UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number: **1-35335**

Groupon, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-0903295**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 W Chicago Avenue **Suite 400** **Chicago** **Illinois**	**60654** (Zip Code) **(312) 334-1579**
(Address of principal executive offices)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	**GRPN**	**NASDAQ Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of May 4, 2022, there were 29,960,027 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains 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 the ongoing COVID-19 pandemic 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 in the jurisdictions in which we operate and geopolitical instability resulting from the conflict in Ukraine; global economic uncertainty, including as a result of the inflationary environment; retaining and adding high quality merchants and third-party business partners; 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; risks relating to information or content published or made available on our websites or service offerings we make available; exposure to greater than anticipated tax liabilities; adoption of tax legislation; impacts if we become subject to the Bank Secrecy Act or other anti-money laundering or money transmission laws or regulations; our ability to raise capital if necessary; risks related to our access to capital and outstanding indebtedness, including our convertible senior notes; our common stock, including volatility in our stock price; our ability to realize the anticipated benefits from the capped call transactions relating to our convertible senior notes; 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, 2021 and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Groupon," "the Company," "we," "our," "us" and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GROUPON, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2022	December 31, 2021
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 403,006	$ 498,726
Accounts receivable, net	52,229	36,755
Prepaid expenses and other current assets	53,934	52,570
Total current assets	509,169	588,051
Property, equipment and software, net	70,575	73,581
Right-of-use assets - operating leases, net	43,037	47,958
Goodwill	215,755	216,393
Intangible assets, net	22,801	24,310
Investments	119,541	119,541
Deferred income taxes	62,677	62,945
Other non-current assets	25,598	25,102
Total assets	$ 1,069,153	$ 1,157,881
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$ 100,000	$ 100,000
Accounts payable	29,155	22,165
Accrued merchant and supplier payables	232,217	269,509
Accrued expenses and other current liabilities	217,909	239,313
Total current liabilities	579,281	630,987
Convertible senior notes, net	223,781	223,403
Operating lease obligations	50,666	58,747
Other non-current liabilities	30,583	34,448
Total liabilities	884,311	947,585
Commitments and contingencies (see Note 6)		
Stockholders' equity		
Common stock, par value $0.0001 per share, 100,500,000 shares authorized; 40,226,840 shares issued and 29,932,723 shares outstanding at March 31, 2022; 40,007,255 shares issued and 29,713,138 shares outstanding at December 31, 2021	4	4
Additional paid-in capital	2,300,558	2,294,215
Treasury stock, at cost, 10,294,117 shares at March 31, 2022 and December 31, 2021	(922,666)	(922,666)
Accumulated deficit	(1,191,720)	(1,156,868)
Accumulated other comprehensive income (loss)	(1,444)	(4,813)
Total Groupon, Inc. stockholders' equity	184,732	209,872
Noncontrolling interests	110	424
Total equity	184,842	210,296
Total liabilities and equity	$ 1,069,153	$ 1,157,881

See Notes to Condensed Consolidated Financial Statements.

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2022	2021
Revenue:		
Service	$ 153,320	$ 172,624
Product	—	91,193
Total revenue	153,320	263,817
Cost of revenue:		
Service	19,319	18,425
Product	—	78,409
Total cost of revenue	19,319	96,834
Gross profit	134,001	166,983
Operating expenses:		
Marketing	39,416	33,666
Selling, general and administrative	126,420	127,143
Restructuring and related charges	312	7,422
Total operating expenses	166,148	168,231
Income (loss) from operations	(32,147)	(1,248)
Other income (expense), net	(4,880)	18,123
Income (loss) from operations before provision (benefit) for income taxes	(37,027)	16,875
Provision (benefit) for income taxes	(2,675)	2,427
Net income (loss)	(34,352)	14,448
Net (income) loss attributable to noncontrolling interests	(500)	110
Net income (loss) attributable to Groupon, Inc.	$ (34,852)	$ 14,558
Net income (loss) per share:		
Basic	$ (1.17)	$ 0.50
Diluted	$ (1.17)	$ 0.48
Weighted average number of shares outstanding:		
Basic	29,862,879	29,028,489
Diluted	29,862,879	30,265,563
Comprehensive income (loss):		
Net income (loss)	$ (34,352)	$ 14,448
Other comprehensive income (loss):		
Net change in unrealized gain (loss) on foreign currency translation adjustments	3,369	(49,792)
Reclassification of cumulative foreign currency translation adjustments (See Note 9)	—	32,228
Other comprehensive income (loss)	3,369	(17,564)
Comprehensive income (loss)	(30,983)	(3,116)
Comprehensive (income) loss attributable to noncontrolling interest	(500)	110
Comprehensive income (loss) attributable to Groupon, Inc.	$ (31,483)	$ (3,006)

See Notes to Condensed Consolidated Financial Statements.

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Groupon, Inc. Stockholders' Equity									
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Groupon, Inc. Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount		Shares	Amount					
Balance at December 31, 2021	40,007,255	$ 4	$ 2,294,215	(10,294,117)	$ (922,666)	$ (1,156,868)	$ (4,813)	$ 209,872	$ 424	$ 210,296
Comprehensive income (loss)	—	—	—	—	—	(34,852)	3,369	(31,483)	500	(30,983)
Vesting of restricted stock units and performance share units	308,152	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	30,022	—	591	—	—	—	—	591	—	591
Tax withholdings related to net share settlements of stock-based compensation awards	(118,589)	—	(2,597)	—	—	—	—	(2,597)	—	(2,597)
Stock-based compensation on equity-classified awards	—	—	8,349	—	—	—	—	8,349	—	8,349
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(814)	(814)
Balance at March 31, 2022	40,226,840	$ 4	$ 2,300,558	(10,294,117)	$ (922,666)	$ (1,191,720)	$ (1,444)	$ 184,732	$ 110	$ 184,842

	Groupon, Inc. Stockholders' Equity									
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Groupon, Inc. Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount		Shares	Amount					
Balance at December 31, 2020	39,142,896	$ 4	$ 2,348,114	(10,294,117)	$ (922,666)	$ (1,320,886)	$ 3,109	$ 107,675	$ (1)	$ 107,674
Cumulative effect of change in accounting principle due to adoption of ASU 2020-06, net of tax (see Note 1)	—	—	(64,319)	—	—	45,350	—	(18,969)	—	(18,969)
Comprehensive income (loss)	—	—	—	—	—	14,558	(17,564)	(3,006)	(110)	(3,116)
Vesting of restricted stock units and performance share units	308,954	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	23,418	—	349	—	—	—	—	349	—	349
Tax withholdings related to net share settlements of stock-based compensation awards	(122,931)	—	(4,901)	—	—	—	—	(4,901)	—	(4,901)
Purchase of convertible note hedges	—	—	(23,840)	—	—	—	—	(23,840)	—	(23,840)
Stock-based compensation on equity-classified awards	—	—	8,387	—	—	—	—	8,387	—	8,387
Receipts from noncontrolling interest holders	—	—	—	—	—	—	—	—	36	36
Balance at March 31, 2021	39,352,337	$ 4	$ 2,263,790	(10,294,117)	$ (922,666)	$ (1,260,978)	$ (14,455)	$ 65,695	$ (75)	$ 65,620

See Notes to Condensed Consolidated Financial Statements.

