

GRPN Investor Presentation 4Q20

February 25, 2021

Forward-looking statements and other information

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, effects of COVID-19 or other pandemics or disease outbreaks on our business; our ability to execute, and achieve the expected benefits of our go-forward strategy; execution of our business and marketing strategies; volatility in our operating results; 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 exit from the European Union; global economic uncertainty; retaining and adding high quality merchants; retaining existing customers and adding new customers; competing successfully in our industry; providing a strong mobile experience for our customers; managing refund risks; retaining and attracting members of our executive team and other qualified personnel; customer and merchant fraud; payment-related risks; our reliance on email, internet search engines and mobile application marketplaces to drive traffic to our marketplace; cybersecurity breaches; maintaining and improving our information technology infrastructure; reliance on cloud-based computing platforms; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; managing inventory and order fulfillment risks; claims related to product and service offerings; protecting our intellectual property; maintaining a strong brand; the impact of future and pending litigation; 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; exposure to greater than anticipated tax liabilities; adoption of tax legislation; our ability to raise capital if necessary; risks related to our access to capital and outstanding indebtedness, including our convertible senior notes; our convertible senior notes; our common stock, including volatility in our stock price; our ability to realize the anticipated benefits from the hedge and warrant transactions;; and those risks and other factors discussed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2020, and our other filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting the company's 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.

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This presentation contains non-GAAP financial measures. See the appendix for reconciliations of non-GAAP financial measures to the most comparable U.S. GAAP measures and our Q4 2020 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

A man and a woman are kayaking on a calm lake. The man, in the back, is wearing a grey bucket hat, sunglasses, and an orange shirt. The woman, in the front, is wearing a black visor, a blue shirt, and a red life vest. Both are smiling and holding yellow paddles. The kayak is blue and white. The background shows a hazy shoreline with trees.

GROUPON

THE DESTINATION FOR EXPERIENCES

WHERE CUSTOMERS DISCOVER FUN THINGS TO DO
& LOCAL BUSINESSES THRIVE

Leading local marketplace with proven profitability and long-term growth opportunity



Beloved global brand that connects **millions of customers and merchants**, known for providing unbeatable value



A leader in the fragmented \$1T Local Market, leveraging our scale and focusing on where we are most differentiated

- Strong competitive position with Local merchants and a low/no-risk, transaction-based business model
- Uniquely positioned to help SMBs recover from the impact of COVID



Strategy to **capture market share** and **drive profitable revenue growth**

- Launched inventory products (Deals, Offers and Market Rate) to grow supply and make Groupon an always-on sales channel
- Removing barriers to entry for merchants to increase participation in our marketplace
- Always-on inventory and reduced friction can deliver experience customers want, unlock marketplace flywheel and drive purchase frequency



Attractive financial model

- Flexible, durable business model delivering Adj. EBITDA in down market, growth scenario creates significant upside opportunity
- On track to take \$225M out of fixed cost base by 2022 through restructuring actions
- With new cost structure, if gross profit returns to 80% of pre-COVID levels, believe we can deliver ~\$250M of Adj. EBITDA in 2022
- 1 incremental purchase from our 2020 global customer base = ~\$1B bookings opportunity

Our Large Addressable Market Opportunity

A leading local marketplace with room to grow

Connecting ~30M¹ customers to our global marketplace



1 Million+

Merchants worked with to date



1.5 Billion+

Groupons sold to date



\$35 Billion+

Saved to date by NA consumers



\$25 Billion+

Pumped into local businesses to date

- Large and growing addressable market in local
- Groupon's two-sided marketplace has massive global scale
- Nearly 60% of our customer base has been shopping Groupon for 3+ years¹
- Beloved brand: inspiration marketplace for Deals
- Growth strategy: leverage local offering to become **destination for experiences**

Positioned to grow wallet share with global consumers

Our customers...



have an average household income of \$75K¹



live in a city



love new experiences and keeping busy with nearby activities happening now

...and there are millions of untapped consumers who have characteristics similar to our best customers

