



4Q18 EARNINGS

February 2019

GROUPON

NASDAQ: [GRPN](#) / ir@groupon.com

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; 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; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR and regulation of the Internet and ecommerce; classification of our independent contractors or employees; tax liabilities; tax legislation; 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, our 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 <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 the date of this presentation unless otherwise expressly stated. 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.

Additional information relating to certain of our financial measures contained herein is available in our most recent earnings release and at our website at investor.groupon.com.

Groupon Is a Clear Leader in Local E-commerce

SUBSTANTIAL SCALE IN UNDER-PENETRATED LOCAL MARKET



Top 5

**E-commerce
Brand¹**



5-star

**App with 195
Million Downloads**



>70%

**Of Transactions
On Mobile²**



Top 10

U.S. App³

- Strong brand awareness supported by offline advertising campaigns
- Mobile-first platform well-positioned for continued offline-to-online shift
- Advanced analytics allow us to leverage our substantial Local transactional and consumer purchase data to connect users with great Local deals at scale
- Product innovation, customer growth, and cost efficiencies driving potential for shareholder returns through sustainable Adjusted EBITDA growth

(1) Verto Analytics, "E-commerce Properties, December 2018," U.S. Adults, ages 18+

(2) For the quarter ended December 31, 2018

(3) Ages 25-54; comScore 2017 U.S. Mobile App Report, "Mobile Metrix, U.S., 18+, June 2017"

Focusing on Our Key Priorities for 2019



Customer Experience

Enhance the customer experience and increase conversion by expanding frictionless technologies, such as card-linking and booking, and improving our mobile experience



Open Platform

Extend Groupon's open platform by supplementing Groupon-sourced inventory with third-party partnerships and increasing distribution of Groupon content



International

Continue to realize our potential in International by driving product parity, enhancing supply, and investing in brand and marketing



Operational Rigor

Maintain a culture of operational efficiency

Enhancing our Financial Profile

Gross Profit

Focus on driving long-term Gross Profit maximization

- Expect increases in Gross Profit per customer to offset a meaningful portion of an anticipated decline in global customers in 2019
- Focus on driving conversion in core North America Local business through convenience and supply
- Continue to realize International potential and narrow conversion gap relative to North America

Marketing

Plan to maintain 12-18 month payback of incremental spend

- Utilize improved customer analytics to optimize North America marketing spend across online and offline channels
- Continue to ramp marketing in International markets to support customer acquisition

SG&A

Maintain leverageable cost structure

- Drive ongoing efficiency to fund strategic investments and inflationary pressure

Adjusted EBITDA

Target long-term Adjusted EBITDA growth

- 2019 Guidance of \$270 million
- Project 2020 Adjusted EBITDA of \$300 million or more

Free Cash Flow

Target long-term Free Cash Flow growth

- Expect to generate significant free cash flow for the full year 2019
- Expect long-term free cash flow growth to trend with Adjusted EBITDA growth

Balance Sheet

Strong balance sheet provides strategic flexibility¹

- \$841 million cash balance, \$250 million undrawn revolver²
- \$290 million remaining share repurchase authorization

(1) As of December 31, 2018

(2) Excluding the impact of outstanding letters of credit

2019 Adjusted EBITDA Guidance

2019 Guidance

Adjusted EBITDA¹

(USD millions)

2018

Actual

\$270

2019

Guidance

\$270

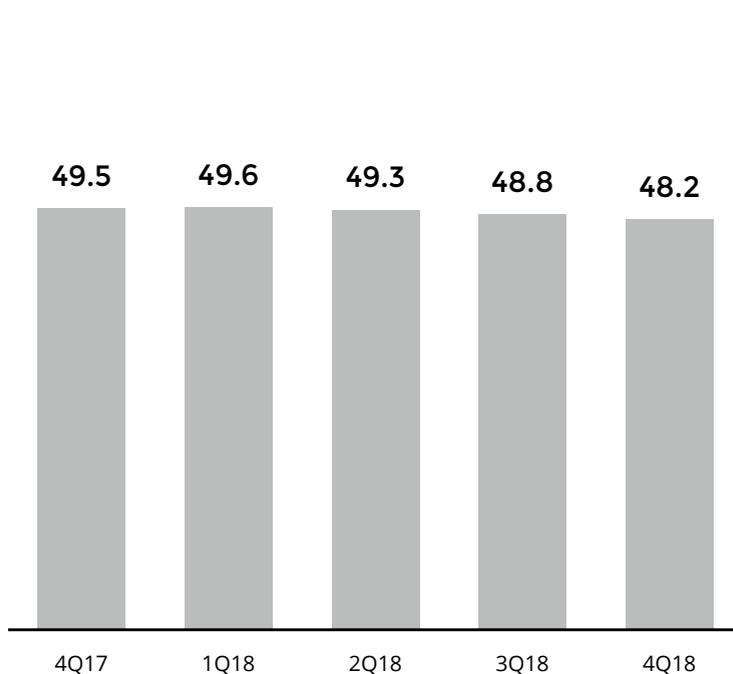
- Support key initiatives to drive conversion and Gross Profit per customer growth
- Expect traffic headwinds to persist in 2019
- Maintain culture of operational efficiency
- Pave the path for Adjusted EBITDA growth in 2020 and beyond

