

Groupon Announces Fourth Quarter and Fiscal Year 2018 Results

- Fourth quarter gross profit of \$366.1 million; \$1.32 billion for full year
- Fourth quarter income from continuing operations of \$49.9 million; \$2.0 million for full year
- Fourth quarter Adjusted EBITDA of \$104.6 million; \$269.8 million for full year
- Fourth quarter GAAP earnings per diluted share (EPS) of \$0.08; non-GAAP EPS of \$0.10
- Operating cash flow of \$190.9 million for full year
- Free cash flow of \$121.2 million for full year, \$163.3 million excluding IBM settlement
- 2019 Adjusted EBITDA guidance of approximately \$270 million

CHICAGO - February 12, 2019 - [Groupon, Inc.](#) (NASDAQ: GRPN) today announced financial results for the quarter ended December 31, 2018.

"In 2018, we took critical steps to transform Groupon into a daily habit for consumers. Despite a challenging operating environment, I'm pleased with the progress we made on our strategic initiatives," said Groupon CEO Rich Williams. "In 2019, we plan to make bolder bets, and have clear priorities in place to help us do so. We believe focusing on convenience, our marketplace, International and continued operational rigor are the right strategies to position Groupon for long-term success."

Mr. Williams provides further commentary in a letter to stockholders located on our investor relations site (investor.groupon.com).

Fourth Quarter 2018 Summary

North America

- North America gross profit in the fourth quarter 2018 decreased 7% to \$247.6 million. In Local, gross profit decreased 9% to \$179.9 million, primarily from lower email and SEO traffic. Goods gross profit increased 2% year-over-year at \$55.8 million. Gross profit in Travel decreased 13% to \$11.8 million.
- North America active customers were 30.6 million as of December 31, 2018, and trailing twelve month gross profit per active customer increased 3%.

International

- International gross profit in the fourth quarter 2018 of \$118.5 million decreased 3% (increased 1% FX-neutral). Gross profit increased 6% (9% FX-neutral) in Local, decreased 18% (15% FX-neutral) in Goods, and decreased 13% (9% FX-neutral) in Travel.
- International active customers increased to 17.6 million as of December 31, 2018, and trailing twelve month gross profit per active customer increased 1%.

Consolidated

- Revenue was \$799.9 million in the fourth quarter 2018, down 8% (7% FX-neutral) reflecting lower customer traffic and our continued focus on revenue generation that maximizes long-term gross profit.
- Gross profit was \$366.1 million in the fourth quarter 2018, down 5% (4% FX-neutral).
- SG&A decreased to \$194.6 million in the fourth quarter 2018 compared to \$224.7 million in the fourth quarter 2017. The decrease primarily resulted from ongoing efficiency efforts and lower performance-based compensation.
- Marketing expense was \$109.7 million in the fourth quarter 2018, down 2% as we refine spend in North America toward higher-value customers.

- Other expense, net was \$13.2 million in the fourth quarter 2018, compared to Other expense, net of \$2.1 million in fourth quarter 2017.
- Income from continuing operations was \$49.9 million in the fourth quarter 2018 compared to \$51.1 million in the fourth quarter 2017.
- Net income attributable to common stockholders was \$46.2 million, or \$0.08 per diluted share, compared to \$47.7 million, or \$0.08 per diluted share, in the fourth quarter 2017. Non-GAAP net income attributable to common stockholders was \$60.0 million, or \$0.10 per diluted share, compared to \$41.7 million, or \$0.07 per diluted share, in the fourth quarter 2017.
- Adjusted EBITDA, a non-GAAP financial measure, was \$104.6 million in the fourth quarter 2018, as compared to \$105.3 million in the fourth quarter 2017.
- Global units sold declined 8% to 50.5 million in the fourth quarter 2018 as a result of lower traffic and our continued focus on maximizing long-term gross profit, which resulted in fewer units. Units in North America were down 13%, while International units were up 3%.
- Operating cash flow was \$190.9 million for the trailing twelve month period as of the fourth quarter 2018, and free cash flow, a non-GAAP financial measure, was \$121.2 million for the trailing twelve month period. Excluding the payment to IBM, free cash flow for the trailing twelve months was \$163.3 million.
- We repurchased 3.3 million shares for \$10.0 million in the fourth quarter 2018.
- Cash and cash equivalents as of December 31, 2018 were \$841.0 million, and we had no outstanding borrowings under our \$250 million revolving credit facility.