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net income (loss)	$ (34,352)	$ 14,448
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property, equipment and software	15,200	14,727
Amortization of acquired intangible assets	2,169	2,292
Stock-based compensation	7,506	7,179
Foreign currency translation adjustments reclassified into earnings	—	(32,228)
Change in assets and liabilities:		
Accounts receivable	(15,963)	(2,812)
Prepaid expenses and other current assets	(2,092)	(1,640)
Right-of-use assets - operating leases	4,609	5,122
Accounts payable	7,088	5,896
Accrued merchant and supplier payables	(35,904)	(76,884)
Accrued expenses and other current liabilities	(18,366)	9,823
Operating lease obligations	(7,648)	(6,007)
Other, net	(411)	13,679
Net cash provided by (used in) operating activities	(78,164)	(46,405)
Investing activities		
Purchases of property and equipment and capitalized software	(13,001)	(12,040)
Acquisitions of intangible assets and other investing activities	(915)	(704)
Net cash provided by (used in) investing activities	(13,916)	(12,744)
Financing activities		
Proceeds from issuance of 2026 convertible notes	—	200,000
Proceeds from (payments of) borrowings under revolving credit agreement	—	(100,000)
Issuance costs for 2026 convertible notes and revolving credit agreement	—	(6,572)
Purchase of capped call transactions	—	(23,840)
Taxes paid related to net share settlements of stock-based compensation awards	(2,523)	(4,901)
Payments of finance lease obligations	(218)	(2,061)
Other financing activities	(223)	(8)
Net cash provided by (used in) financing activities	(2,964)	62,618
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(771)	(7,466)
Net increase (decrease) in cash, cash equivalents and restricted cash	(95,815)	(3,997)
Cash, cash equivalents and restricted cash, beginning of period [(1)]	499,483	851,085
Cash, cash equivalents and restricted cash, end of period [(1)]	$ 403,668	$ 847,088

	Three Months Ended March 31,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,721	$ 1,375
Income tax payments	1,597	1,099

(1) The following table provides a reconciliation of cash, cash equivalents and restricted cash shown above to amounts reported within the condensed consolidated balance sheets as of March 31, 2022, December 31, 2021, March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2022	December 31, 2021	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 403,006	$ 498,726	$ 676,799	$ 850,587
Restricted cash included in prepaid expenses and other current assets	662	757	504	498
Restricted cash - non-current	—	—	169,785	—
Cash, cash equivalents and restricted cash	$ 403,668	$ 499,483	$ 847,088	$ 851,085

See Notes to Condensed Consolidated Financial Statements.

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company Information

Groupon, Inc. and its subsidiaries, which commenced operations in October 2008, is a global scaled two-sided marketplace that connects consumers to merchants by offering goods and services, generally at a discount. Consumers access those marketplaces through our mobile applications and our websites.

Our operations are organized into two segments: North America and International. See Note 13, *Segment Information*.

COVID-19 Pandemic

Since March 2020, the COVID-19 pandemic has led to a significant disruption in our business due to changes in consumer behavior and impacts on our merchants. Recovery from the COVID-19 pandemic has been and could continue to be volatile and prolonged given the unprecedented and continuously-evolving nature of the situation.

Unaudited Interim Financial Information

We have prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the SEC for interim financial reporting. These condensed consolidated financial statements are unaudited and, in our opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations and comprehensive income (loss), cash flows and stockholders' equity for the periods presented. These condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Groupon, Inc. and its wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control and variable interest entities for which we are the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation. Outside stockholders' interests in subsidiaries are shown on the condensed consolidated financial statements as Noncontrolling interests. Investments in entities in which we do not have a controlling financial interest are accounted for at fair value, as available-for-sale securities or at cost adjusted for observable price changes and impairments, as appropriate.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates in our financial statements include, but are not limited to, the following: variable consideration from unredeemed vouchers; income taxes; leases; initial valuation and subsequent impairment testing of goodwill, other intangible assets and long-lived assets; investments; receivables; customer refunds and other reserves; contingent liabilities; and the useful lives of property, equipment and software and intangible assets. Actual results could differ materially from those estimates.

Reclassifications

Certain reclassifications have been made to the condensed consolidated financial statements of prior periods to conform to the current period presentation.

Adoption of New Accounting Standards

We early adopted the guidance in ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* on January 1, 2021. The ASU removes the separation models for convertible debt with a cash conversion feature or convertible instruments with a beneficial conversion feature. Additionally, the ASU removes certain conditions for equity classification related to contracts in an entity’s own equity (e.g., warrants) and amends certain guidance related to the computation of income (loss) per share for convertible instruments and contracts in an entity’s own equity.

Prior to the adoption of ASU 2020-06, we separated the convertible senior notes due 2022 (the "Atairos Notes") into their liability and equity components. Following the adoption of ASU 2020-06, the previously bifurcated equity component of the Atairos Notes was recombined with the liability component, resulting in a single liability-classified instrument. The carrying value of the Atairos Notes at transition was determined by recalculating the basis of the Atairos Notes as if the conversion option had not been bifurcated at issuance. Transaction costs related to the issuance of the Atairos Notes that were allocated to the equity component were reclassified out of Additional paid-in-capital and the amortization and the related debt discount associated with these costs was recalculated through the transition date. The transaction costs were recorded as a debt discount in the condensed consolidated balance sheets and amortized to interest expense over the remaining term of the Atairos Notes. Together with the cash interest, this resulted in an effective interest rate of 3.76%. As a result of adopting ASU 2020-06, in the first quarter of 2021, we recorded a $67.0 million net reduction to additional paid-in capital, a $19.0 million increase to Convertible senior notes, net and a $48.0 million reduction to our opening accumulated deficit as of January 1, 2021. In the fourth quarter of 2021, we recorded an additional $2.7 million adjustment to our opening accumulated deficit and additional paid-in capital related to tax impacts of our bond hedges.

NOTE 2. GOODWILL AND LONG-LIVED ASSETS

The following table summarizes goodwill activity by segment for the three months ended March 31, 2022 (in thousands):

	North America	International [(1)]	Consolidated
Balance as of December 31, 2021	$ 178,685	$ 37,708	$ 216,393
Foreign currency translation	—	(638)	(638)
Balance as of March 31, 2022	$ 178,685	$ 37,070	$ 215,755

(1) As of December 31, 2021, the International reporting unit had a negative carrying value.

