

## Groupon Announces Third Quarter 2019 Results

- **Gross profit of \$278 million**
- **Net loss from continuing operations of \$15 million**
- **Adjusted EBITDA of \$50 million**
- **GAAP net loss per diluted share of \$0.03; non-GAAP net income per diluted share of \$0.01**
- **Operating cash flow of \$194 million for the trailing twelve month period**
- **Free cash flow of \$126 million for the trailing twelve month period**
- **2019 Adjusted EBITDA guidance of approximately \$270 million reiterated**

CHICAGO - November 4, 2019 - [Groupon, Inc.](#) (NASDAQ: GRPN) today announced financial results for the quarter ended September 30, 2019.

"In the third quarter, we continued to modernize our marketplace for our customers and focus on positioning Groupon as a leader in local commerce," said Groupon CEO Rich Williams. "We believe that the improvements we're making to the customer experience together with new partnerships that expand the breadth and depth of our supply will encourage our customers to return to Groupon again and again to connect to the world around them. While we continue to face challenges from traffic and International macroeconomic conditions, we believe we have the right strategy in place to deliver on the promise of our marketplace. As we enter the holiday season, we look forward to bringing exciting experiences to our millions of customers around the world."

Rich Williams provided further commentary in a letter to stockholders located on our investor relations website ([investor.groupon.com](http://investor.groupon.com)).

### Third Quarter 2019 Summary

#### North America

- North America gross profit in the third quarter 2019 decreased 6% to \$192.1 million, primarily due to fewer customers and lower traffic, partially offset by higher gross profit per customer. In Local, gross profit decreased 3% to \$155.0 million. Goods gross profit decreased 15% to \$26.3 million. Gross profit in Travel decreased 22% to \$10.7 million.
- North America active customers were 27.7 million as of September 30, 2019 and trailing twelve month gross profit per active customer increased 6%.

#### International

- International gross profit in the third quarter 2019 decreased 16% to \$85.9 million (12% FX-neutral) driven by weak consumer sentiment in Europe, particularly in the United Kingdom, intense competition in our Goods category, and a customer shift toward lower price and lower margin Local offerings. Local gross profit decreased 15% (11% FX-neutral). Goods gross profit decreased 20% (16% FX-neutral). Gross profit in Travel decreased 15% (11% FX-neutral).
- International active customers were 17.5 million as of September 30, 2019, and trailing twelve month gross profit per active customer decreased 10% (5% FX-neutral).

## Consolidated

- Revenue was \$495.6 million in the third quarter 2019, down 16% (15% FX-neutral).
- Gross profit was \$277.9 million in the third quarter 2019, down 9% (8% FX-neutral).
- SG&A was \$198.3 million in the third quarter 2019 compared with \$160.2 million in the third quarter 2018. SG&A in the third quarter 2018 included a \$40.4 million benefit related to the settlement of patent litigation with IBM for an amount lower than our accrued liability and lower performance-based compensation. Excluding the benefit related to the IBM settlement, SG&A declined 1%.
- Marketing expense declined by 19% to \$75.0 million in the third quarter 2019 as we continued to drive efficiency in our marketing spend and spent less in offline marketing.
- Other expense, net was \$17.3 million in the third quarter 2019, compared with \$4.9 million in the third quarter 2018 driven primarily by non-cash foreign currency losses related to intercompany balances.
- Net loss from continuing operations was \$14.7 million in the third quarter 2019 compared with net income from continuing operations of \$47.2 million in the third quarter 2018.
- Net loss attributable to common stockholders was \$16.7 million, or \$0.03 per diluted share, in the third quarter 2019, compared with net income attributable to common stockholders of \$44.6 million, or \$0.08 per diluted share, in the third quarter 2018. Non-GAAP net income attributable to common stockholders plus assumed conversions was \$7.8 million, or \$0.01 per diluted share, in the third quarter 2019, compared with \$22.2 million, or \$0.04 per diluted share, in the third quarter 2018.
- Adjusted EBITDA, a non-GAAP financial measure, was \$50.0 million in the third quarter 2019, down from \$56.4 million in the third quarter 2018.
- Global units sold were down 9% to 35.8 million in the third quarter 2019 largely driven by fewer customers and lower traffic. Units in North America were down 14% and International units were down 1%.
- Operating cash flow was \$193.7 million for the trailing twelve month period, and free cash flow, a non-GAAP financial measure, was \$125.8 million for the trailing twelve month period.
- Cash and cash equivalents as of September 30, 2019 were \$567.3 million, and we had no outstanding borrowings under our \$400 million revolving credit facility.