(1) Adjusted EBITDA (AEBITDA) is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Income (loss) from continuing operations."

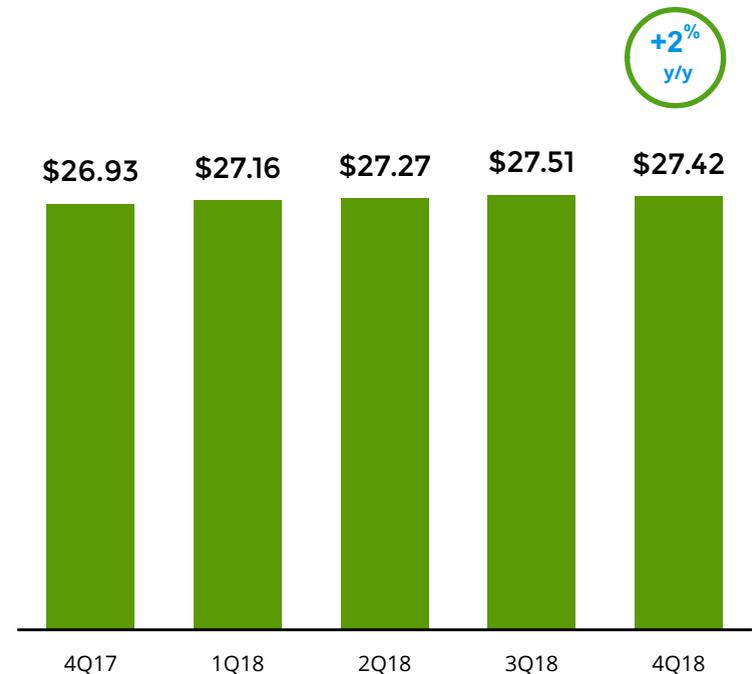
FINANCIAL INFORMATION AND OPERATING METRICS

Large Customer Base & Solid Gross Profit / Customer

Global Active Customers¹ (millions)