During the first quarter 2022, we determined the impact to our business from the new variant of COVID-19 required us to evaluate our goodwill and long-lived assets for impairment. In order to evaluate goodwill and long-lived assets for impairment in the first quarter 2022, we compared the fair values of our two reporting units, North America and International, and asset groups to their carrying values. In determining the fair values of our reporting units and asset groups, we used the discounted cash flow method under the income approach that uses Level 3 inputs. The fair value of the reporting units and asset groups exceeded the carrying value; therefore, we concluded that goodwill and long-lived assets were not impaired for either of our reporting units during the first quarter 2022.

The following table summarizes intangible assets as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022			December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	$ 19,420	$ 13,037	$ 6,383	$ 19,976	$ 12,554	$ 7,422
Trade names	9,533	8,260	1,273	9,604	8,215	1,389
Patents	12,856	5,893	6,963	12,455	5,712	6,743
Other intangible assets	17,558	9,376	8,182	17,573	8,817	8,756
Total	$ 59,367	$ 36,566	$ 22,801	$ 59,608	$ 35,298	$ 24,310

Amortization of intangible assets is computed using the straight-line method over their estimated useful lives, which range from 1 to 10 years. Amortization expense related to intangible assets was $2.2 million and $2.3 million for the three months ended March 31, 2022 and 2021. As of March 31, 2022, estimated future amortization expense related to intangible assets is as follows (in thousands):

Remaining amounts in 2022	$ 6,427
2023	7,449
2024	3,817
2025	2,270
2026	1,392
Thereafter	1,446
Total	$ 22,801

NOTE 3. INVESTMENTS

As of March 31, 2022 and December 31, 2021, our carrying value in other equity investments was $119.5 million and our available-for-sale securities and fair value option investments had a carrying value of zero. There were no changes in fair value of our investments for the three months ended March 31, 2022 and 2021.

The following table summarizes our percentage ownership in our investments as of the dates noted below:

	March 31, 2022 and December 31, 2021		
Other equity investments	1%	to	19%
Available-for-sale securities - redeemable preferred shares	1%	to	19%
Fair value option investments	10%	to	19%

NOTE 4. SUPPLEMENTAL CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS INFORMATION

The following table summarizes other income (expense), net for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
Interest income	$ 1,315	$ 1,155
Interest expense	(2,883)	(5,116)
Foreign currency gains (losses), net and other (1)	(3,312)	22,084
Other income (expense), net	$ (4,880)	$ 18,123

(1) Includes a $32.2 million cumulative foreign currency translation adjustment gain for the three months ended March 31, 2021 that was reclassified into earnings as a result of the substantial liquidation of our subsidiary in Japan as part of our restructuring actions. See Note 9, *Restructuring and Related Charges,* for additional information.

The following table summarizes prepaid expenses and other current assets as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Prepaid expenses	$ 25,978	$ 28,550
Income taxes receivable	12,069	7,711
Deferred cloud implementation cost	6,476	6,476
Other	9,411	9,833
Total prepaid expenses and other current assets	$ 53,934	$ 52,570

The following table summarizes other non-current assets as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Deferred contract acquisition costs	6,215	7,080
Deferred cloud implementation costs	13,058	11,986
Other	6,325	6,036
Total other non-current assets	$ 25,598	$ 25,102

The following table summarizes accrued expenses and other current liabilities as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Refund reserve	$ 16,512	$ 19,601
Compensation and benefits	25,678	30,367
Accrued marketing	18,580	37,900
Restructuring-related liabilities	7,860	11,349
Customer credits	52,814	56,558
Deferred revenue	4,560	3,523
Operating and finance lease obligations	32,320	32,663
Deferred cloud computing contract incentive	3,000	3,000
Other (1)	56,585	44,352
Total accrued expenses and other current liabilities	$ 217,909	$ 239,313

(1) Includes certain payroll taxes deferred under the Coronavirus Aid, Relief and Economic Security ("CARES") Act of $2.7 million as of March 31, 2022 and December 31, 2021.

The following table summarizes other non-current liabilities as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Contingent income tax liabilities	$ 23,977	$ 24,213
Deferred income taxes	2,736	2,802
Other	3,870	7,433
Total other non-current liabilities	$ 30,583	$ 34,448

NOTE 5. FINANCING ARRANGEMENTS

3.25% Convertible Senior Notes due 2022

In April 2016, we issued $250.0 million in aggregate principal amount of convertible senior notes (the "Atairos Notes") in a private placement to A-G Holdings, L.P. In May 2021, we repurchased the Atairos Notes for an aggregate purchase price equal to $255.0 million, consisting of the $250.0 million outstanding principal amount, $1.0 million of accrued interest through the repurchase date and a $4.0 million prepayment penalty. In connection with the repurchase of the Atairos Notes, we recognized a $5.1 million loss on the early extinguishment.

Note Hedges and Warrants

In May 2016, we purchased convertible note hedges with respect to our common stock for a cost of $59.1 million from certain bank counterparties. The convertible note hedges were intended to reduce the potential economic dilution upon conversion of the Atairos Notes. In May 2016, we also sold warrants for total cash proceeds of $35.5 million to certain bank counterparties.

In connection with the repurchase of the Atairos Notes, we entered into agreements (collectively "the Unwind Agreements") with each of the bank counterparties in May 2021 to unwind the convertible note hedges and warrants. Pursuant to the terms of the Unwind Agreements, we received cash proceeds of $2.3 million for the settlement of the convertible note hedges and paid cash consideration of $1.3 million for the settlement of the warrants.

1.125% Convertible Senior Notes due 2026

In March and April 2021, we issued $200.0 million and an additional $30.0 million for a total $230.0 million aggregate principal amount of convertible senior notes due 2026 (the "2026 Notes") in a private offering to qualified institutional buyers. The net proceeds from this offering were $222.1 million. The 2026 Notes bear interest at a rate of 1.125% per annum, payable semiannually in arrears on March 15 and September 15 of each year, which began on September 15, 2021. The 2026 Notes will mature on March 15, 2026, subject to earlier repurchase, redemption or conversion.

We used $23.8 million in the first quarter 2021 and an additional $3.6 million in the second quarter 2021 for a total of $27.4 million of the net proceeds from the offering to pay the cost of certain related capped call transactions and used the remaining net proceeds, together with cash on hand, to repurchase the Atairos Notes.

We account for the 2026 Notes as a single liability-classified instrument measured at amortized cost due to the adoption of ASU 2020-06. The carrying value of the 2026 Notes was determined by deducting transaction costs incurred in connection with the issuance of the 2026 Notes of $6.8 million in the first quarter 2021 and $1.0 million in the second quarter 2021 for a total of $7.8 million from the principal amount. Those transaction costs were recorded as a debt discount in the condensed consolidated balance sheets and are amortized to interest expense. Together with the cash interest, this results in an effective interest rate of 1.83% over the term of the 2026 Notes. We have presented the 2026 Notes in non-current liabilities in the accompanying condensed consolidated balance sheets.