Definitions and reconciliations of all non-GAAP financial measures and additional information regarding operating measures are included below in the section titled "Non GAAP Financial Measures and Operating Metrics" and in the accompanying tables. All comparisons in this press release are year-over-year unless otherwise provided.

## **Outlook**

For the full year 2019, Groupon continues to expect Adjusted EBITDA of approximately \$270 million.

## **Conference Call**

A conference call will be webcast Tuesday, November 5, 2019 at 9:00 a.m. CT / 10:00 a.m. ET and will be available on Groupon's investor relations website at <https://investor.groupon.com>. This call will contain forward-looking statements and other material information regarding our 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 website ([investor.groupon.com](http://investor.groupon.com)) and the Groupon blog ([www.groupon.com/blog](http://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 and Operating Metrics**

In addition to financial results reported in accordance with U.S. GAAP, we have provided the following non-GAAP financial measures: Foreign exchange rate neutral operating results, adjusted EBITDA, non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes, non-GAAP net income (loss) attributable to common stockholders, non-GAAP income (loss) per share, non-GAAP provision (benefit) for income taxes and free cash flow. 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 and Operating 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 September 30, 2019 and 2018, special charges and credits included charges related to our restructuring plan. For the three months ended September 30, 2018, special charges and credits also included the \$40.4 million credit related to patent litigation with IBM. 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.

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 current period operating results as if foreign currency exchange rates had remained the same as those in effect in the prior year period. These measures are intended to facilitate comparisons to our historical performance.

*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, including items that are unusual in nature or infrequently occurring. 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 for 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. However, Adjusted EBITDA is not intended to be a substitute for income (loss) from continuing operations.

*Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes, Non-GAAP net income (loss) attributable to common stockholders and non-GAAP income (loss) per diluted share* are non-GAAP performance measures that adjust our net income attributable to common stockholders and earnings 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,
- non-operating gains and losses from sales of minority investments, and
- income (loss) from discontinued operations.

We believe that excluding the above items from our measures of non-GAAP income from continuing operations before provision (benefit) from income taxes, non-GAAP net income attributable to common stockholders and non-GAAP earnings per diluted 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.

*Non-GAAP provision (benefit) for income taxes* reflects our current and deferred tax provision computed based on non-GAAP income from continuing operations before provision (benefit) for income taxes.

*Free cash flow* is a non-GAAP liquidity measure that comprises net cash provided by 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 continuing 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 our cash balance for the applicable period.

Descriptions of the operating metrics included in this release and the accompanying tables are as follows:

*Gross Billings* is the total dollar value of customer purchases of goods and services. Gross billings is presented net of customer refunds, order discounts and sales and related taxes. The substantial majority of our service revenue transactions are comprised of sales of vouchers and similar transactions in which we collect the transaction price from the customer and remit a portion of the transaction price to the third-party merchant who will provide the related goods or services. For these transactions, gross billings differs from revenue reported in our condensed consolidated statements of operations, which is presented net of the merchant's share of the transaction price. For product revenue transactions, gross billings are equivalent to product revenue reported in our condensed consolidated statements of operations. Gross billings is an indicator of our growth and business performance as it measures the dollar volume of transactions generated through our marketplaces. Tracking gross billings on service revenue transactions also allows us to monitor the percentage of gross billings that we are able to retain after payments to merchants. However, management is primarily focused on optimizing the business for long-term gross profit and Adjusted EBITDA growth.

*Active customers* are unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission. We consider this metric to be an important indicator of our business performance as it helps us to understand how the number of customers actively purchasing our offerings is trending. Some customers could establish and make purchases from more than one account, so it is possible that our active customer metric may count certain customers more than once in a given period. For entities that we have acquired in a business combination, this metric includes active customers of the acquired entity, including customers who made purchases prior to the acquisition. We do not include consumers who solely make purchases with retailers using digital coupons accessed through our websites and mobile applications in our active customer metric, nor do we include consumers who solely make purchases of our inventory through third-party marketplaces with which we partner.

*Units* is the number of purchases during the reporting period, before refunds and cancellations, made either through one of our online marketplaces, a third-party marketplace, or directly with a merchant for which we earn a commission. We do not include purchases with retailers using digital coupons accessed through our websites and mobile applications in our units metric. We consider unit growth to be an important indicator of the total volume of business conducted through our marketplaces.