- We believe there are 80+ Grouponable moments in a single year...
- ...and Groupon is only capturing 4% of those experiences
- Executing on our strategic priorities creates opportunity to **increase customer purchase frequency** and **grow wallet share**

In 2020, 1 more purchase from our global customer base² was a ~\$1B opportunity³

(1) North America customers

(2) Active Customers are defined 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

(3) Represents total value customers spent on our platform before refunds

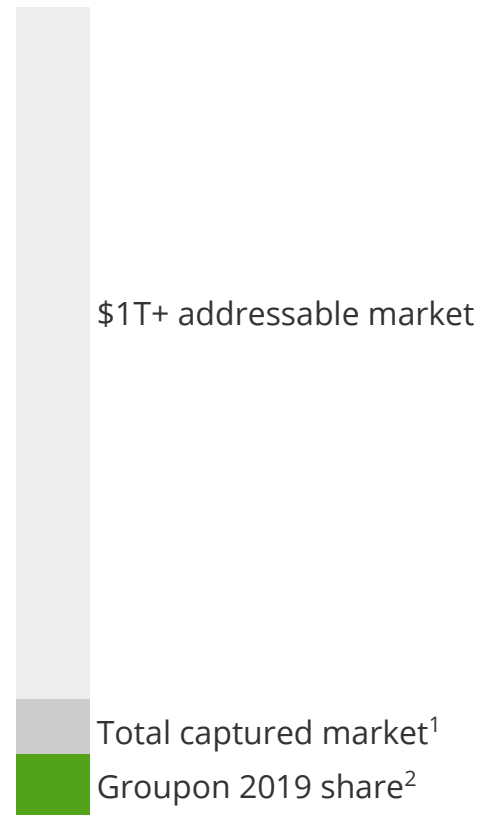
We are a leader in a \$1T+ market...

...yet we are capturing only a fraction of the market opportunity

\$1T+ TAM
for local experiences where
we have a right to win



Top player...
< 1% share



(1) Estimated market share of top competitors as of December 31, 2019

(2) Groupon's estimated market share based on 2019 billings

Our Strategy for Growth

Groupon: the destination for experiences

- In mid-2020 we reimagined our merchant and customer value propositions and launched a targeted strategy to strengthen our local marketplace offering
- By putting our new customer and merchant value propositions front and center we believe we can **build a new destination marketplace** experience to complement our inspiration marketplace
- Strategy is laser-focused on addressing disconnect between our large market opportunity and our business performance
- To succeed and grow long-term, we need to execute on 2 strategic priorities:
 - Expand inventory
 - Modernize the marketplace by improving merchant and customer experiences

Groupon can unlock a powerful marketplace flywheel





Expand Inventory

Growing high-quality inventory is our #1 priority

Expanding inventory is critical to our growth

3 key inventory products: **Deals, Offers, and Market Rate**

Our goal is to provide value to merchants at any stage of their growth cycle and encourage them to list more inventory with Groupon

- **Deals:** remove restrictions on deeply-discounted inventory to drive customer acquisition, customer growth, and engagement
- **Offers:** launch new inventory product with lower discounts to improve merchant ROI, provide “always-on” inventory, and drive purchase frequency
- **Market Rate:** position Groupon as the customer destination for high-quality, local experiences and “always-on” merchant sales channel

By providing a full catalog offering to our customers, we believe we can unlock customer purchase frequency and drive billings growth



Deals: removing restrictions to drive customer engagement

Groupon is known for great deals, part of our core customer value proposition

By relaxing restrictions on Deals we expect to drive **purchase frequency and billings growth**

We know our customers want to...