Global TTM Gross Profit / Active Customer^{1,2}

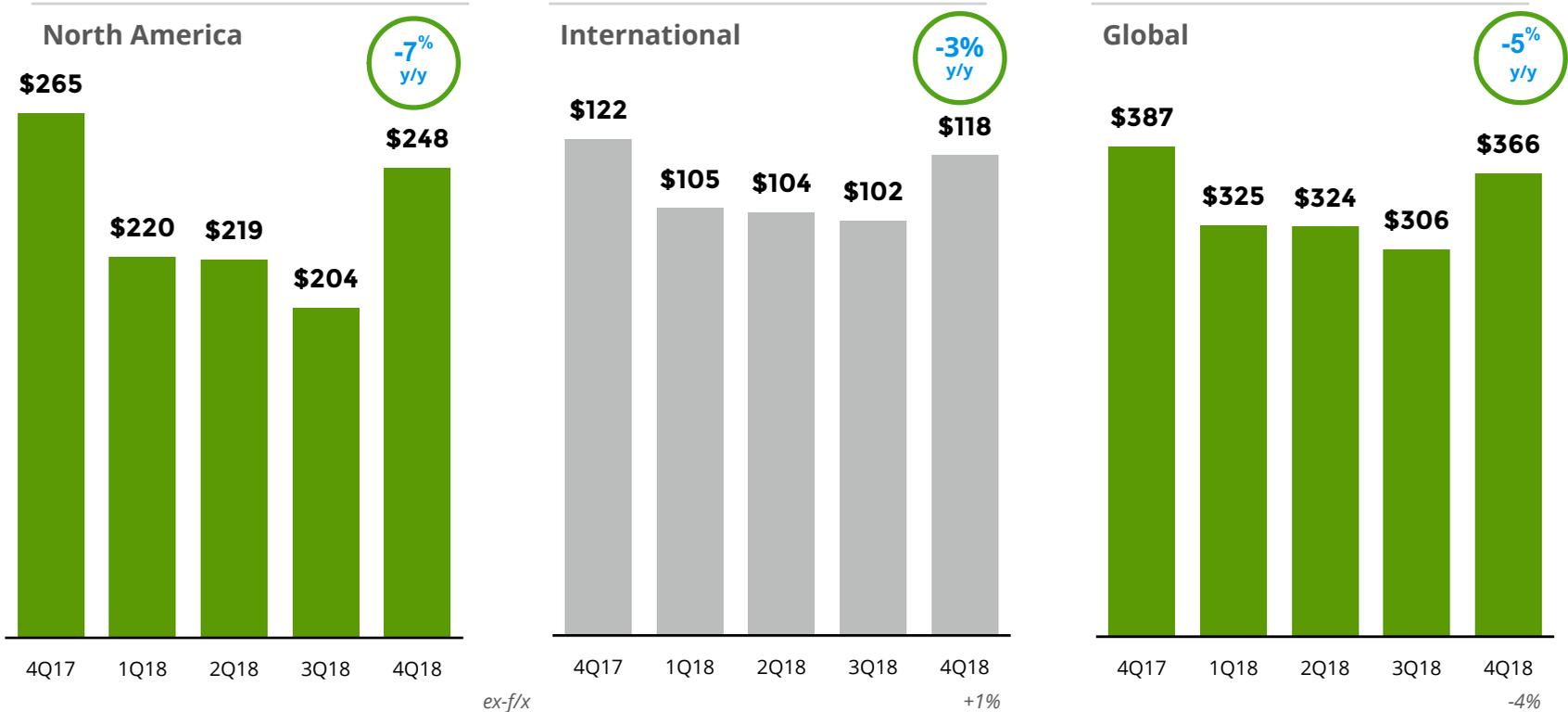


Gross Profit per customer up 2% year-over-year in Q4

- (1) Active customers represent unique user accounts that have made a purchase during the trailing twelve months either through one of our online marketplaces or directly with a merchant for which we earned a commission.
- (2) During the first quarter 2018, we updated the calculation of this metric to reflect active customers as of the end of the period, rather than the average of active customers as of the beginning and end of period, in the denominator of the calculations. Because our active customer metrics are based on purchases over a TTM period, we believe that this change improves the usefulness of this metric. The prior period amounts have been updated to reflect this change.

Gross Profit - Focus On Dollar Growth

(USD millions)

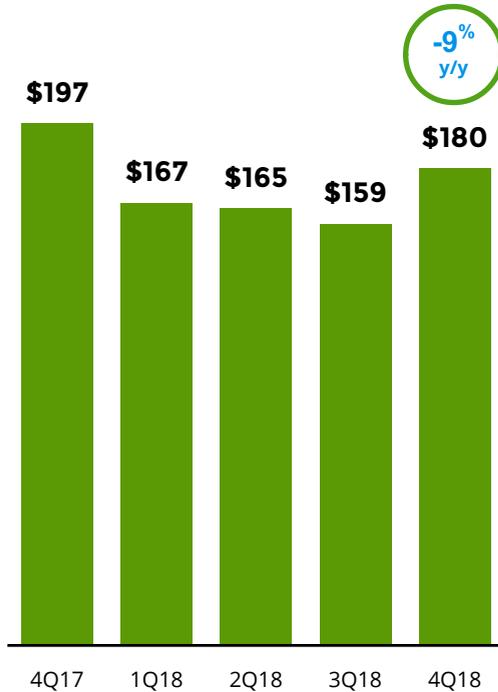


Global Gross Profit of \$366 million in Q4

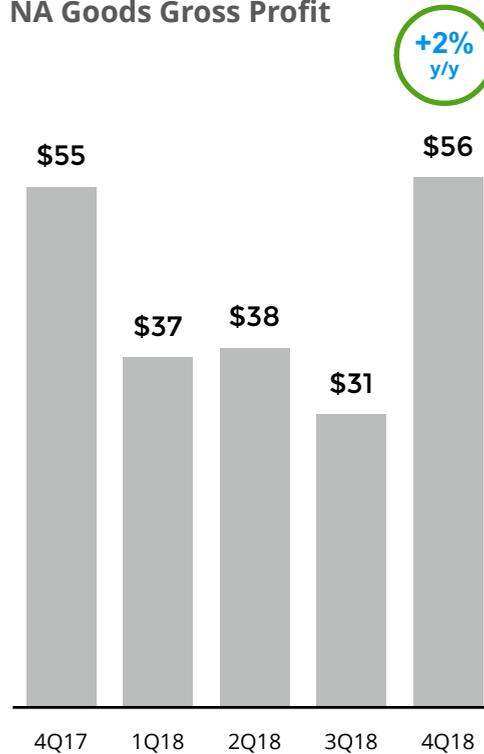
North America Gross Profit

(USD millions)

