

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

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 645,610	\$ 841,021
Accounts receivable, net	83,658	69,493
Prepaid expenses and other current assets	82,686	88,115
Total current assets	811,954	998,629
Property, equipment and software, net	136,570	143,117
Right-of-use assets - operating leases, net ⁽¹⁾	103,101	—
Goodwill	324,579	325,491
Intangible assets, net	42,659	45,401
Investments (including \$42,888 and \$84,242 at March 31, 2019 and December 31, 2018, at fair value)	66,913	108,515
Other non-current assets	20,236	20,989
Total Assets	\$ 1,506,012	\$ 1,642,142
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 25,312	\$ 38,359
Accrued merchant and supplier payables	512,728	651,781
Accrued expenses and other current liabilities	256,060	267,034
Total current liabilities	794,100	957,174
Convertible senior notes, net	204,844	201,669
Operating lease obligations ⁽²⁾	110,999	—
Other non-current liabilities	53,673	100,688
Total Liabilities	1,163,616	1,259,531
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 764,245,924 shares issued and 567,982,801 shares outstanding at March 31, 2019; 760,939,440 shares issued and 569,084,312 shares outstanding at December 31, 2018	76	76
Additional paid-in capital	2,248,616	2,234,560
Treasury stock, at cost, 196,263,123 and 191,855,128 shares at March 31, 2019 and December 31, 2018	(892,546)	(877,491)
Accumulated deficit	(1,052,986)	(1,010,499)
Accumulated other comprehensive income (loss)	37,915	34,602
Total Groupon, Inc. Stockholders' Equity	341,075	381,248
Noncontrolling interests	1,321	1,363
Total Equity	342,396	382,611
Total Liabilities and Equity	\$ 1,506,012	\$ 1,642,142

- (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 Note 6, *Leases*, in our Quarterly Report on Form 10-Q for the period ended March 31, 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 Note 6, *Leases*, in our Quarterly Report on Form 10-Q for the period ended March 31, 2019 for additional information.

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

	Three Months Ended March 31,	
	2019	2018
Revenue:		
Service	\$ 285,827	\$ 301,797
Product	292,583	324,743
Total revenue	578,410	626,540
Cost of revenue:		
Service	28,627	31,145
Product	243,767	270,510
Total cost of revenue	272,394	301,655
Gross profit	306,016	324,885
Operating expenses:		
Marketing	93,397	99,156
Selling, general and administrative	210,424	222,344
Total operating expenses	303,821	321,500
Income (loss) from operations	2,195	3,385
Other income (expense), net	(46,855)	(8,515)
Income (loss) from continuing operations before provision (benefit) for income taxes	(44,660)	(5,130)
Provision (benefit) for income taxes	(3,490)	(2,335)
Income (loss) from continuing operations	(41,170)	(2,795)
Income (loss) from discontinued operations, net of tax	2,162	—
Net income (loss)	(39,008)	(2,795)
Net income attributable to noncontrolling interests	(3,479)	(4,093)
Net income (loss) attributable to Groupon, Inc.	\$ (42,487)	\$ (6,888)
Basic and diluted net income (loss) per share:		
Continuing operations	\$ (0.08)	\$ (0.01)
Discontinued operations	0.01	0.00
Basic and diluted net income (loss) per share	\$ (0.07)	\$ (0.01)
Weighted average number of shares outstanding		
Basic	570,095,128	561,735,937
Diluted	570,095,128	561,735,937

