



3Q19 EARNINGS

November 5, 2019

GROUPON

NASDAQ: **GRPN** / ir@groupon.com

Forward-Looking Statements

The statements contained in this presentation 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 ecommerce; 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 our 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 our Investor Relations website 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 our 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 presentation 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

CONNECTING 45M CUSTOMERS TO HUNDREDS OF THOUSANDS OF MERCHANTS



Top 5

**E-commerce
Brand¹**



5-star

**App with 200+
Million Downloads²**



>75%

**Of Transactions
on Mobile²**



1 in 5

**U.S. Internet Users
come to Groupon
every month³**

- Two-sided marketplace with massive scale and a household name synonymous with value & discovery
- More than 1.5B Groupons sold across 1M+ merchants to date
- Leveraging advanced data analytics to connect consumers with great Local deals at scale
- Attractive Adjusted EBITDA & Free Cash Flow generation

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

(2) For the quarter ended September 30, 2019

(3) Comscore Media Metrix® Multi-Platform, Percent Reach, Total Audience, April 2019, U.S.

Executing on Our Key Priorities

PAVING THE WAY FOR THE NEW Groupon



Customer Experience

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

- » *Select program members purchase frequency +60% and average order value +20%^{1,2}*
- » *Global Guest Checkout launch on mobile web in Q3 aimed at removing friction and improving conversion*



International

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

- » *65% of International F&D inventory now bookable¹*



Open Platform

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

- » *Expanded Mindbody partnership will provide access to new inventory and further positions Groupon as the place for customers to discover amazing things to do*



Operational Rigor

Maintain a culture of operational efficiency

- » *SG&A down 1% YoY in Q3³*

(1) As of September 30, 2019

(2) In the first 180 days post-enrollment

(3) Excludes a credit of \$(40.4) million in the third quarter 2018, related to patent litigation with IBM

Unlocking the Potential of our Financial Model

PAVING THE WAY FOR LONG-TERM, PROFITABLE GROWTH

Gross Profit

Focus on driving long-term Gross Profit growth

- Expect increases in Gross Profit per customer to offset a meaningful portion of an anticipated decline in global customers in 2019
- Drive increased 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

- Optimize North America marketing spend across online and offline channels
- International marketing focused on customer acquisition and brand building

SG&A

Maintain leverageable cost structure

- Drive ongoing efficiency to fund strategic investments and offset inflationary pressure

Adjusted EBITDA

Target long-term Adjusted EBITDA¹ growth

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

Free Cash Flow

Target long-term Free Cash Flow² 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 supports strategic capital allocation³

- \$567 million cash balance, \$400 million undrawn revolver⁴
- \$245 million remaining share repurchase authorization
- TTM share repurchases at ~44% of FCF³

(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, "Net 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) As of September 30, 2019

(4) Excluding the impact of outstanding letters of credit

2019 Adjusted EBITDA Guidance

2019 Guidance

Adjusted EBITDA ¹ (USD millions)	
2018 Actual	2019 Guidance
\$270	\$270

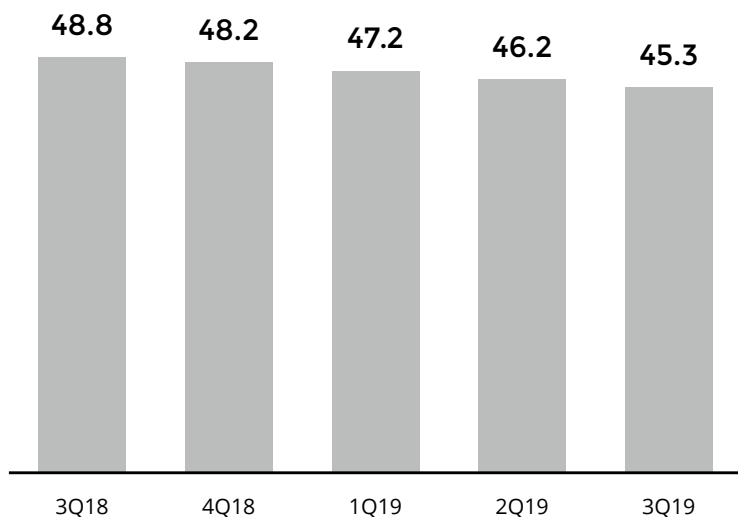
- Expect traffic headwinds to persist in 2019
- Key initiatives focused on conversion, purchase frequency, and Gross Profit per customer growth
- Continue to deliver operational efficiency
- Pave the path for Adjusted EBITDA growth in 2020 and beyond

(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, "Net income (loss) from continuing operations."