Full Year 2018 Summary

Consolidated

- Revenue was \$2.64 billion in 2018, down 7% compared with \$2.84 billion in 2017.
- Gross profit was \$1.32 billion in 2018, down 1% compared with \$1.33 billion in 2017.
- Income from continuing operations was \$2.0 million in 2018, compared with to \$28.6 million in 2017.
- Net loss attributable to common stockholders was \$11.1 million, or \$(0.02) per diluted share, compared to net income attributable to common stockholders of \$14.0 million, or \$0.02 per diluted share in 2017. Non-GAAP net income attributable to common stockholders was \$107.7 million, or \$0.18 per diluted share, compared to \$65.6 million, or \$0.11 per diluted share in 2017.
- Adjusted EBITDA was \$269.8 million in 2018, up 8% compared with \$249.9 million in 2017.
- Global units sold declined 9% year-over-year to 172.3 million in 2018.
- In 2018, we repurchased 3.3 million shares for \$10.0 million.

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

Outlook

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

Conference Call

A conference call will be webcast live on Wednesday, February 13, 2019 at 9:00 a.m. CT / 10:00 a.m. ET and will be available on Groupon's investor relations website at <http://investor.groupon.com>. This call will contain forward-looking statements and other material information regarding Groupon's financial and operating results.

Groupon encourages investors to use its investor relations website as a way of easily finding information about us. Groupon promptly makes available on this website, free of charge, the reports that we file or furnish 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 the Groupon blog (www.groupon.com/blog) as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Terminology Changes, Non-GAAP Financial Measures and Operating Metrics

In prior years, we referred to our product revenue and service revenue as "direct revenue" and "third-party and other revenue," respectively. This terminology change did not impact the amounts presented in the condensed consolidated financial statements accompanying this release.

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 diluted 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 year ended December 31, 2018 and 2017, special charges and credits included charges related to our restructuring plan. For the year ended December 31, 2018, special charges and credits also included a \$34.6 million charge related to our patent litigation case with IBM. For the year ended December 31, 2017, special charges and credits also included a \$17.1 million credit related to the sale of intangible assets. 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. 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. This metric represents the total dollar value of customer purchases of goods and services. For 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, which comprise a substantial majority of our service revenue 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. We consider this metric to be an important 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.

Active customers. We define active customers as 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 customers metric, so the acquisition of Cloud Savings Company, Ltd. on April 30, 2018 did not impact that metric.

Units. This metric represents the number of purchases during the reporting period, before refunds and cancellations, made either through one of our online marketplaces or directly with a merchant for which we earned a commission. We consider unit growth to be an important indicator of the total volume of business conducted through our marketplaces.

Gross profit per active customer. This metric represents 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. We updated the calculation of this metric in the current year 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 calculation. 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 periods presented have been updated to reflect this change.

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; 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 e-commerce; 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 our Annual Report on Form 10-K for the year ended December 31, 2018, Quarterly Reports on Form 10-Q and our other filings with the Securities and Exchange Commission, copies of which may be obtained by visiting our Investor Relations web site at 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 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 February 12, 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. To search for great deals or subscribe to Groupon emails, visit www.groupon.com. To learn more about our merchant solutions and how to work with Groupon, visit www.groupon.com/merchant.