- Purchase the same Deal more than once
- Redeem when they want
- Use their Groupons with friends or family

...and our current Deals have too many restrictions

Deals should function as an important **customer acquisition tool for merchants**

2021 goal: increase percent of Deal inventory available for repeat purchase to 80%+

Offers: inventory product to drive purchase frequency

Offers will provide customers with a ~15% discount and merchants with a lower cost listing option

Why Offers? Not every merchant wants to run a deeply-discounted Deal and even for those who do, a deeply-discounted Deal may not make sense at all times

We believe Offers provide value for all stakeholders

- Groupon can offer a fuller catalog of high quality, always-on inventory
- More inventory for customers, albeit at lower discounts vs. Deals, to drive purchase frequency and loyalty
- Merchants earn a higher margin and still only pay for performance
- Deeper partnership with our existing merchants
- Attract new merchants that are on the fence about joining our marketplace

2021 goal: increase the average number of listings per Beauty & Wellness merchant

Market Rate: accelerate quality inventory growth



Market rate inventory gives customers access to a broader variety of merchants

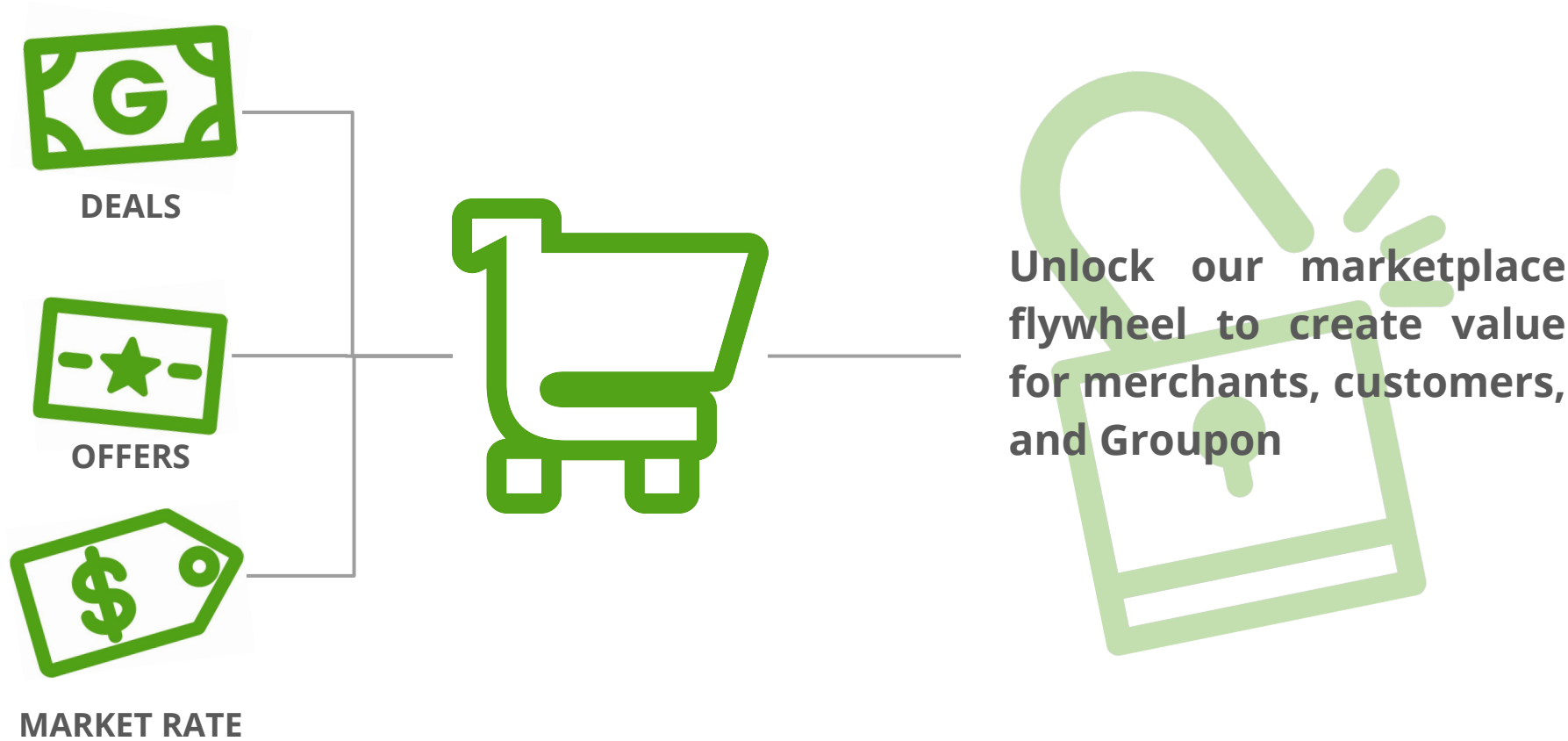
Helps position Groupon as **the** customer destination for high-quality, local experiences and an “**always-on**”, pay-for-performance merchant sales channel