*Gross profit per active customer* is the TTM gross profit generated per active customer. We use this metric to evaluate trends in the average contribution to gross profit on a per-customer basis.

### **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, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations. The words "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue" and other similar expressions are intended to identify forward-looking statements. We have based these forward looking statements largely on current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. 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, risk related to volatility in our operating results; execution of our business and marketing strategies; retaining existing customers and adding new customers; challenges arising from our international operations, including fluctuations in currency exchange rates, legal and regulatory developments and any potential adverse impact from the United Kingdom's likely exit from the European Union; retaining and adding high quality merchants; our voucherless offerings; cybersecurity breaches; reliance on cloud-based computing platforms; competing successfully in our industry; changes to merchant payment terms; providing a strong mobile experience for our customers; maintaining our information technology infrastructure; delivery and routing of our emails; claims related to product and service offerings; managing inventory and order fulfillment risks; litigation; managing refund risks; retaining and attracting members of our executive team; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR and regulation of the Internet and e-commerce; classification of our independent contractors; protecting our intellectual property; maintaining a strong brand; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; our common stock, including volatility in our stock price; our convertible senior 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, 2018, Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, subsequent Quarterly Reports on Form 10-Q, 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 [investor.groupon.com](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 Groupon nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements reflect our expectations as of November 4, 2019. We undertake 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 our 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.

To download Groupon's top-rated mobile apps, visit [www.groupon.com/mobile](http://www.groupon.com/mobile). To search for great deals or subscribe to Groupon emails, visit [www.groupon.com](http://www.groupon.com). To learn more about the company's merchant solutions and how to work with Groupon, visit [www.groupon.com/merchant](http://www.groupon.com/merchant).

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

	September 30, 2019	December 31, 2018
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 567,285	\$ 841,021
Accounts receivable, net	56,094	69,493
Prepaid expenses and other current assets	81,667	88,115
Total current assets	705,046	998,629
Property, equipment and software, net	133,071	143,117
Right-of-use assets - operating leases, net <sup>(1)</sup>	112,133	—
Goodwill	319,557	325,491
Intangible assets, net	36,497	45,401
Investments	38,124	108,515
Other non-current assets	26,274	20,989
<b>Total Assets</b>	<b>\$ 1,370,702</b>	<b>\$ 1,642,142</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable	\$ 21,485	\$ 38,359
Accrued merchant and supplier payables	428,177	651,781
Accrued expenses and other current liabilities	239,104	267,034
Total current liabilities	688,766	957,174
Convertible senior notes, net	211,441	201,669
Operating lease obligations <sup>(2)</sup>	118,408	—
Other non-current liabilities	50,961	100,688
<b>Total Liabilities</b>	<b>1,069,576</b>	<b>1,259,531</b>
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 769,175,284 shares issued and 563,292,929 shares outstanding at September 30, 2019; 760,939,440 shares issued and 569,084,312 shares outstanding at December 31, 2018		
	76	76
Additional paid-in capital	2,294,000	2,234,560
Treasury stock, at cost, 205,882,355 and 191,855,128 shares at September 30, 2019 and December 31, 2018	(922,666)	(877,491)
Accumulated deficit	(1,109,917)	(1,010,499)
Accumulated other comprehensive income (loss)	38,877	34,602
<b>Total Groupon, Inc. Stockholders' Equity</b>	<b>300,370</b>	<b>381,248</b>
Noncontrolling interests	756	1,363
<b>Total Equity</b>	<b>301,126</b>	<b>382,611</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,370,702</b>	<b>\$ 1,642,142</b>