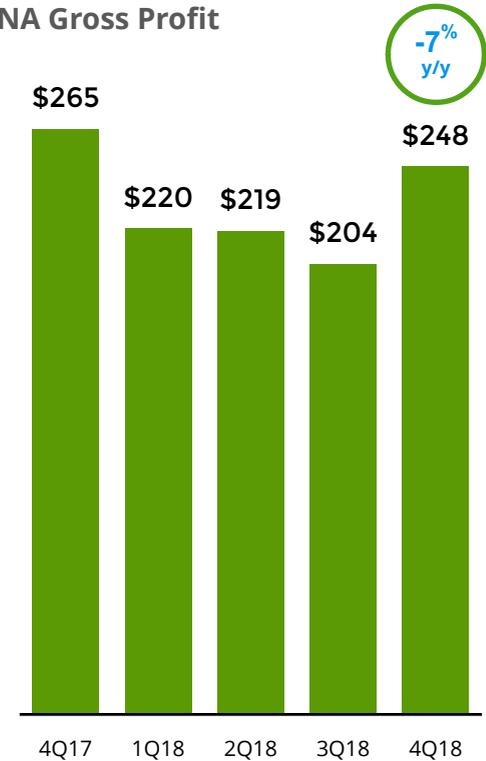
NA Local Gross Profit



NA Goods Gross Profit



NA Gross Profit

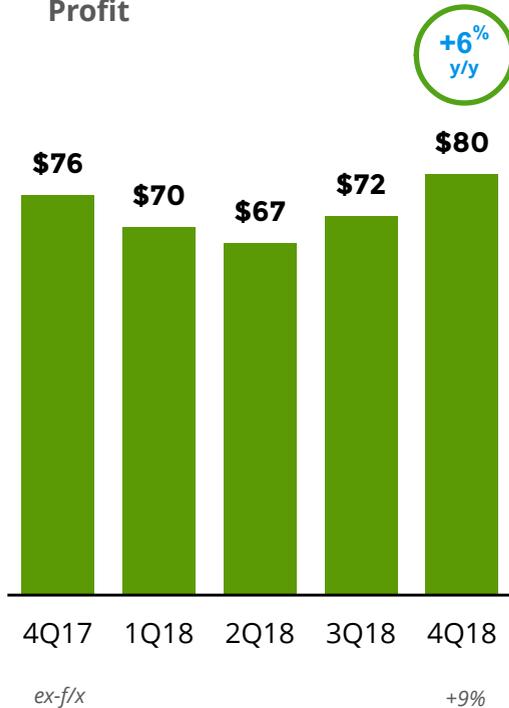


North America Gross Profit of \$248 million in Q4

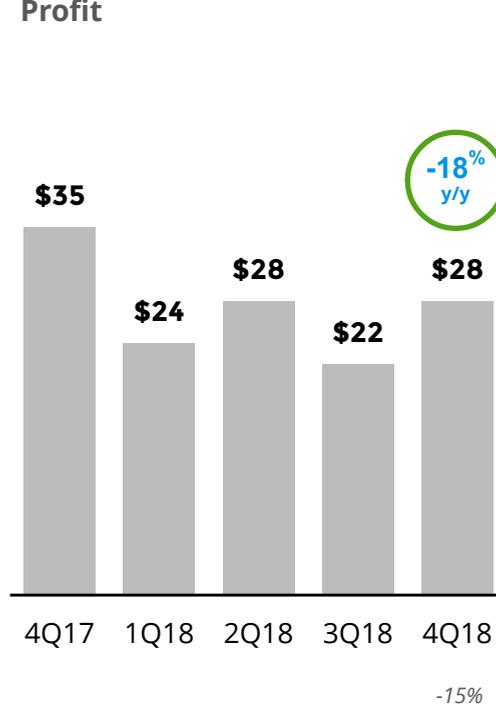
International Gross Profit

(USD millions)