The carrying amount of the 2026 Notes consisted of the following as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Principal amount	$ 230,000	$ 230,000
Less: debt discount	(6,219)	(6,597)
Net carrying amount of liability	$ 223,781	$ 223,403

We classified the fair value of the 2026 Notes as a Level 3 measurement due to the lack of observable market data over fair value inputs such as our stock price volatility over the term of the 2026 Notes and our cost of debt. The estimated fair value of the 2026 Notes as of March 31, 2022 and December 31, 2021 was $182.9 million and $183.3 million and was determined using a lattice model.

During the three months ended March 31, 2022 and 2021, we recognized interest costs on the 2026 Notes and the Atairos Notes as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Contractual interest	$ 647	$ 2,032
Amortization of debt discount	378	303
Total	$ 1,025	$ 2,335

Capped Call Transactions

In March and April 2021, in connection with the offering of the 2026 Notes, we entered into privately-negotiated capped call transactions with each of Barclays Bank PLC, BNP Paribas and Mizuho Markets Americas LLC. The capped call transactions cover, subject to customary adjustments, the number of shares of common stock initially underlying the 2026 Notes. The capped call transactions are expected generally to reduce potential dilution to our common stock upon any conversion of the 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, with such reduction and/or offset subject to a cap initially equal to $104.80 (which represents a premium of 100% over the last reported sale price of our common stock on The Nasdaq Global Select Market on March 22, 2021), subject to certain adjustments under the terms of the capped call transactions.

The capped call transactions are accounted for as freestanding derivatives and recorded at the initial fair value in Additional paid-in-capital in the condensed consolidated balance sheets with no recorded subsequent change to fair value as long as they meet the criteria for equity classification.

Under the if-converted method, the shares of common stock underlying the conversion option in the 2026 Notes are included in the diluted income (loss) per share denominator and the interest expense and amortization of the debt discount on the 2026 Notes, net of tax, are added to the numerator. However, upon conversion, there will be minimized economic dilution from the 2026 Notes, as exercise of the capped call transactions reduces dilution from the 2026 Notes that would have otherwise occurred when the price of our common stock exceeds the conversion price. The capped call transactions are intended to offset actual dilution from the conversion of the 2026 Notes and to effectively increase the overall conversion price from $68.12 to $104.80 per share.

Revolving Credit Agreement

In May 2019, we entered into a second amended and restated senior secured revolving credit agreement which provided for aggregate principal borrowings of up to $400.0 million (prior to the amendments described below) and matures in May 2024. In July 2020, we entered into an amendment to the revolving credit agreement (the "First Amendment") which permanently reduces borrowing capacity under our senior secured revolving credit facility from $400.0 million to $225.0 million. In March 2021, we entered into a second amendment to the revolving credit agreement (the "Second Amendment" and the revolving credit agreement as amended, the "Amended Credit Agreement") to, amongst other things, permit the issuance of the 2026 Notes and related capped call transactions.

We deferred debt issuance costs of $3.5 million as a result of entering into the Amended Credit Agreement. Deferred debt issuance costs are included within Other non-current assets on the condensed consolidated balance sheet as of March 31, 2022 and are amortized to interest expense over the term of the respective agreement.

The Second Amendment permanently removed requirements that we maintain (i) a maximum senior secured indebtedness to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio and (ii) unrestricted cash of not less than $250.0 million. The Second Amendment also changes the requirement to maintain a minimum fixed charge coverage ratio to a requirement to maintain a minimum interest coverage ratio. Access to our full borrowing capacity under the Amended Credit Agreement may be restricted based on certain of our financial covenants. In particular, our borrowing capacity is a function of our Funded Indebtedness to EBITDA Ratio as defined in the Amended Credit Agreement.

In addition, under the Amended Credit Agreement, we are subject to various covenants, including customary restrictive covenants that limit our ability to, among other things: incur additional indebtedness; make dividend and other restricted payments, including limiting the amount of our share repurchases; enter into sale and leaseback transactions; make investments, loans or advances; grant or incur liens on assets; sell assets; engage in mergers, consolidations, liquidations or dissolutions; and engage in transactions with related parties and other affiliates.

As of March 31, 2022, we were in compliance with the applicable covenants under our Amended Credit Agreement based on the borrowings outstanding under our Amended Credit Agreement. Non-compliance with the covenants under the Amended Credit Agreement may result in termination of the commitments thereunder and any then outstanding borrowings may be declared due and payable immediately. We have the right to terminate the Amended Credit Agreement or reduce the available commitments at any time.

Borrowings under the Amended Credit Agreement bear (a) interest at a rate per annum equal to (i) an adjusted LIBO rate or (ii) a customary base rate (with loans denominated in certain currencies bearing interest at rates specific to such currencies) plus an additional margin ranging between 0.50% and 2.00% and (b) commitment fees ranging from 0.25% to 0.35% on the daily amount of unused commitments. The Amended Credit Agreement also includes a replacement mechanism for the discontinuation of the adjusted LIBO rate. In addition, the Amended Credit Agreement provides for the issuance of up to $75.0 million in letters of credit, provided that the sum of outstanding borrowings and letters of credit do not exceed the maximum funding commitment of $225.0 million.

The Amended Credit Agreement is secured by substantially all of our tangible and intangible assets, including a pledge of 100% of the outstanding capital stock of substantially all of our direct and indirect domestic subsidiaries and 65% of the shares or equity interests of first-tier foreign subsidiaries and each U.S. entity whose assets substantially consist of capital stock and/or intercompany debt of one or more foreign subsidiaries, subject to certain exceptions. Certain of our domestic and foreign subsidiaries are guarantors under the Amended Credit Agreement.

We had $100.0 million of outstanding borrowings and $25.0 million of outstanding letters of credit as of March 31, 2022, and $100.0 million of outstanding borrowings and $25.8 million of outstanding letters of credit as of December 31, 2021 under the Amended Credit Agreement.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Our contractual obligations and commitments and future operating income under our operating subleases as of March 31, 2022 and through the date of this report, did not materially change from the amounts set forth in our 2021 Annual Report on Form 10-K.

Legal Matters and Other Contingencies

From time to time, we are party to various legal proceedings incident to the operation of our business. For example, we currently are involved in proceedings brought by merchants, employment and related matters, intellectual property infringement suits, customer lawsuits, stockholder claims relating to U.S. securities law, consumer class actions and suits alleging, among other things, violations of state consumer protection or privacy laws.