- (1) Represents operating lease assets recognized as a result of the adoption of Topic 842 on January 1, 2019 net of accumulated amortization. Refer to Item 1, Note 6, *Leases*, in our Quarterly Report on Form 10-Q for the period ended September 30, 2019 for additional information.
- (2) Represents the non-current portion of operating lease liabilities as a result of the adoption of Topic 842 on January 1, 2019. Refer to Item 1, Note 6, *Leases*, in our Quarterly Report on Form 10-Q for the period ended September 30, 2019 for additional information.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Service	\$ 268,080	\$ 289,214	\$ 831,510	\$ 886,663
Product	227,532	303,669	775,089	950,156
Total revenue	495,612	592,883	1,606,599	1,836,819
Cost of revenue:				
Service	28,947	29,792	86,169	91,167
Product	188,725	257,102	644,342	791,120
Total cost of revenue	217,672	286,894	730,511	882,287
Gross profit	277,940	305,989	876,088	954,532
Operating expenses:				
Marketing	74,976	92,717	257,296	286,051
Selling, general and administrative	198,327	160,249	619,099	676,318
Total operating expenses	273,303	252,966	876,395	962,369
Income (loss) from operations	4,637	53,023	(307)	(7,837)
Other income (expense), net	(17,253)	(4,860)	(92,602)	(39,832)
Income (loss) from continuing operations before provision (benefit) for income taxes	(12,616)	48,163	(92,909)	(47,669)
Provision (benefit) for income taxes	2,069	988	591	205
Income (loss) from continuing operations	(14,685)	47,175	(93,500)	(47,874)
Income (loss) from discontinued operations, net of tax	—	—	2,162	—
Net income (loss)	(14,685)	47,175	(91,338)	(47,874)
Net income attributable to noncontrolling interests	(2,000)	(2,560)	(8,080)	(9,433)
Net income (loss) attributable to Groupon, Inc.	\$ (16,685)	\$ 44,615	\$ (99,418)	\$ (57,307)
Basic and diluted net income (loss) per share:				
Continuing operations	\$ (0.03)	\$ 0.08	\$ (0.18)	\$ (0.10)
Discontinued operations	—	—	0.01	—
Basic and diluted net income (loss) per share	\$ (0.03)	\$ 0.08	\$ (0.17)	\$ (0.10)
Weighted average number of shares outstanding				
Basic	566,971,238	568,634,988	568,339,335	565,227,625
Diluted	566,971,238	576,379,421	568,339,335	565,227,625

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Operating activities</b>				
Net income (loss)	\$ (14,685)	\$ 47,175	\$ (91,338)	\$ (47,874)
Less: Income (loss) from discontinued operations, net of tax	—	—	2,162	—
Income (loss) from continuing operations	(14,685)	47,175	(93,500)	(47,874)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, equipment and software	22,125	24,835	69,986	76,984
Amortization of acquired intangible assets	3,748	3,850	11,419	10,316
Stock-based compensation	19,543	15,026	62,517	50,670
Impairments of investments	—	112	—	10,156
Deferred income taxes	456	—	816	(6,575)
(Gain) loss from changes in fair value of investments	(14)	244	68,971	8,312
Amortization of debt discount on convertible senior notes	3,341	3,016	9,772	8,822
Change in assets and liabilities, net of acquisitions and dispositions:				
Accounts receivable	17,892	(7,079)	12,581	20,217
Prepaid expenses and other current assets	6,612	(4,184)	2,591	(2,695)
Accounts payable	(6,002)	(6,694)	(16,892)	(16,034)
Accrued merchant and supplier payables	(29,608)	(41,766)	(216,127)	(214,748)
Accrued expenses and other current liabilities	(18,032)	(96,315)	(62,728)	(45,175)
Other, net	13,208	4,391	20,476	14,663
Net cash provided by (used in) operating activities from continuing operations	18,584	(57,389)	(130,118)	(132,961)
Net cash provided by (used in) operating activities from discontinued operations	—	—	—	—
<b>Net cash provided by (used in) operating activities</b>	<b>18,584</b>	<b>(57,389)</b>	<b>(130,118)</b>	<b>(132,961)</b>
<b>Investing activities</b>				
Purchases of property and equipment and capitalized software	(17,693)	(16,094)	(51,854)	(53,611)
Proceeds from sale of intangible assets	—	1,500	—	1,500
Proceeds from sales of investments	—	8,594	—	8,594
Acquisition of business, net of acquired cash	—	—	—	(57,821)
Acquisitions of intangible assets and other investing activities	(1,848)	(16,389)	(3,037)	(17,147)
Net cash provided by (used in) investing activities from continuing operations	(19,541)	(22,389)	(54,891)	(118,485)
Net cash provided by (used in) investing activities from discontinued operations	—	—	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>(19,541)</b>	<b>(22,389)</b>	<b>(54,891)</b>	<b>(118,485)</b>
<b>Financing activities</b>				
Issuance costs for revolving credit agreement	(50)	—	(2,384)	—
Payments for repurchases of common stock	(14,593)	—	(44,162)	—
Taxes paid related to net share settlements of stock-based compensation awards	(3,744)	(2,500)	(13,975)	(18,638)
Proceeds from stock option exercises and employee stock purchase plan	2,085	3,206	4,123	5,710
Distributions to noncontrolling interest holders	(2,053)	(2,376)	(8,687)	(9,316)
Payments of finance lease obligations	(4,240)	(8,050)	(16,868)	(25,289)
Payments of contingent consideration related to acquisitions	—	—	—	(1,815)
<b>Net cash provided by (used in) financing activities</b>	<b>(22,595)</b>	<b>(9,720)</b>	<b>(81,953)</b>	<b>(49,348)</b>
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations</b>	<b>(7,398)</b>	<b>(2,643)</b>	<b>(9,153)</b>	<b>(9,287)</b>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations</b>	<b>(30,950)</b>	<b>(92,141)</b>	<b>(276,115)</b>	<b>(310,081)</b>
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	—	—	—
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(30,950)</b>	<b>(92,141)</b>	<b>(276,115)</b>	<b>(310,081)</b>
Cash, cash equivalents and restricted cash, beginning of period <sup>(1)</sup>	599,563	667,541	844,728	885,481
Cash, cash equivalents and restricted cash, end of period <sup>(1)</sup>	<u>\$ 568,613</u>	<u>\$ 575,400</u>	<u>\$ 568,613</u>	<u>\$ 575,400</u>