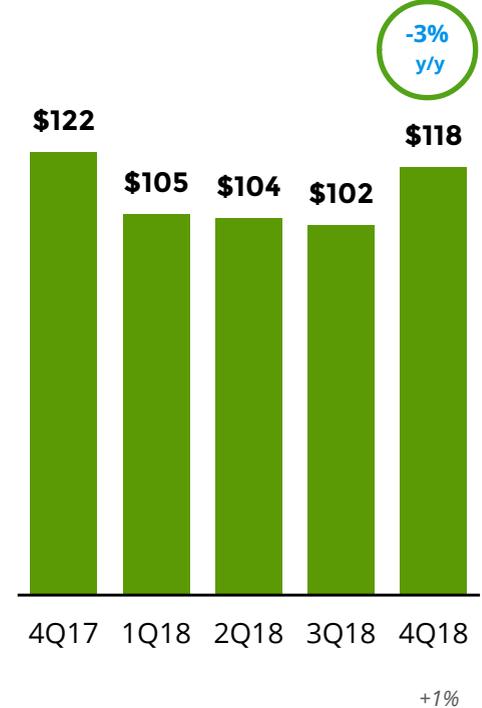
International Local Gross Profit



International Goods Gross Profit



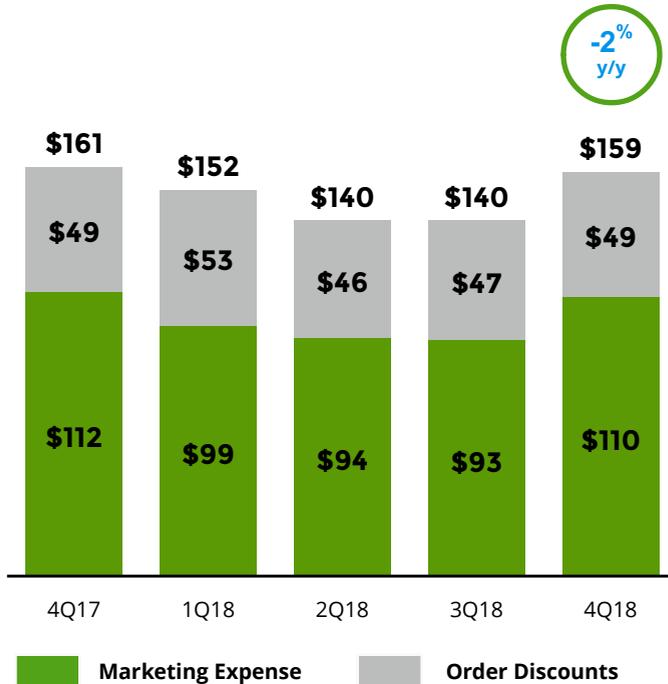
International Gross Profit



International Gross Profit of \$118 million in Q4

Marketing - Invest At 12-18 Month Payback

Marketing + Order Discounts (USD millions)



$$\text{Marketing ROI} = \frac{\text{Incremental Gross Profit}}{\text{Incremental Marketing Spend}} = 100\%$$

Time to Payback **12 to 18 months**

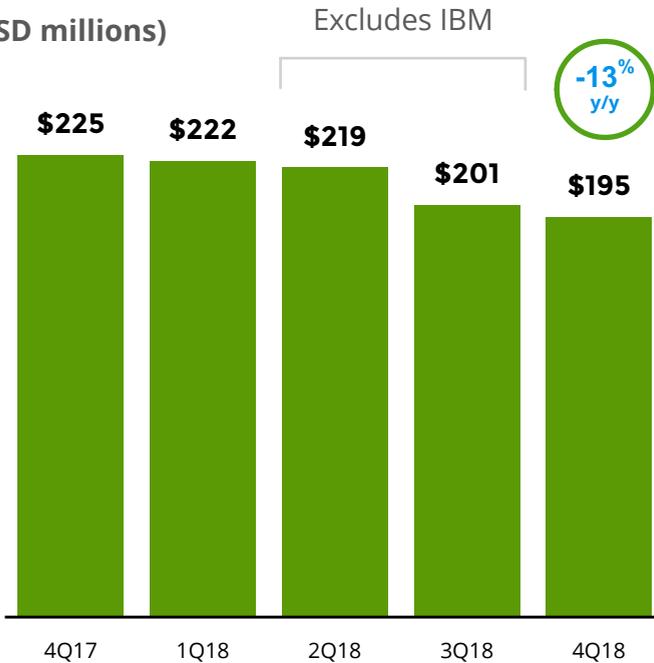
- Continuing to refine customer analytics to enhance efficiency
- Expect marketing leverage in North America
- Continuing to ramp marketing in International to support customer acquisition