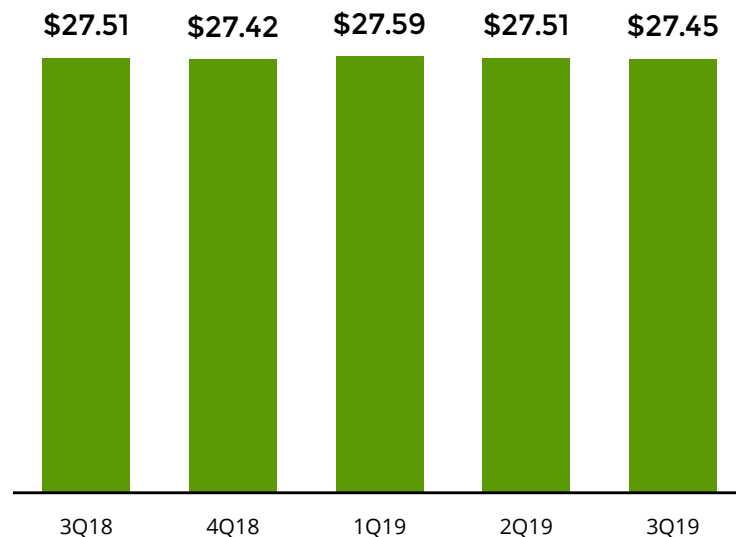
FINANCIAL INFORMATION AND OPERATING METRICS

Large Customer Base with Solid Gross Profit / Customer

Global Active Customers¹ (millions)



Global TTM Gross Profit / Active Customer¹



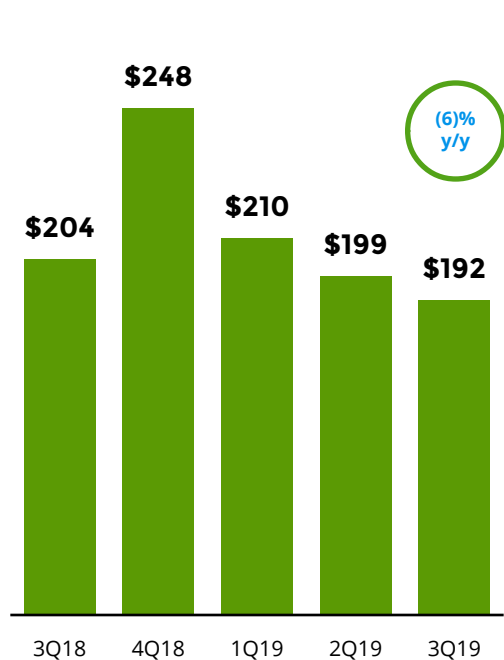
Gross profit per customer flat year-over-year in Q3 2019, up 1% FX-neutral

(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, excluding coupons and purchases made through third-party marketplaces

Consolidated Gross Profit

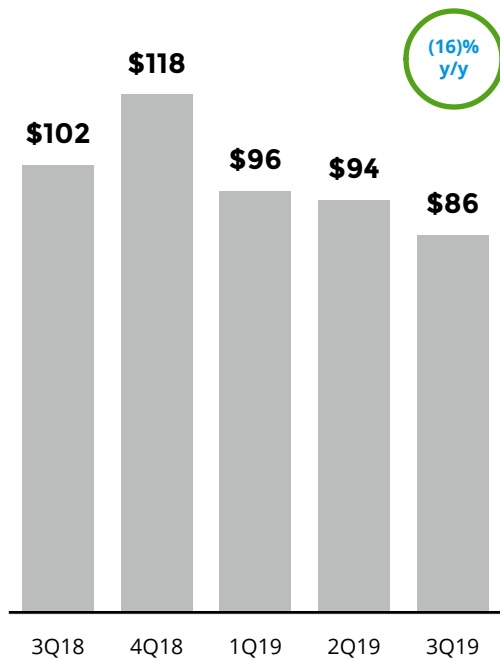
(USD millions)