- (1) The following table provides a reconciliation of cash, cash equivalents and restricted cash shown above to amounts reported within the condensed consolidated balance sheet as of September 30, 2019 and amounts previously reported within the condensed consolidated balance sheet in our Quarterly Report on Form 10-Q as of September 30, 2018 (in thousands):

	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 567,285	\$ 841,021	\$ 572,358	\$ 880,129
Restricted cash included in prepaid expenses and other current assets	1,101	3,320	2,649	4,932
Restricted cash included in other non-current assets	227	387	393	420
Cash, cash equivalents and restricted cash	<u>\$ 568,613</u>	<u>\$ 844,728</u>	<u>\$ 575,400</u>	<u>\$ 885,481</u>

**Groupon, Inc.**  
**Supplemental Financial and Operating Metrics**  
(dollars in thousands; active customers in millions)  
(unaudited)

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019				
North America Segment:						Q3 2019			
Gross Billings <sup>(1)</sup> :						Y/Y Growth			
Local	\$ 534,246	\$ 535,869	\$ 502,309	\$ 503,830	\$ 511,173	(4.3)	%		
Travel	83,991	71,948	92,083	84,029	71,144	(15.3)			
Goods	184,357	319,922	174,638	147,354	133,076	(27.8)			
Total Gross Billings	<u>\$ 802,594</u>	<u>\$ 927,739</u>	<u>\$ 769,030</u>	<u>\$ 735,213</u>	<u>\$ 715,393</u>	(10.9)	%		
Revenue:									
Local	\$ 180,059	\$ 199,523	\$ 180,377	\$ 177,082	\$ 175,140	(2.7)	%		
Travel	17,217	14,667	18,941	16,125	13,680	(20.5)			
Goods	163,875	290,534	157,847	131,453	114,776	(30.0)			
Total Revenue	<u>\$ 361,151</u>	<u>\$ 504,724</u>	<u>\$ 357,165</u>	<u>\$ 324,660</u>	<u>\$ 303,596</u>	(15.9)	%		
Gross Profit:									
Local	\$ 159,379	\$ 179,932	\$ 161,082	\$ 157,673	\$ 155,032	(2.7)	%		
Travel	13,801	11,839	15,268	12,806	10,717	(22.3)			
Goods	30,868	55,814	33,452	28,105	26,326	(14.7)			
Total Gross Profit	<u>\$ 204,048</u>	<u>\$ 247,585</u>	<u>\$ 209,802</u>	<u>\$ 198,584</u>	<u>\$ 192,075</u>	(5.9)	%		
Operating income (loss)	\$ 51,004	\$ 39,289	\$ 5,336	\$ (372)	\$ 15,691	(69.2)	%		
International Segment:					Q3 2019				
					Y/Y Growth		FX Effect <sup>(2)</sup>	Y/Y Growth excluding FX <sup>(2)</sup>	
Gross Billings:									
Local	\$ 209,623	\$ 235,093	\$ 207,396	\$ 203,450	\$ 204,823	(2.3)	4.3	2.0	%
Travel	46,156	55,046	51,939	43,348	44,098	(4.5)	4.2	(0.3)	
Goods	157,856	211,180	147,643	138,934	129,064	(18.2)	3.8	(14.4)	
Total Gross Billings	<u>\$ 413,635</u>	<u>\$ 501,319</u>	<u>\$ 406,978</u>	<u>\$ 385,732</u>	<u>\$ 377,985</u>	(8.6)	4.1	(4.5)	%