Will continue to acquire new Market Rate inventory through partnerships and future new products

We are accelerating 3rd-party partner integrations with our **new self-service API tool**

- Launched in 2Q20, allows partners to join our marketplace up to 50% faster
- Integrations give customers access to new quality inventory, reduce purchase friction and improve customer experience
- Partnerships can further accelerate growth of bookable hyper-local supply

Portfolio of complementary, inventory listing options



Expanding Inventory: 6-month, 4-market inventory test

Test Goal: Grow inventory, units and billings by unrestricting Deals and launching Offers in our most important Local categories -- Things To Do and Beauty & Wellness

INVENTORY TEST PLAN

✓

Clearly define success signals (inventory growth, unit & billings targets)

✓

Conduct a test over 6 months in four target cities and compare to control cities

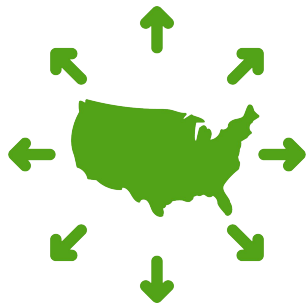
✓

Reach our test goals

INITIAL KPIs	TEST GOALS	TEST RESULTS ¹	vs GOALS
Inventory	Goal: 25-50% increase in key zip codes & verticals	~65% increase	✓
Units	Goal: low single-digit percentage point improvement	low double-digit	✓
Billings	Goal: low single-digit percentage point improvement	high single-digit	✓

(1) As of December 31, 2020. These results refer only to the test markets, are vs control markets, and represent a starting point for growth

Expanding Inventory: next steps



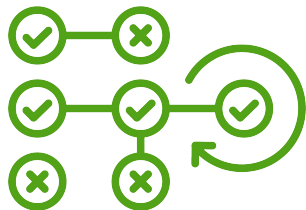
Scaling now in North America

Remove repeat purchase restrictions on Deals in all verticals

- Will increase amount of purchasable inventory
- 2021: increase the percent of Deal inventory available for repeat purchase to 80%+

Launch Offers to Beauty & Wellness merchants

- 2021 goal: increase average listings per Beauty & Wellness merchants



Continuing to learn

- Encouraged by initial increases in units in Things to Do and Dining
- Gathering more insights on COVID recovery