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

| | December 31, | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| | (unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 841,021 | \$ 880,129 |
| Accounts receivable, net | 69,493 | 98,294 |
| Prepaid expenses and other current assets | 88,115 | 94,025 |
| Total current assets | 998,629 | 1,072,448 |
| Property, equipment and software, net | 143,117 | 151,145 |
| Goodwill | 325,491 | 286,989 |
| Intangible assets, net | 45,401 | 19,196 |
| Investments (including \$84,242 and \$109,751 at December 31, 2018 and December 31, 2017 at fair value) | 108,515 | 135,189 |
| Other non-current assets | 20,989 | 12,538 |
| Total Assets | \$ 1,642,142 | \$ 1,677,505 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,359 | \$ 31,968 |
| Accrued merchant and supplier payables | 651,781 | 770,335 |
| Accrued expenses and other current liabilities | 267,034 | 331,196 |
| Total current liabilities | 957,174 | 1,133,499 |
| Convertible senior notes, net | 201,669 | 189,753 |
| Other non-current liabilities | 100,688 | 102,408 |
| Total Liabilities | 1,259,531 | 1,425,660 |
| Commitments and contingencies (see Note 10) | | |
| Stockholders' Equity | | |
| Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 760,939,440 shares issued and 569,084,312 shares outstanding at December 31, 2018; 748,541,862 shares issued and 559,939,620 shares outstanding at December 31, 2017 | 76 | 75 |
| Additional paid-in capital | 2,234,560 | 2,174,708 |
| Treasury stock, at cost, 191,855,128 and 188,602,242 shares at December 31, 2018 and December 31, 2017 | (877,491) | (867,450) |
| Accumulated deficit | (1,010,499) | (1,088,204) |
| Accumulated other comprehensive income | 34,602 | 31,844 |
| Total Groupon, Inc. Stockholders' Equity | 381,248 | 250,973 |
| Noncontrolling interests | 1,363 | 872 |
| Total Equity | 382,611 | 251,845 |
| Total Liabilities and Equity | \$ 1,642,142 | \$ 1,677,505 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|------------------|-------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Service | \$ 318,824 | \$ 346,568 | \$ 1,205,487 | \$ 1,266,452 |
| Product | 481,103 | 526,598 | 1,431,259 | 1,577,425 |
| Total revenue | <u>799,927</u> | <u>873,166</u> | <u>2,636,746</u> | <u>2,843,877</u> |
| Cost of revenue: | | | | |
| Service | 28,910 | 37,601 | 120,077 | 160,810 |
| Product | 404,948 | 448,647 | 1,196,068 | 1,349,206 |
| Total cost of revenue | <u>433,858</u> | <u>486,248</u> | <u>1,316,145</u> | <u>1,510,016</u> |
| Gross profit | <u>366,069</u> | <u>386,918</u> | <u>1,320,601</u> | <u>1,333,861</u> |
| Operating expenses: | | | | |
| Marketing | 109,686 | 112,462 | 395,737 | 400,918 |
| Selling, general and administrative | 194,562 | 224,720 | 870,961 | 901,829 |
| Restructuring charges | (55) | 10 | (136) | 18,828 |
| Gain on sale of intangible assets | — | — | — | (17,149) |
| Total operating expenses | <u>304,193</u> | <u>337,192</u> | <u>1,266,562</u> | <u>1,304,426</u> |
| Income (loss) from operations | <u>61,876</u> | <u>49,726</u> | <u>54,039</u> | <u>29,435</u> |
| Other income (expense), net | (13,176) | (2,112) | (53,008) | 6,710 |
| Income (loss) from continuing operations before provision (benefit) for income taxes | <u>48,700</u> | <u>47,614</u> | <u>1,031</u> | <u>36,145</u> |
| Provision (benefit) for income taxes | (1,162) | (3,457) | (957) | 7,544 |
| Income (loss) from continuing operations | <u>49,862</u> | <u>51,071</u> | <u>1,988</u> | <u>28,601</u> |
| Income (loss) from discontinued operations, net of tax | <u>—</u> | <u>(223)</u> | <u>—</u> | <u>(1,974)</u> |
| Net income (loss) | <u>49,862</u> | <u>50,848</u> | <u>1,988</u> | <u>26,627</u> |
| Net income attributable to noncontrolling interests | (3,634) | (3,127) | (13,067) | (12,587) |
| Net income (loss) attributable to Groupon, Inc. | <u>\$ 46,228</u> | <u>\$ 47,721</u> | <u>\$ (11,079)</u> | <u>\$ 14,040</u> |
| Basic net income (loss) per share: | | | | |
| Continuing operations | \$ 0.08 | \$ 0.09 | \$ (0.02) | \$ 0.03 |
| Discontinued operations | 0.00 | (0.00) | 0.00 | (0.00) |
| Basic net income (loss) per share | <u>\$ 0.08</u> | <u>\$ 0.09</u> | <u>\$ (0.02)</u> | <u>\$ 0.03</u> |
| Diluted net income (loss) per share: | | | | |
| Continuing operations | \$ 0.08 | \$ 0.08 | \$ (0.02) | \$ 0.03 |
| Discontinued operations | 0.00 | (0.00) | 0.00 | (0.01) |
| Diluted net income (loss) per share | <u>\$ 0.08</u> | <u>\$ 0.08</u> | <u>\$ (0.02)</u> | <u>\$ 0.02</u> |