On April 28, 2020, an individual plaintiff filed a securities fraud class action complaint in the United States District Court for the Northern District of Illinois, and in July 2020, another individual was appointed as lead plaintiff (the "Securities Lawsuit"). The lawsuit covers the time period from July 30, 2019 through February 18, 2020. The lead plaintiff alleges that Groupon and certain of its officers made materially false and/or misleading statements or omissions regarding its business, operations and prospects, specifically as it relates to reiterating its full year guidance on November 4, 2019 and the Groupon Select program. On May 6, 2022, the parties reached an agreement to settle this matter in its entirety for $13.5 million and signed a term sheet memorializing preliminary terms. The settlement is subject to further agreement on full terms and court approval. If the settlement is approved, the Court will certify a class for the purposes of settlement and all class members will be barred from filing future claims unless they opt out of the class settlement through a court-established opt-out procedure. The full amount of the $13.5 million settlement is covered under Groupon's insurance policies and, under the preliminary terms, the settlement payment will be made directly by Groupon's insurance carriers. The settlement accrual and insurance receivable are recorded in Accrued expenses and other current liabilities and Accounts receivable, net on the condensed consolidated balance sheets.

In addition, three shareholders have filed separate shareholder derivative lawsuits in relation to the same events that are subject to the securities litigation described above (collectively, the "Derivative Lawsuits"). First, on September 9, 2021, a shareholder named Jonathan Frankel filed a federal derivative lawsuit in the United States District Court for District of Delaware. Second, on January 19, 2022, a shareholder named Alyssa Estreen filed a derivative lawsuit in the Court of Chancery in the State of Delaware. Finally, on January 24, 2022, a shareholder named Saman Khoury filed a derivative lawsuit, also in the Court of Chancery in the State of Delaware. All three lawsuits name Groupon and certain of the Company's former and current officers and directors. The allegations in all three Derivative Lawsuits relate to the same time period and events that are the subject of the Securities Lawsuit and allege that the Company and its shareholders have sustained damages as a result of the conduct of certain current and former officers and directors. The Plaintiffs in each of these Derivative Lawsuits seek unspecified damages they allege were sustained by the Company, injunctive and equitable relief and attorneys' fees. We intend to vigorously defend this matter, which we believe to be without merit.

In addition, third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to intellectual property disputes, including patent infringement claims, and expect that we will continue to be subject to intellectual property infringement claims as our services expand in scope and complexity. In the past, we have litigated such claims, and we are presently involved in several patent infringement and other intellectual property-related claims, including pending litigation or trademark disputes relating to, for example, our Goods category, some of which could involve potentially substantial claims for damages or injunctive relief. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act are interpreted by the courts, and we become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws may be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and often costly to resolve, could require expensive changes in our methods of doing business or the goods we sell, or could require us to enter into costly royalty or licensing agreements.

We also are subject to consumer claims or lawsuits relating to alleged violations of consumer protection or privacy rights and statutes, some of which could involve potentially substantial claims for damages, including statutory or punitive damages. Consumer and privacy-related claims or lawsuits, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, fines and penalties, injunctive relief or increased costs of doing business through adverse judgment or settlement, or require us to change our business practices, sometimes in expensive ways.

We are also subject to, or in the future may become subject to, a variety of regulatory inquiries, audits, and investigations across the jurisdictions where we conduct our business, including, for example, inquiries related to consumer protection, employment matters and/or hiring practices, marketing practices, tax, unclaimed property and privacy rules and regulations. Any regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, fines and penalties, injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources, materially damage our brand or reputation, or otherwise harm our business.

We establish an accrued liability for loss contingencies related to legal and regulatory matters when the loss is both probable and reasonably estimable. Those accruals represent management's best estimate of probable losses and, in such cases, there may be an exposure to loss in excess of the amounts accrued. For certain of the matters described above, there are inherent and significant uncertainties based on, among other factors, the stage of the proceedings, developments in the applicable facts of law, or the lack of a specific damage claim. However, we believe that the amount of reasonably possible losses in excess of the amounts accrued for those matters would not have a material adverse effect on our business, condensed consolidated financial position, results of operations or cash flows. Our accrued liabilities for loss contingencies related to legal and regulatory matters may change in the future as a result of new developments, including, but not limited to, the occurrence of new legal matters, changes in the law or regulatory environment, adverse or favorable rulings, newly discovered facts relevant to the matter, or changes in the strategy for the matter. Regardless of the outcome, litigation and other regulatory matters can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In connection with the disposition of our operations in Latin America in 2017, we recorded $5.4 million in indemnification liabilities for certain tax and other matters upon the closing of the transactions as an adjustment to the net loss on the dispositions within discontinued operations at their fair value. We estimated the indemnification liabilities using a probability-weighted expected cash flow approach. Our remaining indemnification liabilities were $2.8 million as of March 31, 2022. We estimate that the total amount of obligations that are reasonably possible to arise under the indemnifications in excess of amounts accrued as of March 31, 2022 is approximately $11.7 million.

In the normal course of business to facilitate transactions related to our operations, we indemnify certain parties, including employees, lessors, service providers, merchants, and counterparties to investment agreements and asset and stock purchase agreements with respect to various matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims made against those parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. We are also subject to increased exposure to various claims as a result of our divestitures and acquisitions, particularly in cases where we are entering into new businesses in connection with such acquisitions. We may also become more vulnerable to claims as we expand the range and scope of our services and are subject to laws in jurisdictions where the underlying laws with respect to potential liability are either unclear or less favorable. In addition, we have entered into indemnification agreements with our officers, directors and underwriters, and our bylaws contain similar indemnification obligations that cover officers, directors, employees and other agents.

Except as noted above, it is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, any payments that we have made under these agreements have not had a material impact on our operating results, financial position or cash flows.

NOTE 7. STOCKHOLDERS' EQUITY AND COMPENSATION ARRANGEMENTS

Restricted Stock Units

The restricted stock units granted under the Groupon, Inc. Stock Plans (the "Plans") generally have vesting periods between one and four years and are amortized on a straight-line basis over their requisite service period.

The table below summarizes restricted stock unit activity under the Plans for the three months ended March 31, 2022:

	Restricted Stock Units		Weighted-Average Grant Date Fair Value (per unit)
Unvested at December 31, 2021	2,205,235	$	31.06
Granted	172,072		30.34
Vested	(287,658)		27.84
Forfeited	(73,686)		38.81
Unvested at March 31, 2022	2,015,963	$	31.10

As of March 31, 2022, $44.0 million of unrecognized compensation costs related to unvested restricted stock units are expected to be recognized over a remaining weighted-average period of 1.1 years.

Performance Share Units

We have previously granted performance share units under the Plans that vest in shares of our common stock upon the achievement of financial and operational targets specified in the respective award agreement ("Performance Share Units"). We have also granted performance share units subject to a market condition ("Market-based Performance Share Units"). Our existing Performance Share Units and Market-based Performance Share Units are subject to continued employment through the performance period dictated by the award and certification by the Compensation Committee of the Board that the specified performance conditions have been achieved.