Improve the Merchant & Customer Experiences

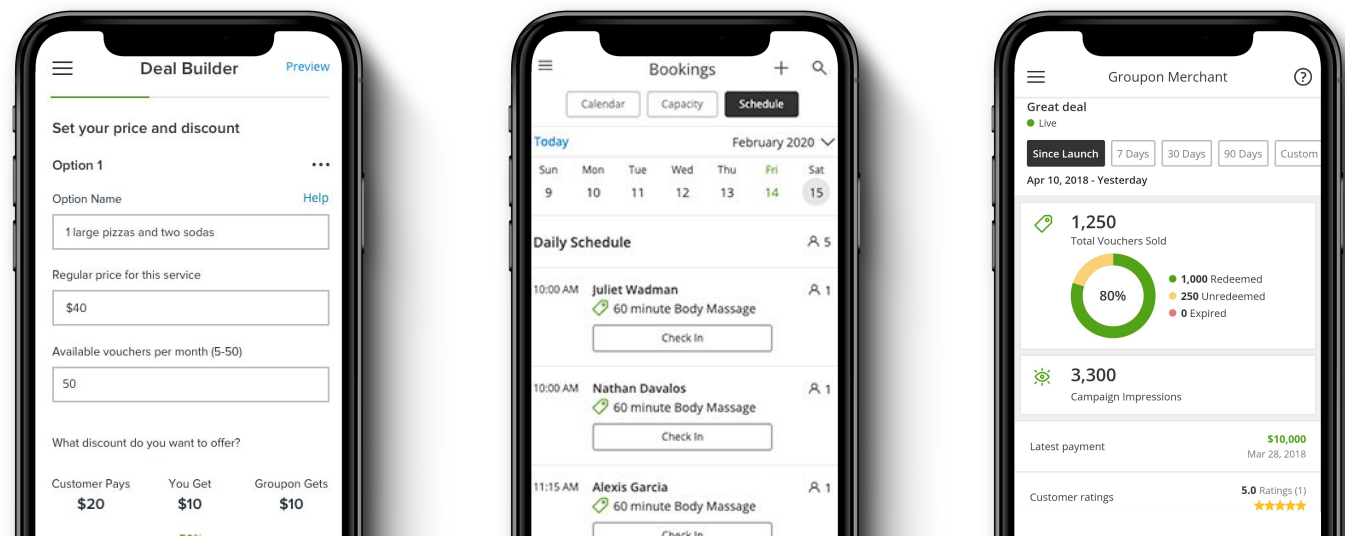
Prioritize our merchants' success

Partner with our merchants to help them grow their businesses

Roadmap focused on merchant tools that allow them to **build, grow** and **scale** their businesses on the Groupon marketplace

Shift Groupon from high-touch, costly model to one where merchants use **proven** self-serve **tools to grow their businesses**

Position Groupon as a **unique, valuable always-on sales channel**



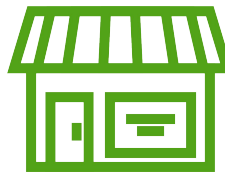
Then vs Now: being a better partner to our merchants

THEN



- Phone interaction required to join the marketplace
- Launching a deal? Another labor intensive interaction required
- Just want to change content? *Another* labor intensive interaction required
- You can only sell “Deals” through Groupon; relationships between Groupon and merchants are very limited
- It’s difficult to offer a bookable deal in the Groupon marketplace

NOW



- Merchants can join Groupon via self-service
- Launching a deal? Do it in less than 24 hours via self-service Campaign Builder
- Just want to change content? You can also do this via self-service Campaign Builder
- Need more listing options? Now scaling flexible inventory and discount options
- Merchants can create a seamless customer experience by offering fully bookable inventory
- Worried about customer double booking? Use Groupon’s two-way Google calendar sync
- Want to promote your business more? We’re bringing a new Sponsored Listings marketing tool to our merchants