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

	Three Months Ended March 31,	
	2019	2018
Operating activities		
Net income (loss)	\$ (39,008)	\$ (2,795)
Less: Income (loss) from discontinued operations, net of tax	2,162	—
Income (loss) from continuing operations	(41,170)	(2,795)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and software	24,522	26,721
Amortization of acquired intangible assets	3,894	2,940
Stock-based compensation	16,411	19,326
Deferred income taxes	—	(6,575)
(Gain) loss from changes in fair value of investments	41,408	5,033
Amortization of debt discount on convertible senior notes	3,175	2,866
Change in assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(14,200)	17,623
Prepaid expenses and other current assets	3,461	9,601
Accounts payable	(12,914)	(8,341)
Accrued merchant and supplier payables	(136,572)	(143,330)
Accrued expenses and other current liabilities	(40,405)	(41,564)
Other, net	4,907	(1,252)
Net cash provided by (used in) operating activities from continuing operations	(147,483)	(119,747)
Net cash provided by (used in) operating activities from discontinued operations	—	—
Net cash provided by (used in) operating activities	(147,483)	(119,747)
Investing activities		
Purchases of property and equipment and capitalized software	(17,477)	(20,144)
Acquisitions of intangible assets and other investing activities	(638)	(238)
Net cash provided by (used in) investing activities from continuing operations	(18,115)	(20,382)
Net cash provided by (used in) investing activities from discontinued operations	—	—
Net cash provided by (used in) investing activities	(18,115)	(20,382)
Financing activities		
Payments for purchases of treasury stock	(14,416)	—
Taxes paid related to net share settlements of stock-based compensation awards	(5,090)	(9,179)
Proceeds from stock option exercises and employee stock purchase plan	2,006	2,434
Distributions to noncontrolling interest holders	(3,521)	(3,315)
Payments of finance lease obligations	(6,756)	(9,024)
Payments of contingent consideration related to acquisitions	—	(1,815)
Net cash provided by (used in) financing activities	(27,777)	(20,899)
Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets	(3,381)	6,191
Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets	(196,756)	(154,837)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	—
Net increase (decrease) in cash, cash equivalents and restricted cash	(196,756)	(154,837)
Cash, cash equivalents and restricted cash, beginning of period	844,728	885,481
Cash, cash equivalents and restricted cash, end of period ⁽¹⁾	\$ 647,972	\$ 730,644

(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 March 31, 2019 and amounts previously reported within the condensed consolidated balance sheet in our Quarterly Report on Form 10-Q as of March 31, 2018 (in thousands):

	March 31, 2019	March 31, 2018
Cash and cash equivalents	\$ 645,610	\$ 725,909
Restricted cash included in prepaid expenses and other current assets	1,973	4,332
Restricted cash included in other non-current assets	389	403
Cash, cash equivalents and restricted cash	\$ 647,972	\$ 730,644