During the three months ended March 31, 2022, 20,494 shares of our common stock were issued upon vesting of Performance Share Units granted in 2020 and prior based on the Board's certification of our financial and operational metrics for the year ended December 31, 2021. The weighted average grant date fair value of those shares was $31.97 per share. As of March 31, 2022, we have recognized substantially all expense related to the 17,269 unvested Performance Share Units and the 33,333 unvested Market-based Performance Share Units.

NOTE 8. REVENUE RECOGNITION

Refer to Note 13, *Segment Information*, for revenue summarized by reportable segment and category for the three months ended March 31, 2022 and 2021.

Customer Credits

We issue credits to customers that can be applied to future purchases through our online marketplaces. Credits are primarily issued as consideration for refunds. To a lesser extent, credits are issued for customer relationship purposes. The following table summarizes the activity in the liability for customer credits for the three months ended March 31, 2022 (in thousands):

		Customer Credits
Balance as of December 31, 2021	$	56,558
Credits issued		40,502
Credits redeemed [(1)]		(36,305)
Breakage revenue recognized		(7,745)
Foreign currency translation		(196)
Balance as of March 31, 2022	$	52,814

(1) Customer credits can be redeemed through our online marketplaces for goods or services provided by a third-party merchant and service revenue is recognized on a net basis as the difference between the carrying amount of the customer credit liability derecognized and the amount due to the merchant for the related transaction. Historically, customer credits have primarily been used within one year of issuance; however, usage patterns have been impacted from changes in customer behavior due to COVID-19.

Costs of Obtaining Contracts

Incremental costs to obtain contracts with third-party merchants, such as sales commissions, are deferred and recognized over the expected period of the merchant arrangement, generally from 12 to 18 months. Deferred contract acquisition costs are presented in Prepaid expenses and other current assets and Other non-current assets on the condensed consolidated balance sheets. As of March 31, 2022 and December 31, 2021, deferred contract acquisition costs were $7.0 million and $8.0 million.

The amortization of deferred contract acquisition costs is classified within Selling, general and administrative expense in the condensed consolidated statements of operations. For the three months ended March 31, 2022 and 2021, we amortized $2.9 million and $2.6 million of deferred contract acquisition costs and did not recognize any impairments in relation to the deferred costs.

Allowance for Expected Credit Losses on Accounts Receivable

Accounts receivable primarily represents the net cash due from credit card and other payment processors and from merchants and performance marketing networks for commissions earned on consumer purchases. We establish an allowance for expected credit losses on accounts receivables based on identifying the following customer risk characteristics: size, type of customer, and payment terms offered in the normal course of business. Receivables with similar risk characteristics are grouped into pools. For each pool, we consider the historical credit loss experience, current economic conditions, bankruptcy filings, published or estimated credit default rates, age of the receivable and any recoveries in assessing the lifetime expected credit losses.

The following table summarizes the activity in the allowance for expected credit losses on accounts receivable for the three months ended March 31, 2022 (in thousands):

	Allowance for Expected Credit Losses
Balance as of December 31, 2021	$ 7,974
Change in provision	343
Write-offs	(584)
Foreign currency translation	(125)
Balance as of March 31, 2022	$ 7,608

Variable Consideration for Unredeemed Vouchers

For merchant agreements with redemption payment terms, the merchant is not paid its share of the sale price for a voucher sold through one of our online marketplaces until the customer redeems the related voucher. If the customer does not redeem a voucher with such merchant payment terms, we retain all of the gross billings for that voucher, rather than retaining only our net commission. We estimate the variable consideration from vouchers that will not ultimately be redeemed using our historical voucher redemption experience and recognize that amount as revenue at the time of sale. We apply a constraint to ensure it is probable that a significant reversal of revenue will not occur in future periods. We have also observed redemption rates lower than our historical estimates for vouchers sold at the onset of the COVID-19 pandemic, the substantial majority of which reached expiration during the year ended December 31, 2021. Although redemption rates for vouchers sold in more recent periods have improved, the impact of COVID-19 on redemption behavior in future periods is still uncertain. When actual redemptions differ from our estimates, the effects could be material to the condensed consolidated financial statements.

NOTE 9. RESTRUCTURING AND RELATED CHARGES

In April 2020, the Board approved a multi-phase restructuring plan related to our previously announced strategic shift and as part of the cost cutting measures implemented in response to the impact of COVID-19 on our business. We have incurred total pretax charges of $107.0 million since the inception of the restructuring plan. Our actions under the plan were substantially completed by December 31, 2021, and our current and future charges or credits will be from changes in estimates. Our restructuring plan included workforce reductions of approximately 1,600 positions globally, the exit or discontinuation of the use of certain leases and other assets, impairments of our right-of-use and other long-lived assets, and the exit of our operations in New Zealand and Japan. In the first quarter 2021, we substantially liquidated our subsidiary in Japan and reclassified $32.2 million of cumulative foreign currency translation gains into earnings, which is presented in Other income (expense), net on the condensed consolidated statements of operations for the three months ended March 31, 2021. Costs incurred related to the restructuring plan are classified as Restructuring and related charges on the condensed consolidated statements of operations.

The following tables summarize costs incurred by segment related to the restructuring plan for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31, 2022			
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 1	$ 44	$ 356	$ 401
International	(289)	37	163	(89)
Consolidated	$ (288)	$ 81	$ 519	$ 312

	Three Months Ended March 31, 2021			
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 442	$ 807	$ 741	$ 1,990
International	6,460	(22)	(1,006)	5,432
Consolidated	$ 6,902	$ 785	$ (265)	$ 7,422

As a part of our restructuring plan, we terminated or modified several of our leases. In other cases we vacated our leased facilities, and some of those facilities are being actively marketed for sublease or we are in negotiations with the landlord to potentially terminate or modify those leases. Rent expense, including amortization of the right-of-use asset and accretion of the operating lease liability, sublease income, termination and modification gains and losses, and other variable lease costs related to the leased facilities vacated as part of our restructuring plan are presented within Restructuring and related charges in the condensed consolidated statements of operations. The current and non-current liabilities associated with these leases continue to be presented within Other current liabilities and Operating lease obligations in the condensed consolidated balance sheets.

The following table summarizes restructuring liability activity (in thousands):

	Employee Severance and Benefit Costs	Other Exit Costs	Total
Balance as of December 31, 2021	$ 11,038	$ 311	$ 11,349
Charges payable in cash	(288)	81	(207)
Cash payments	(2,952)	(117)	(3,069)
Foreign currency translation	(167)	(46)	(213)
Balance as of March 31, 2022 (1)	$ 7,631	$ 229	$ 7,860

(1) Substantially all of the remaining cash payments for those costs are expected to be disbursed through 2022.

NOTE 10. INCOME TAXES

Our income tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items.

Provision (benefit) for income taxes and income (loss) from continuing operations before provision (benefit) for income taxes for the three months ended March 31, 2022 and 2021 was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Provision (benefit) for income taxes	$ (2,675)	$ 2,427
Income (loss) before provision (benefit) for income taxes	(37,027)	16,875

Our U.S. Federal income tax rate is 21%. The primary factor impacting the effective tax rate for the three months ended March 31, 2022 and 2021 was the pretax losses incurred in jurisdictions that have valuation allowances against their net deferred tax assets. The three months ended March 31, 2021 were also impacted by the benefit of non-taxable items and the U.S. research and development tax credit. For the three months ended March 31, 2021, we had a full valuation recorded against the U.S. federal and state deferred tax assets. We recorded a partial valuation allowance release in Q4 2021. For the three months ended March 31, 2022, we continue to maintain a valuation allowance in the U.S. against capital losses, deferred tax assets that will convert into capital losses upon reversal, and state credits that we are not expecting to be able to realize. We expect that our consolidated effective tax rate in future periods will continue to differ significantly from the U.S. federal income tax rate as a result of our tax obligations in jurisdictions with profits and valuation allowances in jurisdictions with losses.

We are currently undergoing income tax audits in multiple jurisdictions. It is likely that the examination phase of some of those audits will conclude in the next 12 months. There are many factors, including factors outside of our control, which influence the progress and completion of those audits. We are subject to claims for tax assessments by foreign jurisdictions, including a proposed assessment for $116.0 million, inclusive of estimated incremental interest from the original assessment. We believe that the assessment, which primarily relates to transfer pricing on transactions occurring in 2011, is without merit and we intend to vigorously defend ourselves in that matter. In addition to any potential increases in our liabilities for uncertain tax positions from the ultimate resolution of that assessment, we believe that it is reasonably possible that reductions of up to $25.8 million in unrecognized tax benefits may occur within the 12 months following March 31, 2022, upon closing of income tax audits or the expiration of applicable statutes of limitations.

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. An actual repatriation from our non-U.S. subsidiaries could be subject to foreign and U.S. state income taxes. Aside from limited exceptions for which the related deferred tax liabilities recognized as of March 31, 2022 and December 31, 2021 are immaterial, we do not intend to distribute earnings of foreign subsidiaries for which we have an excess of the financial reporting basis over the tax basis of our investments and therefore have not recorded any deferred taxes related to such amounts. The actual tax cost resulting from a distribution would depend on income tax laws and circumstances at the time of distribution. Determination of the amount of unrecognized deferred tax liability related to the excess of the financial reporting basis over the tax basis of our foreign subsidiaries is not practical due to the complexities associated with the calculation.

NOTE 11. FAIR VALUE MEASUREMENTS

Fair value is defined under U.S. GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability.

In determining fair value, we use various valuation approaches within the fair value measurement framework. The valuation methodologies used for our assets and liabilities measured at fair value and their classification in the valuation hierarchy are summarized below:

Fair value option investments and available-for-sale securities. We have fair value option investments and available-for-sale securities that we measure using the income approach. We have classified these investments as Level 3 due to the lack of observable market data over fair value inputs such as cash flow projections and discount rates.

Contingent consideration. During the first quarter 2021, we settled a contingent consideration arrangement to the former owners of a business previously acquired in 2018. We use the income approach to value contingent consideration obligations based on future financial performance. We have previously classified our contingent consideration as Level 3 due to the lack of relevant observable market data over fair value inputs such as probability-weighting of payment outcomes.

There was no material activity in the fair value of recurring Level 3 fair value measurements for the three months ended March 31, 2022 and 2021.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis, including assets that are written down to fair value as a result of an impairment or increased due to an observable price change in an orderly transaction.

We did not record any significant nonrecurring fair value measurements for the three months ended March 31, 2022 and 2021.

Estimated Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

Our financial instruments not carried at fair value consist primarily of accounts receivable, restricted cash, short-term borrowings, accounts payable, accrued merchant and supplier payables and accrued expenses. The carrying values of those assets and liabilities approximate their respective fair values as of March 31, 2022 and December 31, 2021 due to their short-term nature.

NOTE 12. INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities include restricted stock units, performance share units, ESPP shares, warrants, capped call transactions and convertible senior notes. If dilutive, those potentially dilutive securities are reflected in diluted net income (loss) per share using the treasury stock method, except for the convertible senior notes, which are subject to the if-converted method.

The following table sets forth the computation of basic and diluted net income (loss) per share of common stock for the three months ended March 31, 2022 and 2021 (in thousands, except share amounts and per share amounts):

	Three Months Ended March 31,	
	2022	2021
Basic and diluted net income (loss) per share:		
Numerator		
Net income (loss)	$ (34,352)	$ 14,448
Less: Net income (loss) attributable to noncontrolling interests	500	(110)
Basic net income (loss) attributable to common stockholders	(34,852)	14,558
Diluted net income (loss) attributable to common stockholders	(34,852)	14,558
Plus: Interest expense from assumed conversion of convertible senior notes	—	72
Net income (loss) attributable to common stockholders plus assumed conversions	$ (34,852)	$ 14,630
Denominator		
Shares used in computation of basic net income (loss) per share	29,862,879	29,028,489
Weighted-average effect of diluted securities		
Restricted stock units	—	931,922
Performance share units and other stock-based compensation awards	—	109,419
Convertible senior notes due 2026	—	195,733
Shares used in computation of diluted net income (loss) per share	29,862,879	30,265,563
Basic net income (loss) per share:	$ (1.17)	$ 0.50
Diluted net income (loss) per share:	$ (1.17)	$ 0.48

The following weighted-average potentially dilutive instruments are not included in the diluted net income (loss) per share calculations above because they would have had an antidilutive effect on the net income (loss) per share from continuing operations:

	Three Months Ended March 31,	
	2022	2021
Restricted stock units	2,047,783	172,015
Performance share units and other stock-based compensation awards	54,182	—
Convertible Senior notes due 2022 [(1)]	—	2,314,815
Convertible Senior notes due 2026 [(1)]	3,376,400	—
Warrants	—	2,314,815
Capped call transactions	3,376,400	195,733
Total	8,854,765	4,997,378

(1) We apply the if-converted method in computing the effect of our convertible senior notes on diluted net income (loss) per share, whereby the numerator of our diluted net income (loss) per share computations is adjusted for interest expense, net of tax, and the denominator is adjusted for the number shares into which the convertible senior notes could be converted. The effect is only included in the calculation of income (loss) per share for those instruments for which it would reduce income (loss) per share. See Note 5, *Financing Arrangements*, for additional information.

We had outstanding Market-based Performance Share Units as of March 31, 2022 and 2021 that were eligible to vest into shares of common stock subject to the achievement of specified performance or market conditions. Contingently-issuable shares are excluded from the computation of diluted income (loss) per share if, based on current period results, the shares would not be issuable if the end of the reporting period were the end of the contingency period. As of March 31, 2022, there were up to 33,333 shares of common stock issuable upon vesting of outstanding Market-based Performance Share Units that were excluded from the table above as the performance or market conditions were not satisfied as of the end of the period.