Marketing (including order discounts) decreased \$2 million in Q4

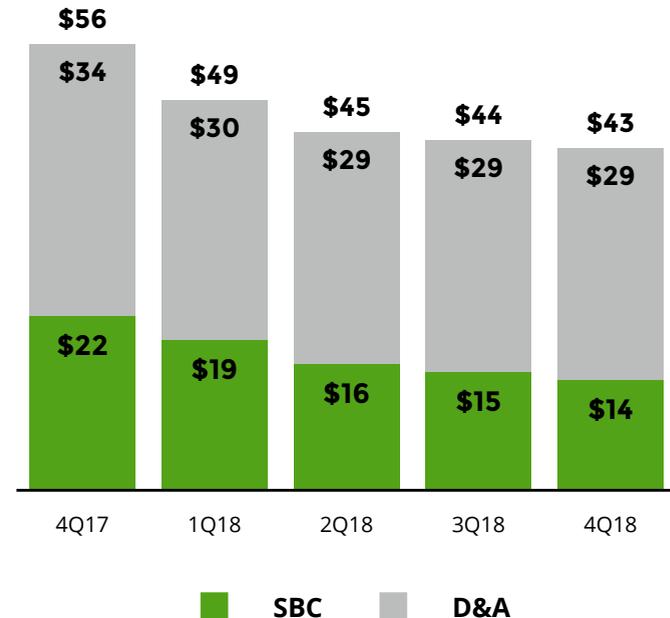
SG&A – Benefiting From Operational Efficiency

SG&A¹

(USD millions)



SBC² and D&A



Global SG&A declined by \$30 million or 13% year-over-year in Q4

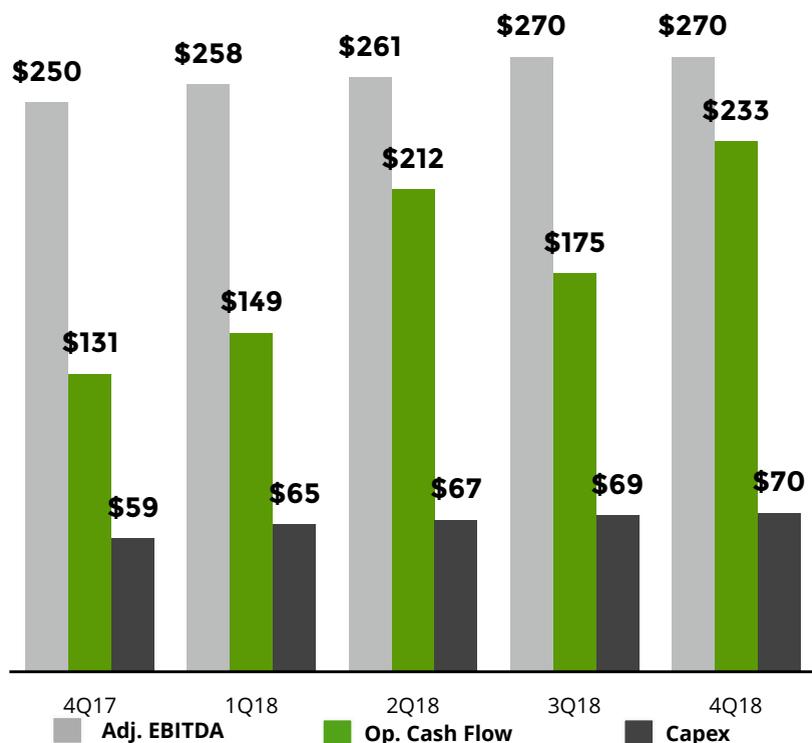
(1) Excludes a charge of \$75.0 million and a credit of \$(40.4) million in the second quarter 2018 and third quarter 2018, respectively, related to a patent litigation case with IBM

(2) SBC includes amounts classified within Cost of Revenue, Marketing and SG&A.

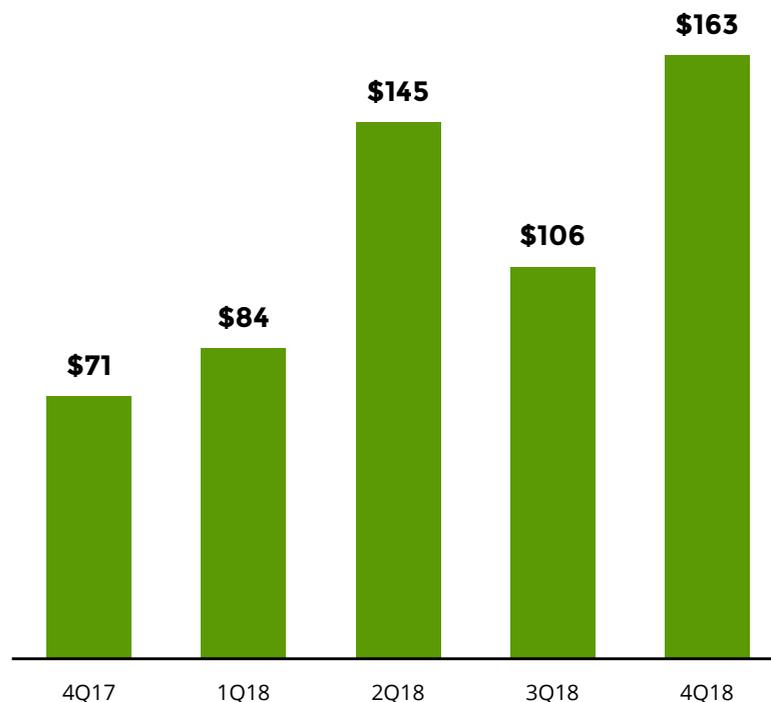
Focus On Improving Conversion From Adjusted EBITDA To Free Cash Flow