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

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019				
North America Segment:						Q1 2019			
Gross Billings ⁽¹⁾ :						Y/Y Growth			
Local	\$ 543,021	\$ 548,056	\$ 534,246	\$ 535,869	\$ 502,309	(7.5)	%		
Travel	102,499	93,809	83,991	71,948	92,083	(10.2)			
Goods	209,476	196,501	184,357	319,922	174,638	(16.6)			
Total Gross Billings	<u>\$ 854,996</u>	<u>\$ 838,366</u>	<u>\$ 802,594</u>	<u>\$ 927,739</u>	<u>\$ 769,030</u>	(10.1)	%		
Revenue:									
Local	\$ 187,411	\$ 185,870	\$ 180,059	\$ 199,523	\$ 180,377	(3.8)	%		
Travel	20,084	19,888	17,217	14,667	18,941	(5.7)			
Goods	185,761	174,506	163,875	290,534	157,847	(15.0)			
Total Revenue	<u>\$ 393,256</u>	<u>\$ 380,264</u>	<u>\$ 361,151</u>	<u>\$ 504,724</u>	<u>\$ 357,165</u>	(9.2)	%		
Gross Profit:									
Local	\$ 166,756	\$ 165,285	\$ 159,379	\$ 179,932	\$ 161,082	(3.4)	%		
Travel	16,002	16,303	13,801	11,839	15,268	(4.6)			
Goods	36,922	37,783	30,868	55,814	33,452	(9.4)			
Total Gross Profit	<u>\$ 219,680</u>	<u>\$ 219,371</u>	<u>\$ 204,048</u>	<u>\$ 247,585</u>	<u>\$ 209,802</u>	(4.5)	%		
Operating income (loss)	\$ (1,860)	\$ (68,524)	\$ 51,004	\$ 39,289	\$ 5,336	386.9	%		
International Segment:									
						Q1 2019			
Gross Billings:						Y/Y Growth		FX Effect ⁽²⁾	Y/Y Growth excluding FX ⁽²⁾
Local	\$ 217,307	\$ 203,248	\$ 209,623	\$ 235,093	\$ 207,396	(4.6)	%	7.3	2.7 %
Travel	57,522	48,766	46,156	55,046	51,939	(9.7)		7.2	(2.5)
Goods	163,439	173,883	157,856	211,180	147,643	(9.7)		7.5	(2.2)
Total Gross Billings	<u>\$ 438,268</u>	<u>\$ 425,897</u>	<u>\$ 413,635</u>	<u>\$ 501,319</u>	<u>\$ 406,978</u>	(7.1)	%	7.3	0.2 %
Revenue:									
Local	\$ 74,578	\$ 71,425	\$ 75,946	\$ 84,751	\$ 73,190	(1.9)	%	7.5	5.6 %
Travel	11,436	9,706	9,387	10,654	8,737	(23.6)		6.1	(17.5)
Goods	147,270	156,001	146,399	199,798	139,318	(5.4)		7.8	2.4
Total Revenue	<u>\$ 233,284</u>	<u>\$ 237,132</u>	<u>\$ 231,732</u>	<u>\$ 295,203</u>	<u>\$ 221,245</u>	(5.2)	%	7.6	2.4 %
Gross Profit:									
Local	\$ 70,215	\$ 67,360	\$ 71,639	\$ 80,213	\$ 68,978	(1.8)	%	7.5	5.7 %
Travel	10,651	8,919	8,649	9,913	8,041	(24.5)		6.1	(18.4)
Goods	24,339	28,008	21,653	28,358	19,195	(21.1)		6.6	(14.5)
Total Gross Profit	<u>\$ 105,205</u>	<u>\$ 104,287</u>	<u>\$ 101,941</u>	<u>\$ 118,484</u>	<u>\$ 96,214</u>	(8.5)	%	7.1	(1.4) %
Operating income (loss)	\$ 5,245	\$ 4,279	\$ 2,019	\$ 22,587	\$ (3,141)	(159.9)	%		
Consolidated Results of Operations:									
Gross Billings:									
Local	\$ 760,328	\$ 751,304	\$ 743,869	\$ 770,962	\$ 709,705	(6.7)	%	2.1	(4.6) %
Travel	160,021	142,575	130,147	126,994	144,022	(10.0)		2.6	(7.4)
Goods	372,915	370,384	342,213	531,102	322,281	(13.6)		3.3	(10.3)
Total Gross Billings	<u>\$ 1,293,264</u>	<u>\$ 1,264,263</u>	<u>\$ 1,216,229</u>	<u>\$ 1,429,058</u>	<u>\$ 1,176,008</u>	(9.1)	%	2.5	(6.6) %
Revenue:									
Local	\$ 261,989	\$ 257,295	\$ 256,005	\$ 284,274	\$ 253,567	(3.2)	%	2.1	(1.1) %
Travel	31,520	29,594	26,604	25,321	27,678	(12.2)		2.2	(10.0)
Goods	333,031	330,507	310,274	490,332	297,165	(10.8)		3.5	(7.3)
Total Revenue	<u>\$ 626,540</u>	<u>\$ 617,396</u>	<u>\$ 592,883</u>	<u>\$ 799,927</u>	<u>\$ 578,410</u>	(7.7)	%	2.8	(4.9) %
Gross Profit:									
Local	\$ 236,971	\$ 232,645	\$ 231,018	\$ 260,145	\$ 230,060	(2.9)	%	2.2	(0.7) %
Travel	26,653	25,222	22,450	21,752	23,309	(12.5)		2.4	(10.1)
Goods	61,261	65,791	52,521	84,172	52,647	(14.1)		2.7	(11.4)
Total Gross Profit	<u>\$ 324,885</u>	<u>\$ 323,658</u>	<u>\$ 305,989</u>	<u>\$ 366,069</u>	<u>\$ 306,016</u>	(5.8)	%	2.3	(3.5) %
Operating income (loss)	\$ 3,385	\$ (64,245)	\$ 53,023	\$ 61,876	\$ 2,195	(35.2)	%		
Net cash provided by (used in) operating activities from continuing operations	\$ (119,747)	\$ 44,175	\$ (57,389)	\$ 323,816	\$ (147,483)	(23.2)	%		
Free Cash Flow	\$ (139,891)	\$ 26,802	\$ (73,483)	\$ 307,732	\$ (164,960)	(17.9)	%		

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Active Customers ⁽³⁾					
North America	32.6	32.2	31.4	30.6	29.6
International	17.0	17.1	17.4	17.6	17.5
Total Active Customers	49.6	49.3	48.8	48.2	47.2
TTM Gross Profit / Active Customer					
North America	\$ 28.38	\$ 28.36	\$ 28.96	\$ 29.13	\$ 29.72
International	24.83	25.24	24.89	24.46	24.00
Consolidated	27.16	27.27	27.51	27.42	27.59
Consolidated Units					
	42.4	40	39.5	50.5	37.2
<i>Year-over-year unit growth:</i>					
North America	(11.3) %	(14.3) %	(16.9) %	(12.9) %	(17.5) %
International	2.0	(0.6)	3.4	3.0	(2.2)
Consolidated	(7.2)	(10.1)	(10.6)	(7.5)	(12.3)
Headcount					
Sales ⁽⁴⁾	2,404	2,373	2,334	2,268	2,377
Other	4,235	4,262	4,197	4,308	3,928
Total Headcount	6,639	6,635	6,531	6,576	6,305