Revenue:									
Local	\$ 75,946	\$ 84,751	\$ 73,190	\$ 69,995	\$ 65,440	(13.8)	3.8	(10.0)	%
Travel	9,387	10,654	8,737	8,077	8,003	(14.7)	3.6	(11.1)	
Goods	146,399	199,798	139,318	129,845	118,573	(19.0)	3.7	(15.3)	
Total Revenue	<u>\$ 231,732</u>	<u>\$ 295,203</u>	<u>\$ 221,245</u>	<u>\$ 207,917</u>	<u>\$ 192,016</u>	(17.1)	3.7	(13.4)	%
Gross Profit:									
Local	\$ 71,639	\$ 80,213	\$ 68,978	\$ 65,780	\$ 61,183	(14.6)	3.9	(10.7)	%
Travel	8,649	9,913	8,041	7,370	7,332	(15.2)	3.7	(11.5)	
Goods	21,653	28,358	19,195	20,398	17,350	(19.9)	3.8	(16.1)	
Total Gross Profit	<u>\$ 101,941</u>	<u>\$ 118,484</u>	<u>\$ 96,214</u>	<u>\$ 93,548</u>	<u>\$ 85,865</u>	(15.8)	3.9	(11.9)	%
Operating income (loss)	\$ 2,019	\$ 22,587	\$ (3,141)	\$ (6,767)	\$ (11,054)	(647.5)	%		
Consolidated Results of Operations:									
Gross Billings:									
Local	\$ 743,869	\$ 770,962	\$ 709,705	\$ 707,280	\$ 715,996	(3.7)	1.2	(2.5)	%
Travel	130,147	126,994	144,022	127,377	115,242	(11.5)	1.5	(10.0)	
Goods	342,213	531,102	322,281	286,288	262,140	(23.4)	1.8	(21.6)	
Total Gross Billings	<u>\$ 1,216,229</u>	<u>\$ 1,429,058</u>	<u>\$ 1,176,008</u>	<u>\$ 1,120,945</u>	<u>\$ 1,093,378</u>	(10.1)	1.4	(8.7)	%
Revenue:									
Local	\$ 256,005	\$ 284,274	\$ 253,567	\$ 247,077	\$ 240,580	(6.0)	1.1	(4.9)	%
Travel	26,604	25,321	27,678	24,202	21,683	(18.5)	1.3	(17.2)	
Goods	310,274	490,332	297,165	261,298	233,349	(24.8)	1.8	(23.0)	
Total Revenue	<u>\$ 592,883</u>	<u>\$ 799,927</u>	<u>\$ 578,410</u>	<u>\$ 532,577</u>	<u>\$ 495,612</u>	(16.4)	1.5	(14.9)	%
Gross Profit:									
Local	\$ 231,018	\$ 260,145	\$ 230,060	\$ 223,453	\$ 216,215	(6.4)	1.2	(5.2)	%
Travel	22,450	21,752	23,309	20,176	18,049	(19.6)	1.4	(18.2)	
Goods	52,521	84,172	52,647	48,503	43,676	(16.8)	1.5	(15.3)	
Total Gross Profit	<u>\$ 305,989</u>	<u>\$ 366,069</u>	<u>\$ 306,016</u>	<u>\$ 292,132</u>	<u>\$ 277,940</u>	(9.2)	1.3	(7.9)	%
Operating income (loss)	\$ 53,023	\$ 61,876	\$ 2,195	\$ (7,139)	\$ 4,637	(91.3)	%		
Net cash provided by (used in) operating activities from continuing operations	\$ (57,389)	\$ 323,816	\$ (147,483)	\$ (1,219)	\$ 18,584	132.4	%		
Free Cash Flow	\$ (73,483)	\$ 307,732	\$ (164,960)	\$ (17,903)	\$ 891	101.2	%		

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Active Customers <sup>(3)</sup>					
North America	31.4	30.6	29.6	28.6	27.7
International	17.4	17.6	17.5	17.6	17.5
Total Active Customers	48.8	48.2	47.2	46.2	45.3

#### TTM Gross Profit / Active Customer

North America	\$ 28.96	\$ 29.13	\$ 29.72	\$ 30.05	\$ 30.56
International	24.89	24.46	24.00	23.37	22.51
Consolidated	27.51	27.42	27.59	27.51	27.45

Consolidated Units	39.5	50.5	37.2	35.3	35.8
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#### Year-over-year unit growth:

North America	(16.9) %	(12.9) %	(17.5) %	(17.8) %	(13.9) %
International	3.4	3.0	(2.2)	0.9	(1.2)
Consolidated	(10.6)	(7.5)	(12.3)	(11.6)	(9.4)

#### Headcount

Sales <sup>(4)</sup>	2,334	2,268	2,377	2,327	2,438
Other	4,197	4,308	3,928	3,952	4,036
Total Headcount	6,531	6,576	6,305	6,279	6,474

- (1) Represents the total dollar value of customer purchases of goods and services.
- (2) 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.
- (3) Reflects the total number of unique user accounts that have made a purchase during the TTM either through one of our online marketplaces or directly with a merchant for which we earned a commission.
- (4) Includes merchant sales representatives, as well as sales support personnel.

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

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

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
<b>Income (loss) from continuing operations</b>	<b>\$ 47,175</b>	<b>\$ 49,862</b>	<b>\$ (41,170)</b>	<b>\$ (37,645)</b>	<b>\$ (14,685)</b>
Adjustments:					
Stock-based compensation <sup>(1)</sup>	15,026	14,251	16,411	26,563	19,543
Depreciation and amortization	28,685	28,528	28,416	27,116	25,873
Acquisition-related expense (benefit), net	—	—	—	28	5
Restructuring charges	35	(55)	(67)	(47)	(61)
IBM patent litigation	(40,400)	—	—	—	—
Other (income) expense, net	4,860	13,176	46,855	28,494	17,253
Provision (benefit) for income taxes	988	(1,162)	(3,490)	2,012	2,069
Total adjustments	9,194	54,738	88,125	84,166	64,682
<b>Adjusted EBITDA</b>	<b>\$ 56,369</b>	<b>\$ 104,600</b>	<b>\$ 46,955</b>	<b>\$ 46,521</b>	<b>\$ 49,997</b>

(1) Represents stock-based compensation expense recorded within Selling, general and administrative, Cost of revenue and Marketing.

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.

	Year Ending December 31, 2019
<b>Expected income (loss) from continuing operations</b>	<b>\$ (20,000)</b>
Expected adjustments:	
Stock-based compensation	85,000
Depreciation and amortization	105,000
Other (income) expense, net	96,000
Provision (benefit) for income taxes	4,000
Total expected adjustments	290,000
<b>Expected Adjusted EBITDA</b>	<b>\$ 270,000</b>

The outlook provided above does not reflect the potential impact of any business or asset acquisitions or dispositions, changes in the fair values of investments, foreign currency gains or losses or unusual or infrequently occurring items that may occur during the remainder of 2019.