Deliver an amazing customer experience

Improve customer journey from discovery to purchase to redemption

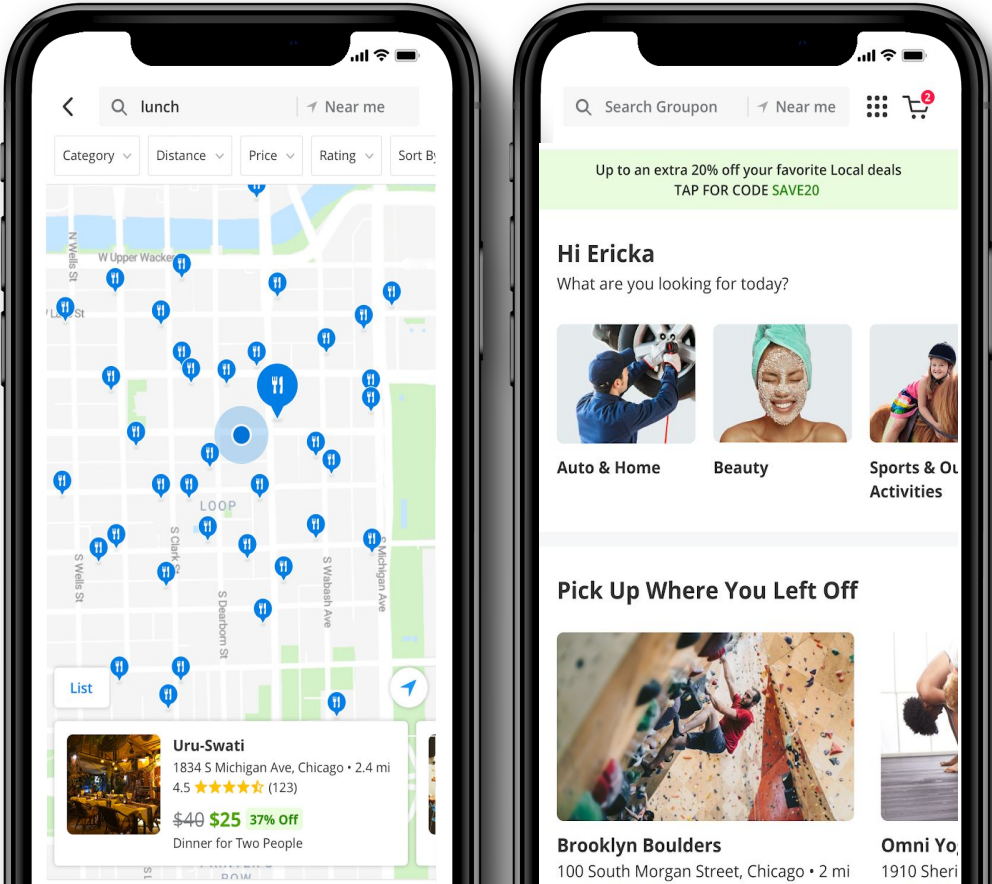
Product roadmap focuses on **increasing customer purchase frequency**

Leverage **machine learning to produce rapid insights** that power curation, search relevance and other UX improvements

Position Groupon as a destination where consumers go to discover fun and memorable experiences through a **frictionless customer experience**

From discovery to search to purchase to redemption, **we have to make it easier for our customers to find, buy and redeem a Groupon** and interact with our merchants


2021 Goal: Launch new customer experience that highlights new inventory and ways to use Groupon





Reimagining the customer experience

2Q21: Launching new customer experience in North America app, mobile web, and desktop

New customer experience intended to leverage and amplify our expanded inventory base and drive purchase frequency

 **Personalized homepage:** make it easier and more engaging as customers search, browse, and discover experiences

 **Improved search and relevance capabilities:** better match our customer's intent to search results

 **"Buy it again":** New features to encourage and make it easier for customers to repeat purchase

★★★★★

Ready to deliver a fundamentally improved experience when our customers are ready to come back to Local

Product roadmap

Steady cadence of new features will improve the customer and merchant experiences

Recap of 2020 Launches

Customer Experience

- ✓ Map-based search
- ✓ Curated Results
- ✓ Add to Cart vs Buy Now
- ✓ Search, relevance, and navigation improvements
- ✓ Future personalization engine pilot

Merchant Experience

- ✓ COVID-19 safety program
- ✓ Self-service offer creation
- ✓ Self-service support revamp
- ✓ Self-service API for booking partnerships
- ✓ Multi-location booking
- ✓ Booker integration
- ✓ Mindbody wellness services
- ✓ Self-service campaign builder enhancements
- ✓ Google two-way calendar sync
- ✓ Sponsored Listings MVP
- ✓ Self-service personalized recommendations

2021 Roadmap

Q1 2021

Merchant Experience

- Groupon Connect for Beauty & Wellness
- Self-service Intl expansion
- Self-service recommendations