| Weighted average number of shares outstanding | | | | |
| Basic | 570,319,704 | 558,170,245 | 566,511,108 | 559,367,075 |
| Diluted | 620,708,515 | 570,734,081 | 566,511,108 | 568,418,371 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|---------------------------------|-------------------|-------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Operating activities | | | | |
| Net income (loss) | \$ 49,862 | \$ 50,848 | \$ 1,988 | \$ 26,627 |
| Less: Income (loss) from discontinued operations, net of tax | — | (223) | — | (1,974) |
| Income (loss) from continuing operations | 49,862 | 51,071 | 1,988 | 28,601 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization of property, equipment and software | 24,346 | 28,440 | 101,330 | 114,795 |
| Amortization of acquired intangible assets | 4,182 | 5,410 | 14,498 | 23,032 |
| Stock-based compensation | 14,151 | 21,726 | 64,821 | 82,044 |
| Gain on sale of intangible assets | — | — | — | (17,149) |
| Gain on sale of investment | — | — | — | (7,624) |
| Impairments of investments | — | 2,944 | 10,156 | 2,944 |
| Deferred income taxes | 1,575 | (242) | (5,000) | 603 |
| (Gain) loss from changes in fair value of investments | 752 | (5,482) | 9,064 | (382) |
| Amortization of debt discount on convertible senior notes | 3,094 | 2,794 | 11,916 | 10,758 |
| Change in assets and liabilities, net of acquisitions and dispositions: | | | | |
| Accounts receivable | 11,840 | (19,580) | 32,057 | (18,793) |
| Prepaid expenses and other current assets | 9,861 | 7,188 | 7,166 | 4,074 |
| Accounts payable | 21,839 | 5,417 | 5,805 | (199) |
| Accrued merchant and supplier payables | 169,480 | 168,013 | (45,268) | (29,823) |
| Accrued expenses and other current liabilities | 13,745 | (965) | (31,430) | (40,361) |
| Other, net | (911) | (485) | 13,752 | (21,975) |
| Net cash provided by (used in) operating activities from continuing operations | 323,816 | 266,249 | 190,855 | 130,545 |
| Net cash provided by (used in) operating activities from discontinued operations | — | (223) | — | (2,418) |
| Net cash provided by (used in) operating activities | 323,816 | 266,026 | 190,855 | 128,127 |
| Investing activities | | | | |
| Purchases of property and equipment and capitalized software | (16,084) | (15,442) | (69,695) | (59,158) |
| Proceeds from sale of intangible assets | — | — | 1,500 | 18,333 |
| Proceeds from sales and maturities of investments | — | — | 8,594 | 16,561 |
| Acquisitions of businesses, net of acquired cash | (298) | — | (58,119) | — |
| Acquisitions of intangible assets and other investing activities | (1,115) | (309) | (18,262) | (1,059) |
| Net cash provided by (used in) investing activities from continuing operations | (17,497) | (15,751) | (135,982) | (25,323) |
| Net cash provided by (used in) investing activities from discontinued operations | — | — | — | (9,548) |
| Net cash provided by (used in) investing activities | (17,497) | (15,751) | (135,982) | (34,871) |
| Financing activities | | | | |
| Payments for purchases of treasury stock | (9,585) | — | (9,585) | (61,233) |
| Taxes paid related to net share settlements of stock-based compensation awards | (5,467) | (4,341) | (24,105) | (27,681) |
| Proceeds from stock option exercises and employee stock purchase plan | 5 | 27 | 5,715 | 5,513 |
| Distributions to noncontrolling interest holders | (3,260) | (3,383) | (12,576) | (12,357) |
| Payments of capital lease obligations | (7,734) | (8,727) | (33,023) | (34,025) |
| Payments of contingent consideration related to acquisitions | — | — | (1,815) | (7,790) |
| Payment of financing obligation related to acquisition | (8,391) | — | (8,391) | — |
| Other financing activities | (637) | — | (637) | (473) |
| Net cash provided by (used in) financing activities | (35,069) | (16,424) | (84,417) | (138,046) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations | | | | |
| | (1,922) | 3,224 | (11,209) | 26,499 |
| Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations | 269,328 | 237,075 | (40,753) | (18,291) |
| Less: Net increase (decrease) in cash classified within current assets of discontinued operations | — | — | — | (28,866) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 269,328 | 237,075 | (40,753) | 10,575 |
| Cash, cash equivalents and restricted cash, beginning of period | 575,400 | 648,406 | 885,481 | 874,906 |
| Cash, cash equivalents and restricted cash, end of period | \$ 844,728 | \$ 885,481 | \$ 844,728 | \$ 885,481 |

