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

	December 31, 2019	December 31, 2018
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 750,887	$ 841,021
Accounts receivable, net	54,953	69,493
Prepaid expenses and other current assets	82,073	88,115
Total current assets	887,913	998,629
Property, equipment and software, net	124,950	143,117
Right-of-use assets - operating leases, net (1)	108,390	—
Goodwill	325,017	325,491
Intangible assets, net	35,292	45,401
Investments (including $1,405 and $84,242 at December 31, 2019 and December 31, 2018 at fair value)	76,576	108,515
Other non-current assets	28,605	20,989
Total Assets	$ 1,586,743	$ 1,642,142
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 20,415	$ 38,359
Accrued merchant and supplier payables	540,940	651,781
Accrued expenses and other current liabilities	260,192	267,034
Total current liabilities	821,547	957,174
Convertible senior notes, net	214,869	201,669
Operating lease obligations (2)	110,294	—
Other non-current liabilities	44,987	100,688
Total Liabilities	1,191,697	1,259,531
Commitment and contingencies		
Stockholders' Equity		
Common stock, par value $0.0001 per share, 2,010,000,000 shares authorized; 771,697,087 shares issued and 565,814,732 shares outstanding at December 31, 2019; 760,939,440 shares issued and 569,084,312 shares outstanding at December 31, 2018	77	76
Additional paid-in capital	2,310,320	2,234,560
Treasury stock, at cost, 205,882,355 and 191,855,128 shares at December 31, 2019 and December 31, 2018	(922,666)	(877,491)
Accumulated deficit	(1,032,876)	(1,010,499)
Accumulated other comprehensive income (loss)	39,081	34,602
Total Groupon, Inc. Stockholders' Equity	393,936	381,248
Noncontrolling interests	1,110	1,363
Total Equity	395,046	382,611
Total Liabilities and Equity	$ 1,586,743	$ 1,642,142

(1) Represents operating lease assets recognized as a result of our adoption of Topic 842 on January 1, 2019, net of accumulated amortization. Refer to Item 8, Note 10, *Leases*, in our Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

(2) Represents the non-current portion of operating lease liabilities as a result of our adoption of Topic 842 on January 1, 2019. Refer to Item 8, Note 10, *Leases*, in our Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

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,	
	2019	**2018**	**2019**	**2018**
Revenue:				
Service	$ 294,847	$ 318,824	$ 1,126,357	$ 1,205,487
Product	317,469	481,103	1,092,558	1,431,259
Total revenue	612,316	799,927	2,218,915	2,636,746
Cost of revenue:				
Service	28,293	28,910	114,462	120,077
Product	273,982	404,948	918,324	1,196,068
Total cost of revenue	302,275	433,858	1,032,786	1,316,145
Gross profit	310,041	366,069	1,186,129	1,320,601
Operating expenses:				
Marketing	82,059	109,686	339,355	395,737
Selling, general and administrative	187,671	194,562	806,945	870,961
Restructuring charges	206	(55)	31	(136)
Total operating expenses	269,936	304,193	1,146,331	1,266,562
Income (loss) from operations	40,105	61,876	39,798	54,039
Other income (expense), net	39,273	(13,176)	(53,329)	(53,008)
Income (loss) from continuing operations before provision (benefit) for income taxes	79,378	48,700	(13,531)	1,031
Provision (benefit) for income taxes	170	(1,162)	761	(957)
Income (loss) from continuing operations	79,208	49,862	(14,292)	1,988
Income (loss) from discontinued operations, net of tax	435	—	2,597	—
Net income (loss)	79,643	49,862	(11,695)	1,988
Net income attributable to noncontrolling interests	(2,602)	(3,634)	(10,682)	(13,067)
Net income (loss) attributable to Groupon, Inc.	$ 77,041	$ 46,228	$ (22,377)	$ (11,079)
Basic net income (loss) per share:				
Continuing operations	$ 0.14	$ 0.08	$ (0.04)	$ (0.02)
Discontinued operations	0.00	—	0.00	—
Basic net income (loss) per share	$ 0.14	$ 0.08	$ (0.04)	$ (0.02)
Diluted net income (loss) per share:				
Continuing operations	$ 0.13	$ 0.08	$ (0.04)	$ (0.02)
Discontinued operations	0.00	—	0.00	—
Diluted net income (loss) per share	$ 0.13	$ 0.08	$ (0.04)	$ (0.02)
Weighted average number of shares outstanding				
Basic	564,651,203	570,319,704	567,408,340	566,511,108
Diluted	617,603,560	620,708,515	567,408,340	566,511,108

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Operating activities				
Net income (loss)	$ 79,643	$ 49,862	$ (11,695)	$ 1,988
Less: Income (loss) from discontinued operations, net of tax	435	—	2,597	—
Income (loss) from continuing operations	79,208	49,862	(14,292)	1,988
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, equipment and software	21,424	24,346	91,410	101,330
Amortization of acquired intangible assets	2,936	4,182	14,355	14,498
Stock-based compensation	19,098	14,151	81,615	64,821
(Gain) loss on sale of investment	—	—	412	—
Impairments of investments	9,961	—	9,961	10,156
Upward adjustment for observable price change of investment	(51,397)	—	(51,397)	—
Deferred income taxes	(2,301)	1,575	(1,485)	(5,000)
(Gain) loss from changes in fair value of investments	3,526	752	72,497	9,064
Amortization of debt discount on convertible senior notes	3,428	3,094	13,200	11,916
Change in assets and liabilities, net of acquisitions and dispositions:				
Accounts receivable	996	11,840	13,577	32,057
Prepaid expenses and other current assets	585	9,861	3,176	7,166
Right-of-use assets - operating leases	6,602	—	26,226	—
Accounts payable	(509)	21,839	(17,401)	5,805
Accrued merchant and supplier payables	106,951	169,480	(109,176)	(45,268)
Accrued expenses and other current liabilities	17,696	13,745	(26,071)	(31,430)
Operating lease obligations	(9,591)	—	(28,552)	—
Other, net	(7,212)	(911)	(6,772)	13,752
Net cash provided by (used in) operating activities from continuing operations	201,401	323,816	71,283	190,855
Net cash provided by (used in) operating activities from discontinued operations	—	—	—	—
Net cash provided by (used in) operating activities	201,401	323,816	71,283	190,855
Investing activities				
Purchases of property and equipment and capitalized software	(15,474)	(16,084)	(67,328)	(69,695)
Proceeds from sale of intangible assets	—	—	—	1,500
Proceeds from sales and maturities of investments	3,475	—	3,475	8,594
Acquisition of business, net of acquired cash	—	(298)	—	(58,119)
Acquisitions of intangible assets and other investing activities	(701)	(1,115)	(3,738)	(18,262)
Net cash provided by (used in) investing activities from continuing operations	(12,700)	(17,497)	(67,591)	(135,982)
Net cash provided by (used in) investing activities from discontinued operations	—	—	—	—
Net cash provided by (used in) investing activities	(12,700)	(17,497)	(67,591)	(135,982)
Financing activities				
Issuance costs for revolving credit agreement	—	—	(2,384)	—
Payments for repurchases of common stock	(1,469)	(9,585)	(45,631)	(9,585)
Taxes paid related to net share settlements of stock-based compensation awards	(4,130)	(5,467)	(18,105)	(24,105)
Proceeds from stock option exercises and employee stock purchase plan	—	5	4,123	5,715
Distributions to noncontrolling interest holders	(2,248)	(3,260)	(10,935)	(12,576)
Payments of finance lease obligations	(2,819)	(7,734)	(19,687)	(33,023)
Payments of contingent consideration related to acquisitions	—	—	—	(1,815)
Payment of financing obligation related to acquisitions	—	(8,391)	—	(8,391)
Other financing activities	—	(637)	—	(637)
Net cash provided by (used in) financing activities	(10,666)	(35,069)	(92,619)	(84,417)
Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	6,009	(1,922)	(3,144)	(11,209)
Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	184,044	269,328	(92,071)	(40,753)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	—	—	—
Net increase (decrease) in cash, cash equivalents and restricted cash	184,044	269,328	(92,071)	(40,753)
Cash, cash equivalents and restricted cash, beginning of period	568,613	575,400	844,728	885,481
Cash, cash equivalents and restricted cash, end of period	$ 752,657	$ 844,728	$ 752,657	$ 844,728

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

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 2019 Y/Y Growth
North America Segment:						
Gross Billings [1]:						
Local	$ 535,869	$ 502,309	$ 503,830	$ 511,173	$ 503,740	(6.0) %
Travel	71,948	92,083	84,029	71,144	58,756	(18.3)
Goods	319,922	174,638	147,354	133,076	204,481	(36.1)
Total Gross Billings	$ 927,739	$ 769,030	$ 735,213	$ 715,393	$ 766,977	(17.3) %
Revenue:						
Local	$ 199,523	$ 180,377	$ 177,082	$ 175,140	$ 188,439	(5.6) %
Travel	14,667	18,941	16,125	13,680	9,193	(37.3)
Goods	290,534	157,847	131,453	114,776	175,854	(39.5)
Total Revenue	$ 504,724	$ 357,165	$ 324,660	$ 303,596	$ 373,486	(26.0) %
Gross Profit:						
Local	$ 179,932	$ 161,082	$ 157,673	$ 155,032	$ 169,712	(5.7) %
Travel	11,839	15,268	12,806	10,717	6,948	(41.3)
Goods	55,814	33,452	28,105	26,326	30,624	(45.1)
Total Gross Profit	$ 247,585	$ 209,802	$ 198,584	$ 192,075	$ 207,284	(16.3) %
Operating income (loss)	$ 39,289	$ 5,336	$ (372)	$ 15,691	$ 45,073	14.7 %

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 2019 Y/Y Growth	Q4 2019 FX Effect [2]	Q4 2019 Y/Y Growth excluding FX [2]
International Segment:								
Gross Billings:								
Local	$ 235,093	$ 207,396	$ 203,450	$ 204,823	$ 240,151	2.2	1.8	4.0 %
Travel	55,046	51,939	43,348	44,098	51,186	(7.0)	2.7	(4.3)
Goods	211,180	147,643	138,934	129,064	164,886	(21.9)	2.4	(19.5)
Total Gross Billings	$ 501,319	$ 406,978	$ 385,732	$ 377,985	$ 456,223	(9.0)	2.2	(6.8) %
Revenue:								
Local	$ 84,751	$ 73,190	$ 69,995	$ 65,440	$ 78,986	(6.8)	1.6	(5.2) %
Travel	10,654	8,737	8,077	8,003	9,275	(12.9)	2.4	(10.5)
Goods	199,798	139,318	129,845	118,573	150,569	(24.6)	2.2	(22.4)
Total Revenue	$ 295,203	$ 221,245	$ 207,917	$ 192,016	$ 238,830	(19.1)	2.1	(17.0) %
Gross Profit:								
Local	$ 80,213	$ 68,978	$ 65,780	$ 61,183	$ 73,725	(8.1)	1.7	(6.4) %
Travel	9,913	8,041	7,370	7,332	8,574	(13.5)	2.5	(11.0)
Goods	28,358	19,195	20,398	17,350	20,458	(27.9)	2.3	(25.6)
Total Gross Profit	$ 118,484	$ 96,214	$ 93,548	$ 85,865	$ 102,757	(13.3)	1.9	(11.4) %
Operating income (loss)	$ 22,587	$ (3,141)	$ (6,767)	$ (11,054)	$ (4,968)	(122.0) %		
Consolidated Results of Operations:								
Gross Billings:								
Local	$ 770,962	$ 709,705	$ 707,280	$ 715,996	$ 743,891	(3.5)	0.5	(3.0) %
Travel	126,994	144,022	127,377	115,242	109,942	(13.4)	1.1	(12.3)
Goods	531,102	322,281	286,288	262,140	369,367	(30.5)	1.0	(29.5)
Total Gross Billings	$ 1,429,058	$ 1,176,008	$ 1,120,945	$ 1,093,378	$ 1,223,200	(14.4)	0.8	(13.6) %
Revenue:								
Local	$ 284,274	$ 253,567	$ 247,077	$ 240,580	$ 267,425	(5.9)	0.5	(5.4) %
Travel	25,321	27,678	24,202	21,683	18,468	(27.1)	1.1	(26.0)
Goods	490,332	297,165	261,298	233,349	326,423	(33.4)	0.9	(32.5)
Total Revenue	$ 799,927	$ 578,410	$ 532,577	$ 495,612	$ 612,316	(23.5)	0.8	(22.7) %
Gross Profit:								
Local	$ 260,145	$ 230,060	$ 223,453	$ 216,215	$ 243,437	(6.4)	0.5	(5.9) %
Travel	21,752	23,309	20,176	18,049	15,522	(28.6)	1.1	(27.5)
Goods	84,172	52,647	48,503	43,676	51,082	(39.3)	0.7	(38.6)
Total Gross Profit	$ 366,069	$ 306,016	$ 292,132	$ 277,940	$ 310,041	(15.3)	0.6	(14.7) %
Operating income (loss)	$ 61,876	$ 2,195	$ (7,139)	$ 4,637	$ 40,105	(35.2) %		
Net cash provided by (used in) operating activities from continuing operations	$ 323,816	$ (147,483)	$ (1,219)	$ 18,584	$ 201,401	(37.8) %		
Free Cash Flow	$ 307,732	$ (164,960)	$ (17,903)	$ 891	$ 185,927	(39.6) %		

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Active Customers [3]					
North America	30.6	29.6	28.6	27.7	26.5
International	17.6	17.5	17.6	17.5	17.1
Total Active Customers	48.2	47.2	46.2	45.3	43.6
TTM Gross Profit / Active Customer					
North America	$ 29.13	$ 29.72	$ 30.05	$ 30.56	$ 30.48
International	24.46	24.00	23.37	22.51	22.11
Consolidated	27.42	27.59	27.51	27.45	27.19
Consolidated Units					
Local	27,084	24,132	23,879	24,573	25,461
Goods	22,626	12,237	10,735	10,494	16,435
Travel	771	824	710	687	712
Total consolidated units	50,481	37,193	35,324	35,754	42,608
Headcount					
Sales [4]	2,268	2,377	2,327	2,438	2,316
Other	4,308	3,928	3,952	4,036	4,029
Total Headcount	6,576	6,305	6,279	6,474	6,345

(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.

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Income (loss) from continuing operations	$ 49,862	$ (41,170)	$ (37,645)	$ (14,685)	$ 79,208
Adjustments:					
Stock-based compensation [(1)]	14,251	16,411	26,563	19,543	19,098
Depreciation and amortization	28,528	28,416	27,116	25,873	24,360
Acquisition-related expense (benefit), net	—	—	28	5	6
Restructuring charges	(55)	(67)	(47)	(61)	206
Other (income) expense, net	13,176	46,855	28,494	17,253	(39,273)
Provision (benefit) for income taxes	(1,162)	(3,490)	2,012	2,069	170
Total adjustments	54,738	88,125	84,166	64,682	4,567
Adjusted EBITDA	$ 104,600	$ 46,955	$ 46,521	$ 49,997	$ 83,775

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

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 31,2019 and 2018.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income (loss) attributable to common stockholders	$ 77,041	$ 46,228	$ (22,377)	$ (11,079)
Less: Net income (loss) attributable to noncontrolling interest	(2,602)	(3,634)	(10,682)	(13,067)
Net income (loss)	79,643	49,862	(11,695)	1,988
Less: Income (loss) from discontinued operations, net of tax	435	—	2,597	—
Income (loss) from continuing operations	79,208	49,862	(14,292)	1,988
Less: Provision (benefit) for income taxes	170	(1,162)	761	(957)
Income (loss) from continuing operations before provision (benefit) for income taxes	79,378	48,700	(13,531)	1,031
Stock-based compensation	19,098	14,251	81,615	64,821
Amortization expense of acquired intangibles	2,936	4,182	14,355	14,498
Acquisition-related expense (benefit), net	6	—	39	655
Restructuring charges	206	(55)	31	(136)
IBM patent litigation	—	—	—	34,600
(Gain) loss from changes in fair value of investments	3,526	752	72,497	9,064
(Gain) loss from sale of investment	—	—	412	—
(Gain) loss on equity method investment	(51,397)	—	(51,397)	—
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	(4,744)	4,374	6,454	13,820
Non-cash interest expense on convertible senior notes	3,428	3,094	13,200	11,916
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	52,437	75,298	123,675	150,269
Less: Non-GAAP provision for income taxes	6,716	11,656	38,573	29,512
Non-GAAP net income (loss)	45,721	63,642	85,102	120,757
Net income attributable to noncontrolling interest	(2,602)	(3,634)	(10,682)	(13,067)
Non-GAAP net income (loss) attributable to common stockholders	43,119	60,008	74,420	107,690
Plus: Cash interest expense from assumed conversion of convertible senior notes [1]	1,459	1,149	5,253	5,027
Non-GAAP Net Income (loss) attributable to common stockholders plus assumed conversions	$ 44,578	$ 61,157	$ 79,673	$ 112,717
Weighted-average shares of common stock - diluted	617,603,560	620,708,515	567,395,071	566,511,108
Incremental dilutive securities	—	—	51,653,333	54,071,955
Weighted-average shares of common stock - non-GAAP	617,603,560	620,708,515	619,048,404	620,583,063
Diluted net income (loss) per share	$ 0.13	$ 0.08	$ (0.04)	$ (0.02)
Impact of non-GAAP adjustments and related tax effects	(0.06)	0.02	0.17	0.20
Non-GAAP net income per share	$ 0.07	$ 0.10	$ 0.13	$ 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.

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

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Net cash provided by (used in) operating activities from continuing operations	$ 323,816	$ (147,483)	$ (1,219)	$ 18,584	$ 201,401
Purchases of property and equipment and capitalized software from continuing operations	(16,084)	(17,477)	(16,684)	(17,693)	(15,474)
Free cash flow	$ 307,732	$ (164,960)	$ (17,903)	$ 891	$ 185,927
Net cash provided by (used in) investing activities from continuing operations	$ (17,497)	$ (18,115)	$ (17,235)	$ (19,541)	$ (12,700)
Net cash provided by (used in) financing activities	$ (35,069)	$ (27,777)	$ (31,581)	$ (22,595)	$ (10,666)

Our International and consolidated gross profit per active customer for the TTM ended December 31, 2019 and 2018 were as follows:

	Q4 2018	Q4 2019	Y/Y Growth	FX Effect	Y/Y Growth excluding FX (1)
International TTM Gross Profit / Active Customer	$24.46	$22.11	(9.6)%	4.6%	(5.0)%
Consolidated TTM Gross Profit / Active Customer	$27.42	$27.19	(0.8)%	1.6%	0.8 %

(1) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year periods.