Q2 2021

Customer Experience

- Reimagined NA consumer experience, including homepage redesign and optimized search & relevance

Merchant Experience

- Self-service sponsored listings
- Embedded self-service
- Offers/Full menu optimization

H2 2021

Customer Experience

- Additional personalization feature
- Full menu optimization

Merchant Experience

- Additional self-service tools
- Ads on Groupon
- More connectivity & booking

Moving to best-in-class infrastructure on the cloud and simplifying and modernizing our platform will power and accelerate innovation over the next several years

Reducing our Cost Structure

Resetting our cost structure

Committed to operational rigor: lower costs, improve speed and leverage

Initiated phase one of our restructuring plan in April 2020 and implemented other cost savings and liquidity preservation measures

Began executing phase two of our restructuring plan in August 2020, which includes additional layoffs and exits of New Zealand & Japan

- Achieved our \$140 million payroll savings target in 2020
- On track to take \$225M out of fixed cost base by 2022 vs 2019 cost base through restructuring actions
- Reduced cost structure expected to drive greater flow-through to Adjusted EBITDA





Fourth Quarter Results

Key fourth quarter results

Active Customers ¹	30M
Units	25M
Billings	\$633M
Revenue	\$343M
Gross Profit	\$179M
Adjusted EBITDA ²	\$40M
Cash (as of 12/31)	\$851M ³



(1) Fourth quarter purchasers declined at a faster rate y/y than active customers; purchasers down 41% & 39% in NA and Int'l, respectively
(2) Adjusted EBITDA (AEBITDA) is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Income (loss) from continuing operations"
(3) Includes \$200M of outstanding borrowings under our revolving credit facility

Additional insights on fourth quarter results



Sold 25+ million units in the fourth quarter, demonstrating our scale and durability in the midst of a global pandemic



NA Beauty & Wellness bookings >75% recovered in Oct and certain categories, such as high-end cosmetic services ~90% recovered



Local revenue improved 7% sequentially and gross profit improved 6% sequentially



Goods gross profit improved 42% sequentially



Watching trends closely:

NA Local unit y/y% performance worsened in Dec due to worsening pandemic conditions
Int'l Local began to pull back in late Oct/early Nov as restrictions increased; restrictions continued, and increased in some cases, throughout remainder of fourth quarter

1Q21 and FY21 Perspective

1Q21 perspective

Q1 QTD Trends¹

- North America Local billings are down ~49% year-over-year quarter-to-date, tracking at ~51% of 2019 levels
- International Local billings are down ~63% year-over-year quarter-to-date, tracking at ~37% of 2019 levels

Factors to Consider

- Seasonality: Q1 gross profit and Adjusted EBITDA are typically lower than Q4
- NA Goods: Vast majority of NA Goods Revenue will be recognized on net basis with transition to third-party marketplace
 - International transition will begin in second quarter 2021; expected to be largely complete by end of 3Q21
- Marketing expense: Expect to remain disciplined
- SG&A: Expect to be \$3 to \$5 million above Q4 levels

(1) 1Q21 quarter-to-date as of February 22, 2021; year-over-year and % of 2019 are day of week adjusted

FY21 outlook and perspective

Outlook

- Revenue expected to range from \$930 to \$980 million
- Adjusted EBITDA expected to range from \$100 to \$110 million

Factors to Consider

- Reflects our current expectation for Local recovery and our Goods revenue being largely reflected on a net basis; does not assume a material contribution from the success of our growth strategy
- Expect recovery to gain momentum throughout the year and be significantly weighted to 2H 2021
- Given TTM nature of our active customer metric, expect Q1 customer balance to decrease as we lap first impact of COVID; expect active customer balance to stabilize mid-year
- Expect to increase marketing as a % of gross profit in 2021 as consumer demand returns
- Expect our 2021 fixed cost base (ex SBC/D&A) to be \$200 million lower vs. our 2019 cost base