The following is a reconciliation of non-GAAP net income (loss) attributable to common stockholders to net income (loss) attributable to common stockholders and a reconciliation of non-GAAP net income (loss) per share to diluted net income (loss) per share for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Net income (loss) attributable to common stockholders</b>	\$ (16,685)	\$ 44,615	\$ (99,418)	\$ (57,307)
Less: Net income (loss) attributable to noncontrolling interest	(2,000)	(2,560)	(8,080)	(9,433)
<b>Net income (loss)</b>	<b>(14,685)</b>	<b>47,175</b>	<b>(91,338)</b>	<b>(47,874)</b>
Less: Income (loss) from discontinued operations, net of tax	—	—	2,162	—
<b>Income (loss) from continuing operations</b>	<b>(14,685)</b>	<b>47,175</b>	<b>(93,500)</b>	<b>(47,874)</b>
Less: Provision (benefit) for income taxes	2,069	988	591	205
<b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>	<b>(12,616)</b>	<b>48,163</b>	<b>(92,909)</b>	<b>(47,669)</b>
Stock-based compensation	19,543	15,026	62,517	50,670
Amortization expense of acquired intangibles	3,748	3,850	11,419	10,316
Acquisition-related expense (benefit), net	5	—	33	655
Restructuring charges	(61)	35	(175)	(81)
IBM patent litigation	—	(40,400)	—	34,600
(Gain) loss from changes in fair value of investments	(14)	244	68,971	8,312
(Gain) loss from sale of investment	412	—	412	—
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	10,326	1,826	11,198	9,446
Non-cash interest expense on convertible senior notes	3,341	3,016	9,772	8,822
<b>Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes</b>	<b>24,684</b>	<b>31,760</b>	<b>71,238</b>	<b>75,071</b>
Less: Non-GAAP provision for income taxes	14,920	8,370	31,857	17,856
<b>Non-GAAP net income (loss)</b>	<b>9,764</b>	<b>23,390</b>	<b>39,381</b>	<b>57,215</b>
Net income attributable to noncontrolling interest	(2,000)	(2,560)	(8,080)	(9,433)
<b>Non-GAAP net income (loss) attributable to common stockholders</b>	<b>7,764</b>	<b>20,830</b>	<b>31,301</b>	<b>47,782</b>
Plus: Cash interest expense from assumed conversion of convertible senior notes <sup>(1)</sup>	—	1,383	—	—
<b>Non-GAAP Net Income (loss) attributable to common stockholders plus assumed conversions</b>	<b>\$ 7,764</b>	<b>\$ 22,213</b>	<b>\$ 31,301</b>	<b>\$ 47,782</b>
Weighted-average shares of common stock - diluted	566,971,238	576,379,421	568,339,335	565,227,625
Incremental dilutive securities	4,258,105	46,296,300	4,958,762	8,933,570
Weighted-average shares of common stock - non-GAAP	<u>571,229,343</u>	<u>622,675,721</u>	<u>573,298,097</u>	<u>574,161,195</u>
<b>Diluted net loss per share</b>	<b>\$ (0.03)</b>	<b>\$ 0.08</b>	<b>\$ (0.17)</b>	<b>\$ (0.10)</b>
Impact of non-GAAP adjustments and related tax effects	0.04	(0.04)	0.22	0.18
<b>Non-GAAP net income per share</b>	<b>\$ 0.01</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ 0.08</b>

- (1) Adjustment to interest expense for assumed conversion of convertible senior notes excludes non-cash interest expense that has been added back above in calculating non-GAAP net income (loss) attributable to common stockholders.



Free cash flow is a non-GAAP liquidity measure. The following is a reconciliation of free cash flow and free cash flow excluding the IBM settlement to the most comparable U.S. GAAP liquidity measure, Net cash provided by (used in) operating activities from continuing operations.

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Net cash provided by (used in) operating activities from continuing operations	\$ (57,389)	\$ 323,816	\$ (147,483)	\$ (1,219)	\$ 18,584
Purchases of property and equipment and capitalized software from continuing operations	(16,094)	(16,084)	(17,477)	(16,684)	(17,693)
Free cash flow	\$ (73,483)	\$ 307,732	\$ (164,960)	\$ (17,903)	\$ 891
Operating cash outflow related to the IBM settlement <sup>(1)</sup>	42,100	—	—	—	—
Free cash flow, excluding the impact of the IBM settlement	\$ (31,383)	\$ 307,732	\$ (164,960)	\$ (17,903)	\$ 891

  

Net cash provided by (used in) investing activities from continuing operations	\$ (22,389)	\$ (17,497)	\$ (18,115)	\$ (17,235)	\$ (19,541)
Net cash provided by (used in) financing activities	\$ (9,720)	\$ (35,069)	\$ (27,777)	\$ (31,581)	\$ (22,595)

- (1) This amount represents the portion of the \$57.5 million IBM settlement that was classified as an operating cash outflow. The remaining \$15.4 million was capitalized for the license to use the patented technology in future periods under the terms of the settlement and license agreements and has been classified as an investing cash outflow. For additional information about the IBM settlement, refer to Item 8, Note 10, *Commitments and Contingencies*, in our Annual Report on Form 10-K for the year ended December 31, 2018.

Our International and consolidated gross profit per active customer for the TTM ended September 30, 2019 and 2018 were as follows:

	Q3 2018	Q3 2019	Y/Y Growth	FX Effect	Y/Y Growth excluding FX <sup>(1)</sup>
International TTM Gross Profit / Active Customer	\$24.89	\$22.51	(9.6)%	4.9%	(4.7)%
Consolidated TTM Gross Profit / Active Customer	\$27.51	\$27.45	(0.2)%	1.7%	1.5 %

- (1) 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.