(TTM, USD millions)

Adjusted EBITDA¹, Operating Cash Flow excluding IBM settlement^{3,4}, and Capital Expenditures



Free Cash Flow excluding IBM settlement^{2, 3, 4}



(1) Adjusted EBITDA is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Income (loss) from continuing operations."
 (2) Free Cash Flow is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net cash provided by (used in) operating activities from continuing operations."
 (3) Cash flows from operating activities of continuing operations and free cash flow for the TTM ended December 31, 2017 has been updated from \$137.5 million previously reported and \$78.3 million previously reported, to reflect the adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, on January 1, 2018. For additional information on the adoption of ASU 2016-18, refer to Item 8, Note 2, *Summary of Significant Accounting Policies*, in our Annual Report on Form 10-K for the year ended December 31, 2018.
 (4) The operating cash flow and free cash flow amounts in these tables exclude the \$42.1 million operating cash outflow related to the IBM patent litigation settlement. See appendix for reconciliations of those non-GAAP financial measures to the most comparable U.S. GAAP financial measures.

APPENDIX

Non-GAAP Reconciliations¹

ADJUSTED EBITDA - QUARTERLY

THE FOLLOWING IS A RECONCILIATION OF ADJUSTED EBITDA TO THE MOST COMPARABLE U.S. GAAP PERFORMANCE MEASURE, "INCOME (LOSS) FROM CONTINUING OPERATIONS":

<i>(in thousands)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Income (loss) from continuing operations	\$ (20,869)	\$ (5,403)	\$ 3,802	\$ 51,071	\$ (2,795)	\$ (92,254)	\$ 47,175	\$ 49,862
Adjustments:								
Stock-based compensation	19,650	21,392	18,235	21,673	19,278	16,266	15,026	14,251
Depreciation and amortization	34,067	34,679	35,231	33,850	29,661	28,954	28,685	28,528
Acquisition-related expense (benefit), net	12	36	—	—	—	655	—	—
Restructuring charges	2,731	4,584	11,503	10	283	(399)	35	(55)
IBM patent litigation	—	—	—	—	—	75,000	(40,400)	—
Gain on sale of intangible assets	—	—	(17,149)	—	—	—	—	—
Other (income) expense, net	4,602	(5,878)	(7,546)	2,112	8,515	26,457	4,860	13,176
Provision (benefit) for income taxes	4,587	3,883	2,531	(3,457)	(2,335)	1,552	988	(1,162)
Total adjustments	65,649	58,696	42,805	54,188	55,402	148,485	9,194	54,738
Adjusted EBITDA	\$ 44,780	\$ 53,293	\$ 46,607	\$ 105,259	\$ 52,607	\$ 56,231	\$ 56,369	\$ 104,600

(1) See Q4 2018 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

Non-GAAP Reconciliations Cont'd

EXPECTED ADJUSTED EBITDA

THE FOLLOWING IS A RECONCILIATION OF OUR ANNUAL OUTLOOK FOR ADJUSTED EBITDA TO OUR OUTLOOK FOR THE MOST COMPARABLE U.S. GAAP PERFORMANCE MEASURE, "INCOME (LOSS) FROM CONTINUING OPERATIONS":

<i>(in thousands)</i>	Year Ending December 31, 2019	
Expected income (loss) from continuing operations ¹	\$	55,000
Expected adjustments:		
Stock-based compensation		80,000
Depreciation and amortization		110,000
Other (income) expense, net		15,000
Provision (benefit) for income taxes		10,000
Total expected adjustments		215,000
Expected Adjusted EBITDA	\$	270,000

(1) The expected income (loss) from continuing operations 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 2019.