Unlocking the power of our financial model

- Durable business model and strong balance sheet provide a foundation for growth
- Strengthening our marketplace offering and closing the gap between our large market opportunity and business performance
- Executing on our priorities to **Expand Inventory** and **Modernize the Marketplace** by improving merchant and customer experiences
- Substantially reduced fixed cost base is allowing us to deliver strong Adjusted EBITDA even in a challenging operating environment
 - Actions underway to reduce fixed cost base by \$225 million vs 2019
 - Believe we can grow while sustaining our reduced cost structure
 - If we grow GP to 80% of pre-COVID levels while maintaining our lower fixed cost base, believe we can deliver ~\$250M of Adjusted EBITDA in 2022, and at 90% of pre-COVID GP levels = ~\$300M of Adjusted EBITDA
- Success means returning **Groupon to top-line growth and stronger profitability**



Appendix

Goods revenue recognition 1P vs. 3P example¹: \$100 customer purchase

	First Party Goods	▶ Third Party Goods	
Billings	\$100	\$100	Billings don't change; this is what our customer pays to Groupon
Revenue	\$100	\$17	In 3P model, Groupon revenue is the commission from the sale (net of merchant payment)
Gross Profit	\$15	\$15	Gross Profit dollars are not impacted

- NA transition completed in 4Q 2020
- Expect to begin Int'l transition to 3P model in 2Q 2021 and to be largely complete by end of 3Q 2021
- 3P revenue take rate is lower because it is accounted for on a net basis

(1) Example is for illustrative purposes only and does not reflect any forward looking perspective on Goods margins or volume

Non-GAAP Reconciliations*

Adjusted EBITDA - Quarterly (in thousands)

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Income (loss) from continuing operations.

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Income (loss) from continuing operations	\$ 79,208	\$ (210,860)	\$ (73,112)	\$ (16,561)	\$ 13,971
Adjustments:					
Stock-based compensation	19,098	14,015	8,543	8,379	8,073
Depreciation and amortization	24,360	25,909	24,434	18,023	19,156
Acquisition-related expense (benefit), net	6	4	2	—	—
Restructuring and related charges ⁽¹⁾	206	—	40,478	20,559	3,799
Goodwill impairment	—	109,486	—	—	—
Long-lived asset impairment	—	22,351	—	—	—
Strategic advisor costs	—	3,626	—	—	—
Other (income) expense, net	(39,273)	18,987	1,695	867	(4,581)
Provision (benefit) for income taxes	170	(5,988)	(696)	(486)	(334)
Total adjustments	4,567	188,390	74,456	47,342	26,113
Adjusted EBITDA	<u>\$ 83,775</u>	<u>\$ (22,470)</u>	<u>\$ 1,344</u>	<u>\$ 30,781</u>	<u>\$ 40,084</u>

- (1) Restructuring and related charges includes \$13.9 million, \$3.3 million and \$4.4 million of long-lived asset impairments for the three months ended June 30, 2020, September 30, 2020 and December 31, 2020. It also includes \$1.4 million, \$0.3 million and \$0.0 million of additional stock-based compensation for the three months ended June 30, 2020, September 30, 2020 and December 31, 2020.

Non-GAAP Reconciliations*

Free Cash Flow (in thousands)

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 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Net cash provided by (used in) operating activities from continuing operations	\$ 201,401	\$ (236,408)	\$ 87,112	\$ 4,792	\$ 80,906
Purchases of property and equipment and capitalized software from continuing operations	(15,474)	(10,596)	(14,321)	(11,745)	(12,049)
Free cash flow	\$ 185,927	\$ (247,004)	\$ 72,791	\$ (6,953)	\$ 68,857
Net cash provided by (used in) investing activities from continuing operations	\$ (12,700)	\$ 19,564	\$ (15,568)	\$ (12,469)	\$ (12,873)
Net cash provided by (used in) financing activities	\$ (10,666)	\$ 141,312	\$ 42,862	\$ (3,617)	\$ (3,759)

*See Q4 2020 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures