1) The financial results of the exited 11 countries are presented as discontinued operations in the accompanying condensed consolidated financial statements and tables. All prior period financial information and operational metrics have been retrospectively adjusted to reflect this presentation.
- (2) Represents the total dollar value of customer purchases of goods and services.
- (3) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year periods.
- (4) Reflects the total number of unique user accounts who made a purchase through one of our online marketplaces during the trailing twelve months. North America active customers for the quarter ended June 30, 2017 includes approximately 0.7 million incremental active customers from the acquisition of LivingSocial, Inc.
- (5) Prior period headcount amounts exclude employees of discontinued operations. Including those employees, our headcount decreased by 1,944 employees, or 23%, year-over-year in the second quarter of 2017, from 8,605 total employees in the prior year period.
- (6) Includes merchant sales representatives, as well as sales support personnel from our continuing operations.

Groupon, Inc.
Non-GAAP Reconciliation Schedules
(in thousands, except share and per share amounts)
(unaudited)

Adjusted EBITDA, non-GAAP earnings attributable to common stockholders and non-GAAP earnings per share are non-GAAP performance measures. The Company reconciles Adjusted EBITDA to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations" for the periods presented and the Company reconciles non-GAAP earnings per share to the most comparable U.S. GAAP performance measure, "Diluted net income (loss) per share," for the periods presented.

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

	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>
Income (loss) from continuing operations	\$ (48,768)	\$ (34,447)	\$ (39,455)	\$ (20,869)	\$ (5,403)
Adjustments:					
Stock-based compensation ⁽¹⁾	34,210	25,457	22,563	19,650	21,392
Depreciation and amortization	33,916	32,897	34,681	34,067	34,679
Acquisition-related expense (benefit), net	850	(9)	1,345	12	36
Restructuring charges	15,702	1,163	12,060	2,731	4,584
Gains on business dispositions	(9,339)	(2,060)	—	—	—
Non-operating expense (income), net	11,253	7,917	54,737	4,602	(5,878)
Provision (benefit) for income taxes	(2,238)	1,690	(5,779)	4,587	3,883
Total adjustments	84,354	67,055	119,607	65,649	58,696
Adjusted EBITDA	<u>\$ 35,586</u>	<u>\$ 32,608</u>	<u>\$ 80,152</u>	<u>\$ 44,780</u>	<u>\$ 53,293</u>

- (1) Represents stock-based compensation recorded within cost of revenue, marketing expense, and selling, general and administrative expense. Non-operating expense (income), net, includes \$0.2 million, \$0.3 million, \$0.2 million, \$0.1 million and \$0.0 million of additional stock-based compensation for the three months ended June 30, 2016, September 30, 2016, December 31, 2016, March 31, 2017, and June 30, 2017, respectively. Restructuring charges include \$2.1 million of additional stock-based compensation for the three months ended June 30, 2016.

The following is a reconciliation of the Company's annual outlook for Adjusted EBITDA to the Company's outlook for the most comparable U.S. GAAP performance measure, "Income (loss) from continuing operations."

	<u>Year Ending December 31, 2017</u>
Expected income (loss) from continuing operations range	\$(17,500) to \$(7,500)
Expected adjustments:	
Stock-based compensation	80,000 to 90,000
Depreciation and amortization	135,000
Restructuring charges	7,500
Non-operating expense (income), net	1,000
Provision (benefit) for income taxes	9,000 to 14,000
Total expected adjustments	\$232,500 to \$247,500
Expected Adjusted EBITDA range	<u>\$215,000 to \$240,000</u>

The outlook provided above does not reflect the potential impact of any additional restructuring actions that the Company may decide to pursue, business or asset 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 the remainder of 2017.

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 for the three and six months ended June 30, 2017:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Net income (loss) attributable to common stockholders	\$ (9,326)	\$ (33,740)
Stock-based compensation	21,440	41,141
Amortization of acquired intangible assets	6,183	11,583
Acquisition-related expense (benefit), net	36	48
Restructuring charges	4,584	7,315
Losses (gains), net from changes in fair value of investments	1,448	1,145
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	(10,112)	(10,222)
Non-cash interest expense on convertible senior notes	2,655	5,242
Income tax effect of above adjustments	(6,329)	(6,274)
Loss from discontinued operations, net of tax	\$ 1,376	\$ 889
Non-GAAP net income (loss) attributable to common stockholders	\$ 11,955	\$ 17,127
Weighted-average shares of common stock - basic	559,762,180	560,978,712
Effect of dilutive securities	6,821,360	7,152,421
Weighted-average shares of common stock - diluted	<u>566,583,540</u>	<u>568,131,133</u>
Diluted net income (loss) per share	\$ (0.02)	\$ (0.06)
Impact of stock-based compensation, amortization of acquired intangible assets, acquisition-related expense (benefit), net, intercompany foreign currency losses (gains), special charges and credits, loss from discontinued operations and related tax effects	0.04	0.09
Non-GAAP net income (loss) per share	\$ 0.02	\$ 0.03

Free cash flow is a non-GAAP financial measure. 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."

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Net cash provided by (used in) operating activities from continuing operations	\$ (51,009)	\$ (39,879)	\$ 294,593	\$ (136,233)	\$ (20,695)
Purchases of property and equipment and capitalized software from continuing operations	(16,499)	(12,682)	(19,254)	(14,076)	(15,385)
Free cash flow	<u>\$ (67,508)</u>	<u>\$ (52,561)</u>	<u>\$ 275,339</u>	<u>\$ (150,309)</u>	<u>\$ (36,080)</u>
Net cash provided by (used in) investing activities from continuing operations	\$ (18,957)	\$ (11,902)	\$ (4,049)	\$ (14,020)	\$ (13,782)
Net cash provided by (used in) financing activities	\$ 169,225	\$ (38,342)	\$ (67,533)	\$ (45,726)	\$ (47,924)