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

| | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q4 2018 | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---|---------------------------------|---|---|
| North America Segment: | | | | | | | | | | |
| Gross Billings ⁽¹⁾ : | | | | | | Y/Y Growth | | | | |
| Local | \$ 605,460 | \$ 543,021 | \$ 548,056 | \$ 534,246 | 535,869 | (11.5) | % | | | |
| Travel | 84,504 | 102,499 | 93,809 | 83,991 | 71,948 | (14.9) | | | | |
| Goods | 369,973 | 209,476 | 196,501 | 184,357 | 319,922 | (13.5) | | | | |
| Total Gross Billings | <u>\$ 1,059,937</u> | <u>\$ 854,996</u> | <u>\$ 838,366</u> | <u>\$ 802,594</u> | <u>\$ 927,739</u> | (12.5) | % | | | |
| Revenue: | | | | | | | | | | |
| Local | \$ 223,410 | \$ 187,411 | \$ 185,870 | \$ 180,059 | \$ 199,523 | (10.7) | % | | | |
| Travel | 17,413 | 20,084 | 19,888 | 17,217 | 14,667 | (15.8) | | | | |
| Goods | 333,862 | 185,761 | 174,506 | 163,875 | 290,534 | (13.0) | | | | |
| Total Revenue | <u>\$ 574,685</u> | <u>\$ 393,256</u> | <u>\$ 380,264</u> | <u>\$ 361,151</u> | <u>\$ 504,724</u> | (12.2) | % | | | |
| Gross Profit: | | | | | | | | | | |
| Local | \$ 196,708 | \$ 166,756 | \$ 165,285 | \$ 159,379 | \$ 179,932 | (8.5) | % | | | |
| Travel | 13,614 | 16,002 | 16,303 | 13,801 | 11,839 | (13.0) | | | | |
| Goods | 54,651 | 36,922 | 37,783 | 30,868 | 55,814 | 2.1 | | | | |
| Total Gross Profit | <u>\$ 264,973</u> | <u>\$ 219,680</u> | <u>\$ 219,371</u> | <u>\$ 204,048</u> | <u>\$ 247,585</u> | (6.6) | % | | | |
| Operating income (loss) | \$ 33,766 | \$ (1,860) | \$ (68,524) | \$ 51,004 | \$ 39,289 | 16.4 | % | | | |
| International Segment: | | | | | | | | | | |
| | | | | | | Q4 2018 | | | | |
| Gross Billings: | | | | | | Y/Y Growth | | FX Effect ⁽²⁾ | Y/Y Growth excluding FX ⁽²⁾ | |
| Local | \$ 229,167 | \$ 217,307 | \$ 203,248 | \$ 209,623 | \$ 235,093 | 2.6 | % | 3.6 | 6.2 | % |
| Travel | 59,666 | 57,522 | 48,766 | 46,156 | 55,046 | (7.7) | | 3.3 | (4.4) | |
| Goods | 233,422 | 163,439 | 173,883 | 157,856 | 211,180 | (9.5) | | 3.1 | (6.4) | |
| Total Gross Billings | <u>\$ 522,255</u> | <u>\$ 438,268</u> | <u>\$ 425,897</u> | <u>\$ 413,635</u> | <u>\$ 501,319</u> | (4.0) | % | 3.4 | (0.6) | % |
| Revenue: | | | | | | | | | | |
| Local | \$ 80,209 | \$ 74,578 | \$ 71,425 | \$ 75,946 | \$ 84,751 | 5.7 | % | 3.7 | 9.4 | % |
| Travel | 12,187 | 11,436 | 9,706 | 9,387 | 10,654 | (12.6) | | 3.2 | (9.4) | |
| Goods | 206,085 | 147,270 | 156,001 | 146,399 | 199,798 | (3.1) | | 3.3 | 0.2 | |