North America



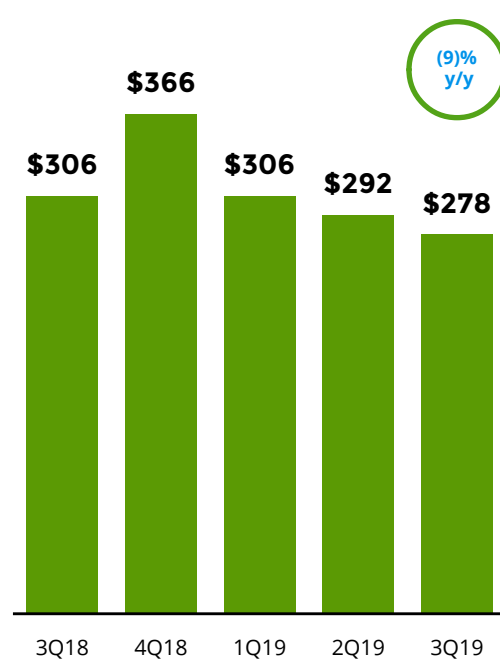
ex-f/x

International



(12)%

Global



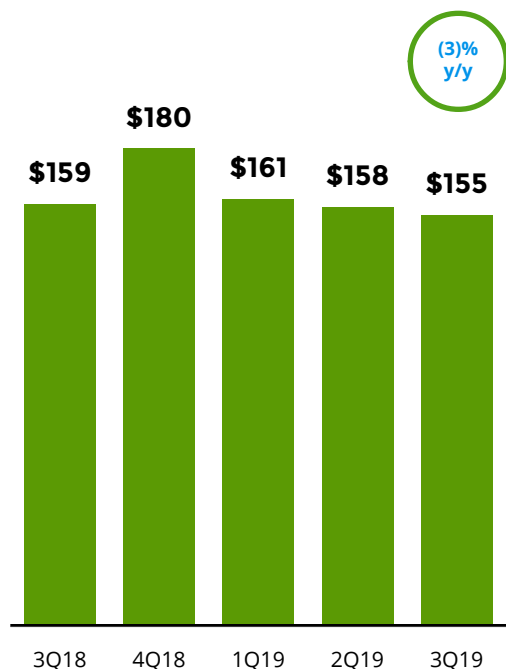
(8)%

Global gross profit of \$278 million in Q3

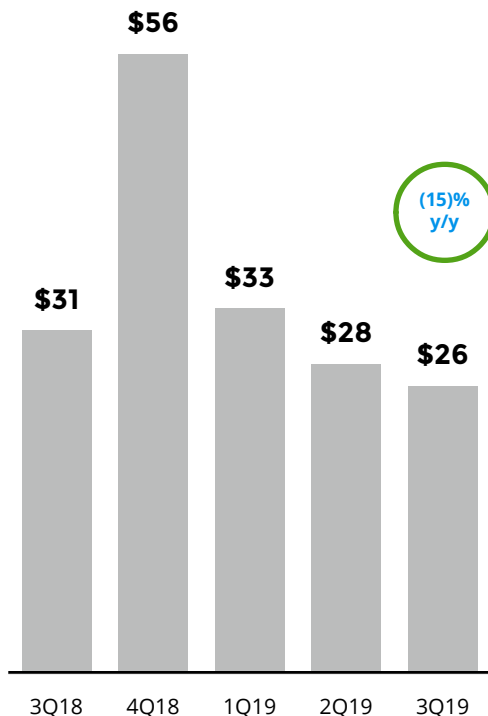
North America Gross Profit

(USD millions)

NA Local Gross Profit



NA Goods Gross Profit



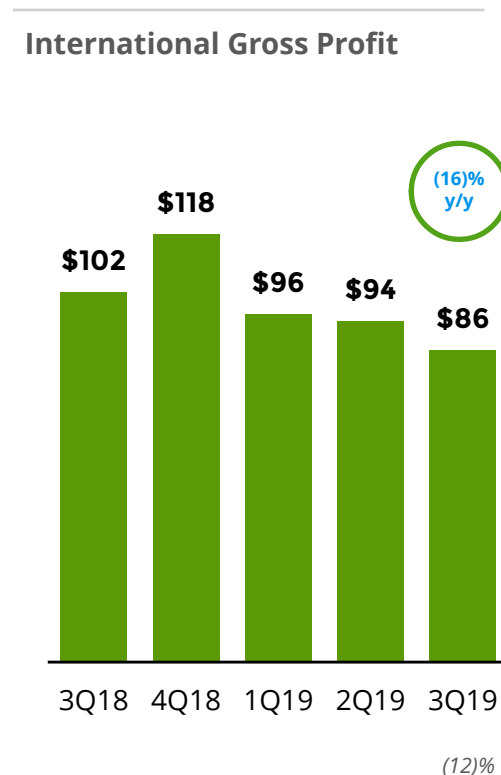
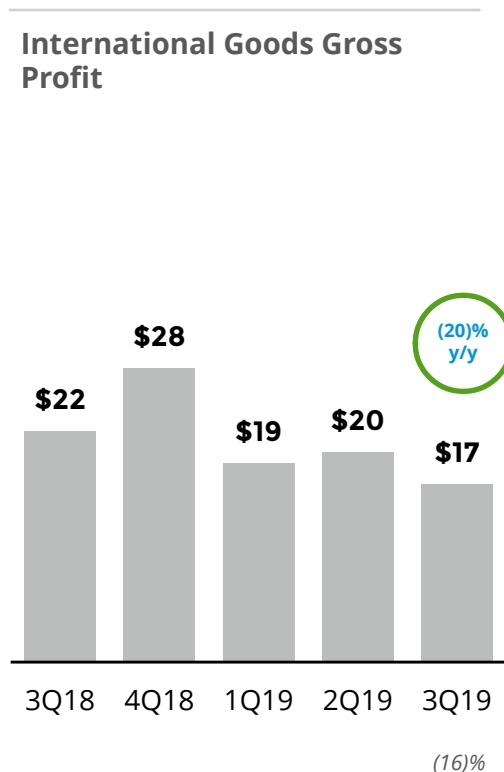
NA Gross Profit



North America gross profit of \$192 million in Q3

International Gross Profit

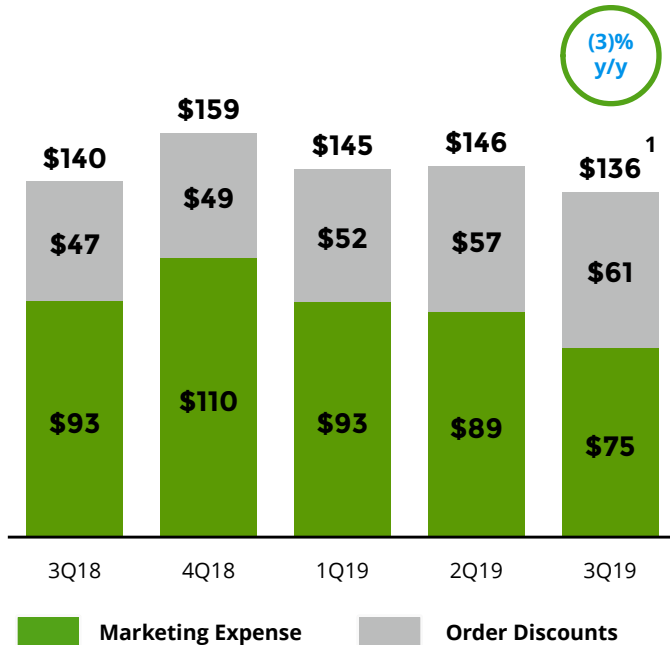
(USD millions)



International gross profit of \$86 million in Q3

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**

- ROI tracking across marketing channels, platforms, and categories
- Supporting long-term International growth
- Continuing to refine customer analytics to enhance efficiency
- New CMO evaluating marketing funnel and brand strategy

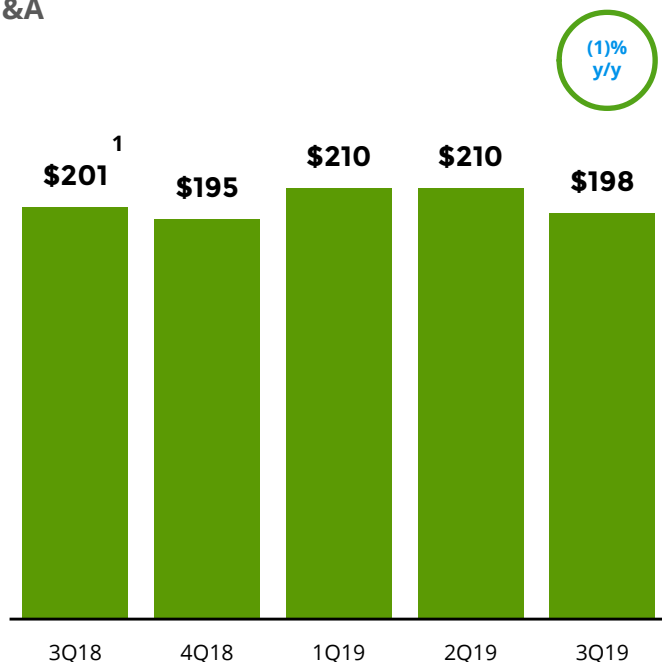
Marketing (including order discounts) decreased \$4 million in Q3

(1) Includes Order Discounts of \$46 million in North America and \$15 million in International

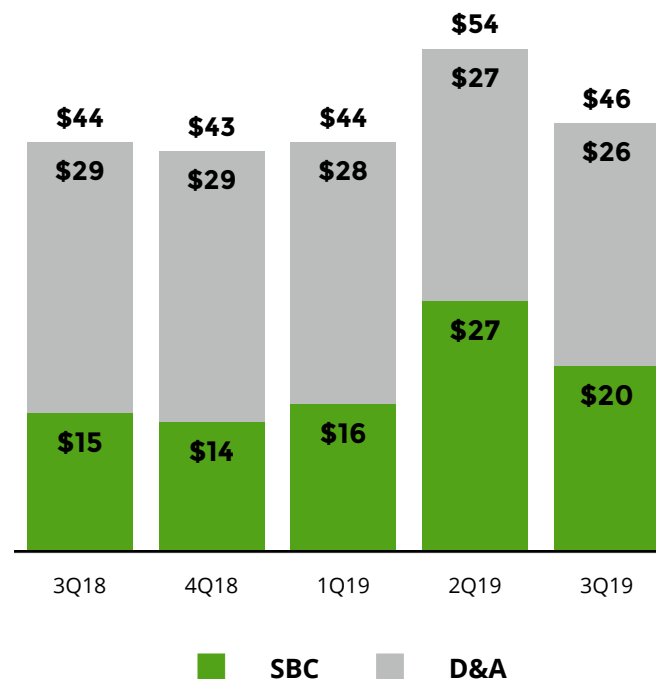
SG&A – Benefiting From Operational Efficiency

(USD millions)

SG&A



SBC² and D&A



Global SG&A declined by \$3 million or 1% year-over-year in Q3

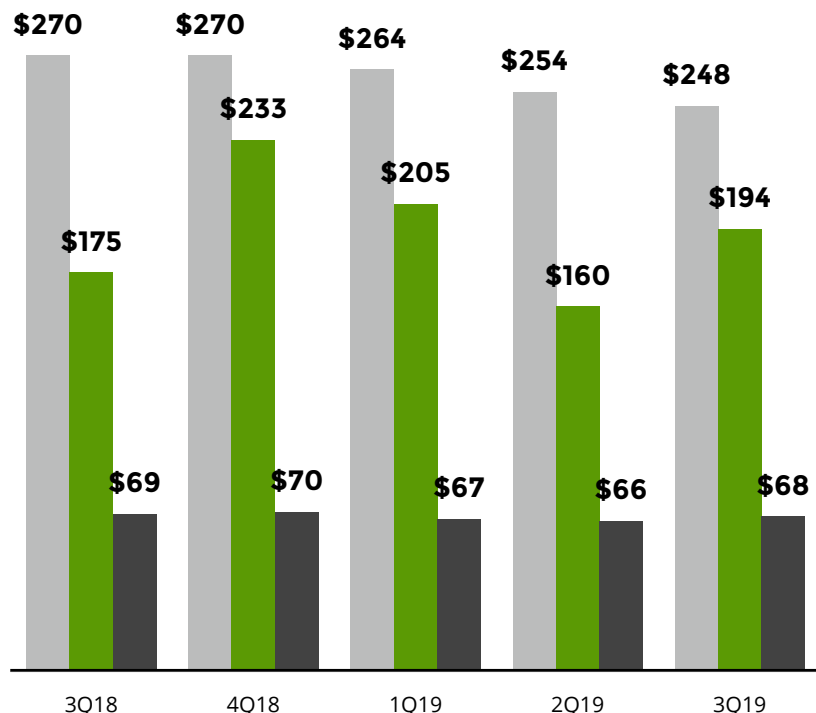
(1) Excludes a credit of \$(40.4) million in the third quarter 2018, related to patent litigation with IBM

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

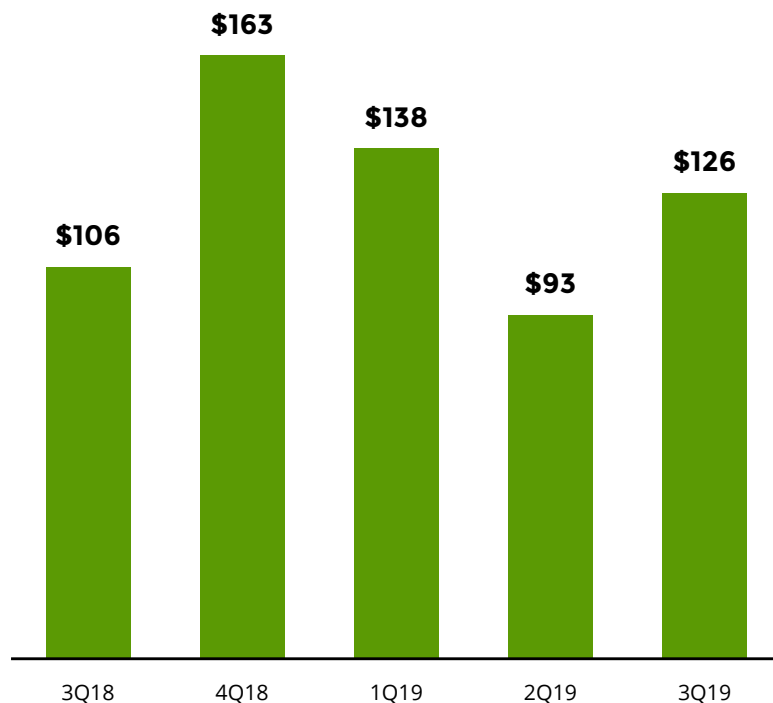
Attractive Adjusted EBITDA and Free Cash Flow Generation

(TTM, USD millions)

Adjusted EBITDA¹, Operating Cash Flow excluding IBM settlement³, and Capital Expenditures



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



Adj. EBITDA
 Op. Cash Flow
 Capex

- (1) Adjusted EBITDA is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net 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) The operating cash flow and free cash flow amounts in these tables exclude the \$42.1 million operating cash outflow in third quarter 2018 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>	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Income (loss) from continuing operations	\$ 51,071	\$ (2,795)	\$ (92,254)	\$ 47,175	\$ 49,862	\$ (41,170)	\$ (37,645)	\$ (14,685)
Adjustments:								
Stock-based compensation	21,673	19,278	16,266	15,026	14,251	16,411	26,563	19,543
Depreciation and amortization	33,850	29,661	28,954	28,685	28,528	28,416	27,116	25,873
Acquisition-related expense (benefit), net	—	—	655	—	—	—	28	5
Restructuring charges	10	283	(399)	35	(55)	(67)	(47)	(61)
IBM patent litigation	—	—	75,000	(40,400)	—	—	—	—
Other (income) expense, net	2,112	8,515	26,457	4,860	13,176	46,855	28,494	17,253
Provision (benefit) for income taxes	(3,457)	(2,335)	1,552	988	(1,162)	(3,490)	2,012	2,069
Total adjustments	54,188	55,402	148,485	9,194	54,738	88,125	84,166	64,682
Adjusted EBITDA	105,259	52,607	56,231	56,369	104,600	46,955	46,521	49,997

(1) See Q3 2019 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 RANGE

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":

<i>(in thousands)</i>	Year Ending December 31, 2019	
Expected income (loss) from continuing operations ¹	\$	(20,000)
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
Expected Adjusted EBITDA	\$	270,000

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

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 September 30, 2018	Three Months Ended September 30, 2019
Net income (loss) attributable to common stockholders	\$ 44,615	\$ (16,685)
Less: Net income attributable to noncontrolling interest	(2,560)	(2,000)
Net income (loss)	47,175	(14,685)
Less: Income (loss) from discontinued operations, net of tax	—	—
Income (loss) from continuing operations	47,175	(14,685)
Less: Provision (benefit) for income taxes	988	2,069
Income (loss) from continuing operations before provision (benefit) for income taxes	48,163	(12,616)
Stock-based compensation	15,026	19,543
Amortization expense of acquired intangibles	3,850	3,748
Acquisition-related expense (benefit), net	—	5
Restructuring charges	35	(61)
IBM patent litigation	(40,400)	—
(Gain) loss from changes in fair value of investments	244	(14)
(Gain) loss from sale of investment	—	412
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	1,826	10,326
Non-cash interest expense on convertible senior notes	3,016	3,341
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	31,760	24,684
Less: Non-GAAP provision (benefit) for income taxes	8,370	14,920
Non-GAAP net income (loss)	23,390	9,764
Net income attributable to noncontrolling interest	(2,560)	(2,000)
Non-GAAP net income (loss) attributable to common stockholders	20,830	7,764
Plus: Cash interest expense from assumed conversion of convertible senior notes ⁽¹⁾	1,383	—
Non-GAAP net income attributable to common stockholders plus assumed conversions	\$ 22,213	\$ 7,764
Weighted-average shares of common stock - diluted	576,379,421	566,971,238
Incremental dilutive securities	46,296,300	4,258,105
Weighted-average shares of common stock - non-GAAP	622,675,721	571,229,343
Diluted net loss per share	\$ 0.08	\$ (0.03)
Impact of non-GAAP adjustments and related tax effects	(0.04)	0.04
Non-GAAP net income per share	\$ 0.04	\$ 0.01

(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>		4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net cash provided by (used in) operating activities from continuing operations	\$	266,249	\$ (119,747)	\$ 44,175	\$ (57,389)	\$ 323,816	\$ (147,483)	\$ (1,219)	18,584
Purchases of property and equipment and capitalized software from continuing operations		(15,442)	(20,144)	(17,373)	(16,094)	(16,084)	(17,477)	(16,684)	(17,693)
Free cash flow ⁽¹⁾		250,807	(139,891)	26,802	(73,483)	307,732	(164,960)	(17,903)	891
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	\$ (164,960)	\$ (17,903)	891
Net cash provided by (used in) investing activities from continuing operations	\$	(15,751)	\$ (20,382)	\$ (75,714)	\$ (22,389)	\$ (17,497)	\$ (18,115)	\$ (17,235)	(19,541)
Net cash provided by (used in) financing activities	\$	(16,424)	\$ (20,899)	\$ (18,729)	\$ (9,720)	\$ (35,069)	\$ (27,777)	\$ (31,581)	(22,595)

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

Q3 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
TTM Operating cash flow	\$	133,288
Operating cash outflow related to the IBM settlement ⁽¹⁾		42,100
TTM Operating cash flow excluding IBM settlement	\$	175,388

(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.

Q2 & Q3 2018 SG&A excluding IBM Patent Litigation

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

<i>(in thousands)</i>	2Q18	3Q18
SG&A ⁽¹⁾	\$ 293,725	\$ 160,249
(Charges) credits related to IBM patent litigation	(75,000)	40,400
SG&A excluding IBM patent litigation	\$ 218,725	\$ 200,649

(1) Selling, general, and administrative expense includes Restructuring charges of \$(399) and \$(35) for 2018 Q2 and 2018 Q3 that were previously broken out and subsequently added to Selling, general, and administrative expense for presentational purposes in the 2019 Q2 10-Q.

GROUPON