Non-GAAP Reconciliations Cont'd

NON-GAAP EARNINGS PER SHARE AND NON-GAAP EARNINGS

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:

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended December 31, 2018	Year Ended December 31, 2018
Net income (loss) attributable to common stockholders	\$ 46,228	\$ (11,079)
Less: Net income attributable to noncontrolling interest	(3,634)	(13,067)
Net Income	49,862	1,988
Less: Loss from discontinued operations, net of tax	—	—
Income from continuing operations	49,862	1,988
Less: Provision (benefit) for income taxes	(1,162)	(957)
Income from continuing operations before provision (benefit) for income taxes	48,700	1,031
Stock-based compensation	14,251	64,821
Amortization of acquired intangible assets	4,182	14,498
Acquisition-related expense (benefit), net	—	655
Restructuring charges	(55)	(136)
IBM patent litigation	—	34,600
Losses (gains), net from changes in fair value investments	752	9,064
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	4,374	13,820
Non-cash interest expense on convertible senior notes	3,094	11,916
Non-GAAP income from continuing operation before provision (benefit) for income taxes	75,298	150,269
Non-GAAP provision (benefit) for income taxes	11,656	29,512
Non-GAAP net income	63,642	120,757
Net income attributable to noncontrolling interest	(3,634)	(13,067)
Non-GAAP net income (loss) attributable to common stockholders	60,008	107,690
Plus: Cash interest expense from assumed conversion of convertible senior notes ¹	1,149	5,027
Non-GAAP Net income (loss) attributable to common stockholders plus assumed conversions	\$ 61,157	\$ 112,717
Weighted-average shares of common stock - diluted	620,708,515	566,511,108
Effect of dilutive securities	—	54,071,955
Weighted-average shares of common stock - non-GAAP	620,708,515	620,583,063
Diluted net income (loss) per share	\$ 0.08	\$ (0.02)
Impact of non-GAAP adjustments and related tax effects	0.02	0.20
Non-GAAP net income per share	\$ 0.10	\$ 0.18

(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.

Non-GAAP Reconciliations Cont'd

FREE CASH FLOW

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":

<i>(in thousands)</i>	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Net cash provided by (used in) operating activities from continuing operations⁽¹⁾	\$ (138,086) \$	(19,390) \$	21,772 \$	266,249 \$	(119,747) \$	44,175 \$	(57,389) \$	323,816
Purchases of property and equipment and capitalized software from continuing operations	(14,076)	(15,385)	(14,255)	(15,442)	(20,144)	(17,373)	(16,094)	(16,084)
Free cash flow⁽¹⁾	(152,162)	(34,775)	7,517	250,807	(139,891)	26,802	(73,483)	307,732
Operating cash outflow related to the IBM settlement⁽²⁾	—	—	—	—	—	—	42,100	—
Free cash flow, excluding the impact of the IBM settlement	\$ (152,162) \$	(34,775) \$	7,517 \$	250,807 \$	(139,891) \$	26,802 \$	(31,383) \$	307,732
Net cash provided by (used in) investing activities from continuing operations	\$ (14,020) \$	(13,782) \$	18,230 \$	(15,751) \$	(20,382) \$	(75,714) \$	(22,389) \$	(17,497)
Net cash provided by (used in) financing activities	\$ (45,726) \$	(47,924) \$	(27,972) \$	(16,424) \$	(20,899) \$	(18,729) \$	(9,720) \$	(35,069)

(1) Prior period cash flows from operating activities of continuing operations has been updated from negative \$136.2 million, negative \$20.7 million, \$23.9 million and \$270.6 million previously reported for the three months ended March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, respectively, and prior period free cash flow has been updated from negative \$150.3 million, negative \$36.1 million, \$9.6 million and \$255.1 million previously reported for the three months ended March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, respectively, to reflect the adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, on January 1, 2018. For additional information on the adoption of ASU 2016-18, refer to Item 8, Note 2, *Summary of Significant Accounting Policies*, in our Annual Report on Form 10-K for the year ended December 31, 2018.

(2) 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.

Non-GAAP Reconciliations Cont'd

Q4 2018 Operating Cash Flow excluding IBM Settlement

THE FOLLOWING IS A RECONCILIATION OF TTM OPERATING CASH FLOW EXCLUDING IBM SETTLEMENT TO THE MOST COMPARABLE U.S. GAAP FINANCIAL MEASURE:

<i>(in thousands)</i>	3Q18	4Q18
TTM Operating cash flow	\$ 133,288	\$ 190,855
TTM Operating cash outflow related to the IBM settlement ⁽¹⁾	42,100	42,100
TTM Operating cash flow excluding IBM settlement	\$ 175,388	\$ 232,955

(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.

Q3 2018 SG&A excluding IBM Patent Litigation

THE FOLLOWING IS A RECONCILIATION OF SG&A EXCLUDING IBM LITIGATION TO THE MOST COMPARABLE U.S. GAAP FINANCIAL MEASURE:

<i>(in thousands)</i>	2Q18	3Q18
SG&A	\$ 294,124	\$ 160,214
(Charges) credits related to IBM patent litigation	(75,000)	40,400
SG&A excluding IBM patent litigation	\$ 219,124	\$ 200,614

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