| Total Revenue | <u>\$ 298,481</u> | <u>\$ 233,284</u> | <u>\$ 237,132</u> | <u>\$ 231,732</u> | <u>\$ 295,203</u> | (1.1) | % | 3.4 | 2.3 | % |
| Gross Profit: | | | | | | | | | | |
| Local | \$ 75,991 | \$ 70,215 | \$ 67,360 | \$ 71,639 | \$ 80,213 | 5.6 | % | 3.7 | 9.3 | % |
| Travel | 11,334 | 10,651 | 8,919 | 8,649 | 9,913 | (12.5) | | 3.2 | (9.3) | |
| Goods | 34,620 | 24,339 | 28,008 | 21,653 | 28,358 | (18.1) | | 2.9 | (15.2) | |
| Total Gross Profit | <u>\$ 121,945</u> | <u>\$ 105,205</u> | <u>\$ 104,287</u> | <u>\$ 101,941</u> | <u>\$ 118,484</u> | (2.8) | % | 3.4 | 0.6 | % |
| Operating income (loss) | \$ 15,960 | \$ 5,245 | \$ 4,279 | \$ 2,019 | \$ 22,587 | 41.5 | % | | | |
| Consolidated Results of Operations: | | | | | | | | | | |
| Gross Billings: | | | | | | | | | | |
| Local | \$ 834,627 | \$ 760,328 | \$ 751,304 | \$ 743,869 | \$ 770,962 | (7.6) | % | 1.0 | (6.6) | % |
| Travel | 144,170 | 160,021 | 142,575 | 130,147 | 126,994 | (11.9) | | 1.4 | (10.5) | |
| Goods | 603,395 | 372,915 | 370,384 | 342,213 | 531,102 | (12.0) | | 1.2 | (10.8) | |
| Total Gross Billings | <u>\$ 1,582,192</u> | <u>\$ 1,293,264</u> | <u>\$ 1,264,263</u> | <u>\$ 1,216,229</u> | <u>\$ 1,429,058</u> | (9.7) | % | 1.2 | (8.5) | % |
| Revenue: | | | | | | | | | | |
| Local | \$ 303,619 | \$ 261,989 | \$ 257,295 | \$ 256,005 | \$ 284,274 | (6.4) | % | 1.0 | (5.4) | % |
| Travel | 29,600 | 31,520 | 29,594 | 26,604 | 25,321 | (14.5) | | 1.4 | (13.1) | |
| Goods | 539,947 | 333,031 | 330,507 | 310,274 | 490,332 | (9.2) | | 1.3 | (7.9) | |
| Total Revenue | <u>\$ 873,166</u> | <u>\$ 626,540</u> | <u>\$ 617,396</u> | <u>\$ 592,883</u> | <u>\$ 799,927</u> | (8.4) | % | 1.2 | (7.2) | % |
| Gross Profit: | | | | | | | | | | |
| Local | \$ 272,699 | \$ 236,971 | \$ 232,645 | \$ 231,018 | \$ 260,145 | (4.6) | % | 1.1 | (3.5) | % |
| Travel | 24,948 | 26,653 | 25,222 | 22,450 | 21,752 | (12.8) | | 1.5 | (11.3) | |
| Goods | 89,271 | 61,261 | 65,791 | 52,521 | 84,172 | (5.7) | | 1.1 | (4.6) | |
| Total Gross Profit | <u>\$ 386,918</u> | <u>\$ 324,885</u> | <u>\$ 323,658</u> | <u>\$ 305,989</u> | <u>\$ 366,069</u> | (5.4) | % | 1.1 | (4.3) | % |
| Operating income (loss) | \$ 49,726 | \$ 3,385 | \$ (64,245) | \$ 53,023 | \$ 61,876 | 24.4 | % | | | |
| Net cash provided by (used in) operating activities from continuing operations | \$ 266,249 | \$ (119,747) | \$ 44,175 | \$ (57,389) | \$ 323,816 | 21.6 | % | | | |
| Free Cash Flow | \$ 250,807 | \$ (139,891) | \$ 26,802 | \$ (73,483) | \$ 307,732 | 22.7 | % | | | |

| | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 |
|--|----------|----------|----------|----------|----------|
| Active Customers ⁽³⁾ | | | | | |
| North America | 32.7 | 32.6 | 32.2 | 31.4 | 30.6 |
| International | 16.8 | 17.0 | 17.1 | 17.4 | 17.6 |
| Total Active Customers | 49.5 | 49.6 | 49.3 | 48.8 | 48.2 |
| TTM Gross Profit / Active Customer ⁽⁴⁾ | | | | | |
| North America | \$ 28.35 | \$ 28.38 | \$ 28.36 | \$ 28.96 | \$ 29.13 |
| International | 24.16 | 24.83 | 25.24 | 24.89 | 24.46 |
| Consolidated | 26.93 | 27.16 | 27.27 | 27.51 | 27.42 |
| Consolidated Units | 54.6 | 42.4 | 40.0 | 39.5 | 50.5 |
| <i>Year-over-year unit growth:</i> | | | | | |
| North America | (6.6) % | (11.3) % | (14.3) % | (16.9) % | (12.9) % |
| International | (3.9) | 2.0 | (0.6) | 3.4 | 3.0 |
| Consolidated | (5.7) | (7.2) | (10.1) | (10.6) | (7.5) |
| Headcount | | | | | |
| Sales ⁽⁵⁾ | 2,407 | 2,404 | 2,373 | 2,334 | 2,268 |
| Other | 4,265 | 4,235 | 4,262 | 4,197 | 4,308 |
| Total Headcount | 6,672 | 6,639 | 6,635 | 6,531 | 6,576 |

(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) During the first quarter 2018, we updated the calculation of TTM Gross Profit / Active Customer 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 calculation. 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.

(5) 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.

| | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 |
|---|-------------------|------------------|------------------|------------------|-------------------|
| Income (loss) from continuing operations | \$ 51,071 | \$ (2,795) | \$ (92,254) | \$ 47,175 | \$ 49,862 |
| Adjustments: | | | | | |
| Stock-based compensation | 21,673 | 19,278 | 16,266 | 15,026 | 14,251 |
| Depreciation and amortization | 33,850 | 29,661 | 28,954 | 28,685 | 28,528 |
| Acquisition-related expense (benefit), net | — | — | 655 | — | — |
| Restructuring charges | 10 | 283 | (399) | 35 | (55) |
| IBM patent litigation | — | — | 75,000 | (40,400) | — |
| Other (income) expense, net | 2,112 | 8,515 | 26,457 | 4,860 | 13,176 |
| Provision (benefit) for income taxes | (3,457) | (2,335) | 1,552 | 988 | (1,162) |
| Total adjustments | 54,188 | 55,402 | 148,485 | 9,194 | 54,738 |
| Adjusted EBITDA | \$ 105,259 | \$ 52,607 | \$ 56,231 | \$ 56,369 | \$ 104,600 |

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.

| | Year Ending December 31, 2019 |
|--|----------------------------------|
| Expected income (loss) from continuing operations | \$ 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 |