(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.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Income (loss) from continuing operations	\$ (2,795)	\$ (92,254)	\$ 47,175	\$ 49,862	\$ (41,170)
Adjustments:					
Stock-based compensation ⁽¹⁾	19,278	16,266	15,026	14,251	16,411
Depreciation and amortization	29,661	28,954	28,685	28,528	28,416
Acquisition-related expense (benefit), net	—	655	—	—	—
Restructuring charges	283	(399)	35	(55)	(67)
IBM patent litigation	—	75,000	(40,400)	—	—
Other (income) expense, net	8,515	26,457	4,860	13,176	46,855
Provision (benefit) for income taxes	(2,335)	1,552	988	(1,162)	(3,490)
Total adjustments	55,402	148,485	9,194	54,738	88,125
Adjusted EBITDA	\$ 52,607	\$ 56,231	\$ 56,369	\$ 104,600	\$ 46,955

(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
Expected income (loss) from continuing operations	\$ —
Expected adjustments:	
Stock-based compensation	100,000
Depreciation and amortization	105,000
Other (income) expense, net	60,000
Provision (benefit) for income taxes	5,000
Total expected adjustments	270,000
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 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 months ended March 31, 2019 and 2018.

	Three Months Ended March 31,	
	2019	2018
Net income (loss) attributable to common stockholders	\$ (42,487)	\$ (6,888)
Less: Net income (loss) attributable to noncontrolling interest	(3,479)	(4,093)
Net income (loss)	(39,008)	(2,795)
Less: Income (loss) from discontinued operations, net of tax	2,162	—
Income (loss) from continuing operations	(41,170)	(2,795)
Less: Provision (benefit) for income taxes	(3,490)	(2,335)
Income (loss) from continuing operations before provision (benefit) for income taxes	(44,660)	(5,130)
Stock-based compensation	16,411	19,326
Amortization of acquired intangible assets	3,894	2,940
Restructuring charges	(67)	283
Losses (gains), net from changes in fair value of investments	41,408	5,033
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	4,194	(3,427)
Non-cash interest expense on convertible senior notes	3,175	2,866
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	24,355	21,891
Less: Non-GAAP provision (benefit) for income taxes	4,131	1,561
Non-GAAP net income (loss)	20,224	20,330
Net income attributable to noncontrolling interest	(3,479)	(4,093)
Non-GAAP net income (loss) attributable to common stockholders	\$ 16,745	\$ 16,237
Weighted-average shares of common stock - diluted	570,095,128	561,735,937
Effect of dilutive securities	5,096,202	9,955,028
Weighted-average shares of common stock - non-GAAP	575,191,330	571,690,965
Diluted net loss per share	\$ (0.07)	\$ (0.01)
Impact of non-GAAP adjustments and related tax effects	0.10	0.04
Non-GAAP net income per share	\$ 0.03	\$ 0.03

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.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Net cash provided by (used in) operating activities from continuing operations	\$ (119,747)	\$ 44,175	\$ (57,389)	\$ 323,816	\$ (147,483)
Purchases of property and equipment and capitalized software from continuing operations	(20,144)	(17,373)	(16,094)	(16,084)	(17,477)
Free cash flow	\$ (139,891)	\$ 26,802	\$ (73,483)	\$ 307,732	\$ (164,960)
Operating cash outflow related to the IBM settlement ⁽¹⁾	—	—	42,100	—	—
Free cash flow, excluding the impact of the IBM settlement	\$ (139,891)	\$ 26,802	\$ (31,383)	\$ 307,732	\$ (164,960)
Net cash provided by (used in) investing activities from continuing operations	\$ (20,382)	\$ (75,714)	\$ (22,389)	\$ (17,497)	\$ (18,115)
Net cash provided by (used in) financing activities	\$ (20,899)	\$ (18,729)	\$ (9,720)	\$ (35,069)	\$ (27,777)

- (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.