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 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 months and years ended December 31, 2018 and 2017.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|-------------|-------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) attributable to common stockholders | \$ 46,228 | \$ 47,721 | \$ (11,079) | \$ 14,040 |
| Less: Net income attributable to noncontrolling interest | (3,634) | (3,127) | (13,067) | (12,587) |
| Net Income | 49,862 | 50,848 | 1,988 | 26,627 |
| Less: Loss from discontinued operations, net of tax | — | (223) | — | (1,974) |
| Income from continuing operations | 49,862 | 51,071 | 1,988 | 28,601 |
| Less: Provision (benefit) for income taxes | (1,162) | (3,457) | (957) | 7,544 |
| Income from continuing operations before provision (benefit) for income taxes | 48,700 | 47,614 | 1,031 | 36,145 |
| Stock-based compensation | 14,251 | 21,726 | 64,821 | 81,168 |
| Amortization of acquired intangible assets | 4,182 | 5,410 | 14,498 | 23,032 |
| Acquisition-related expense (benefit), net | — | — | 655 | 48 |
| Restructuring charges | (55) | 10 | (136) | 18,828 |
| Gain on sale of intangible assets | — | — | — | (17,149) |
| Gain on sale of investment | — | — | — | (7,624) |
| IBM patent litigation | — | — | 34,600 | — |
| Losses (gains), net from changes in fair value investments | 752 | (5,482) | 9,064 | (382) |
| Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings | 4,374 | (112) | 13,820 | (16,177) |
| Non-cash interest expense on convertible senior notes | 3,094 | 2,794 | 11,916 | 10,758 |
| Non-GAAP income from continuing operation before provision (benefit) for income taxes | 75,298 | 71,960 | 150,269 | 128,647 |
| Non-GAAP provision (benefit) for income taxes | 11,656 | 27,103 | 29,512 | 50,452 |
| Non-GAAP net income | 63,642 | 44,857 | 120,757 | 78,195 |
| Net income attributable to noncontrolling interest | (3,634) | (3,127) | (13,067) | (12,587) |
| Non-GAAP net income (loss) attributable to common stockholders | 60,008 | 41,730 | 107,690 | 65,608 |
| Plus: Cash interest expense from assumed conversion of convertible senior notes ⁽¹⁾ | 1,149 | 1,004 | 5,027 | 4,337 |
| Non-GAAP Net income (loss) attributable to common stockholders plus assumed conversions | \$ 61,157 | \$ 42,734 | \$ 112,717 | \$ 69,945 |
| Weighted-average shares of common stock - diluted | 620,708,515 | 570,734,081 | 566,511,108 | 568,418,371 |
| Effect of dilutive securities | — | 46,296,300 | 54,071,955 | 46,296,300 |
| Weighted-average shares of common stock - non-GAAP | 620,708,515 | 617,030,381 | 620,583,063 | 614,714,671 |
| Diluted net income (loss) per share | \$ 0.08 | \$ 0.08 | \$ (0.02) | \$ 0.02 |
| Impact of non-GAAP adjustments and related tax effects | 0.02 | (0.01) | 0.20 | 0.09 |
| Non-GAAP net income per share | \$ 0.10 | \$ 0.07 | \$ 0.18 | \$ 0.11 |

(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.

| | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 |
|---|-------------|--------------|-------------|-------------|-------------|
| Net cash provided by (used in) operating activities from continuing operations ⁽¹⁾ | \$ 266,249 | \$ (119,747) | \$ 44,175 | \$ (57,389) | \$ 323,816 |
| Purchases of property and equipment and capitalized software from continuing operations | (15,442) | (20,144) | (17,373) | (16,094) | (16,084) |
| Free cash flow ⁽¹⁾ | \$ 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 | \$ 250,807 | \$ (139,891) | \$ 26,802 | \$ (31,383) | \$ 307,732 |
| Net cash provided by (used in) investing activities from continuing operations | \$ (15,751) | \$ (20,382) | \$ (75,714) | \$ (22,389) | \$ (17,497) |
| Net cash provided by (used in) financing activities | \$ (16,424) | \$ (20,899) | \$ (18,729) | \$ (9,720) | \$ (35,069) |

- (1) Cash flows from operating activities of continuing operations and free cash flow for the three months ended December 31, 2017 has been updated from \$270.6 million previously reported and \$255.1 million previously reported, 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.