NOTE 13. SEGMENT INFORMATION

The segment information reported in the tables below reflects the operating results that are regularly reviewed by our chief operating decision maker to assess performance and make resource allocation decisions. Our operations are organized into two segments: North America and International. Our measure of segment profitability is contribution profit, defined as gross profit less marketing expense, which is consistent with how management reviews the operating results of the segments. Contribution profit measures the amount of marketing investment needed to generate gross profit. Other operating expenses are excluded from contribution profit as management does not review those expenses by segment.

The following table summarizes revenue by reportable segment and category for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
North America		
Service revenue:		
Local	$ 96,921	$ 125,374
Goods	8,294	15,285
Travel	4,949	5,959
Total service revenue	110,164	146,618
Product revenue - Goods	—	626
Total North America revenue (1)	110,164	147,244
International		
Service revenue:		
Local	33,150	23,189
Goods	6,779	1,970
Travel	3,227	847
Total service revenue	43,156	26,006
Product revenue - Goods	—	90,567
Total International revenue (1)	$ 43,156	$ 116,573

(1) North America includes revenue from the United States of $108.8 million and $145.0 million for the three months ended March 31, 2022 and 2021. International includes revenue from the United Kingdom and France of $42.1 million and $28.5 million for the three months ended March 31, 2021. There were no other individual countries that represented more than 10% of consolidated total revenue for the three months ended March 31, 2022 and 2021. Revenue is attributed to individual countries based on the location of the customer.

The following table summarizes cost of revenue by reportable segment and category for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
North America		
Service cost of revenue:		
Local	$ 13,163	$ 12,948
Goods	1,459	2,229
Travel	1,295	1,241
Total service cost of revenue	15,917	16,418
Product cost of revenue - Goods	—	458
Total North America cost of revenue	15,917	16,876
International		
Service cost of revenue:		
Local	2,596	1,762
Goods	396	111
Travel	410	134
Total service cost of revenue	3,402	2,007
Product cost of revenue - Goods	—	77,951
Total International cost of revenue	$ 3,402	$ 79,958

The following table summarizes contribution profit by reportable segment for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
North America		
Revenue	$ 110,164	$ 147,244
Cost of revenue	15,917	16,876
Marketing	27,991	22,768
Contribution profit	66,256	107,600
International		
Revenue	43,156	116,573
Cost of revenue	3,402	79,958
Marketing	11,425	10,898
Contribution profit	28,329	25,717
Consolidated		
Revenue	153,320	263,817
Cost of revenue	19,319	96,834
Marketing	39,416	33,666
Contribution profit	94,585	133,317
Selling, general and administrative	126,420	127,143
Restructuring and related charges	312	7,422
Income (loss) from operations	$ (32,147)	$ (1,248)

The following table summarizes total assets by reportable segment as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Total assets:		
North America [(1)]	$ 872,769	$ 964,523
International [(1)]	196,384	193,358
Consolidated total assets	$ 1,069,153	$ 1,157,881

(1) North America contains assets from the United States of $859.5 million and $951.8 million as of March 31, 2022 and December 31, 2021. International contained assets from the United Kingdom of $121.3 million and $126.0 million as of March 31, 2022 and December 31, 2021. There were no other individual countries that represented more than 10% of consolidated total assets as of March 31, 2022 and December 31, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included under Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under Part II, Item 1A, *Risk Factors*, and elsewhere in this Quarterly Report. See Part I*, Forward-Looking Statements,* for additional information.

Overview

Groupon is a global scaled two-sided marketplace that connects consumers to merchants. Consumers access our marketplace through our mobile applications and our websites. We operate in two segments, North America and International, and operate in three categories, Local, Goods and Travel. See Item 1, Note 13, *Segment Information,* for additional information.

Our strategy is to be the trusted local marketplace where customers go to buy local services and experiences. We plan to unlock value by improving our expense structure and offering more differentiated inventory. To improve our expense structure, we plan to streamline our technology platform and operating processes throughout the organization. To differentiate our inventory, we plan to expand our inventory in two innovative ways: uniquely curated inventory collections and a standalone marketplace experience for premium Beauty & Wellness experiences.

Currently, we generate service revenue from Local, Travel, and Goods categories. Service revenue primarily represents the net commissions earned from selling goods or services on behalf of third-party merchants. Service revenue is reported on a net basis as the purchase price collected from the customer less the portion of the purchase price that is payable to the third-party merchant. We also earn commissions when customers make purchases with retailers using digital coupons accessed through our websites and mobile applications.

In prior periods*,* we also generated product revenue from sales of our first-party Goods merchandise inventory. For product revenue transactions, we were the primary party responsible for providing the merchandise to the customer, we had inventory risk and we had discretion in establishing prices. As such, product revenue was reported on a gross basis as the purchase price received from the customer. Product revenue, including associated shipping revenue, was recognized when the merchandise was delivered to the customer. We completed the transition to a third-party marketplace in North America in 2020, and in International in 2021.

COVID-19

Since March 2020, the COVID-19 pandemic has led to a significant decrease in consumer demand and active customers, a decrease in customer redemptions and elevated refund levels due to changes in consumer behavior and protective measures taken to control the spread of COVID-19. The COVID-19 pandemic has had an adverse impact on our financial condition, results of operations and cash flows, which has included impairments of our goodwill and long-lived assets.

Recovery from the COVID-19 pandemic has been and could continue to be volatile and prolonged given the unprecedented and continuously evolving nature of the situation and the emergence and spread of new variants. The future impact of COVID-19 on our business, results of operations, financial condition and liquidity is highly uncertain and will ultimately depend on future developments and our ability to respond to the changing environment, including the magnitude and duration of the pandemic and the protective measures taken to reduce its spread.

How We Measure Our Business

We use several operating and financial metrics to assess the progress of our business and make decisions on where to allocate capital, time and technology investments. Certain of the financial metrics are reported in accordance with U.S. GAAP and certain of those metrics are considered non-GAAP financial measures. As our business evolves, we may make changes to the key financial and operating metrics that we use to measure our business. For further information and reconciliations to the most applicable financial measures under U.S. GAAP, refer to our discussion under Non-GAAP Financial Measures in the *Results of Operations* section.

Operating Metrics

- *Gross billings* is the total dollar value of customer purchases of goods and services. Gross billings is presented net of customer refunds, order discounts and sales and related taxes. The substantial majority of our service revenue transactions are comprised of 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. For these 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. As noted above in *Overview*, beginning in 2021 for our North America segment and 2022 for our International segment, gross billings from our Goods category is primarily reported on a net basis within service revenue. Gross billings is an 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. However, we are focused on achieving long-term gross profit and Adjusted EBITDA growth.
- *Units* are the number of purchases during the reporting period, before refunds and cancellations, made either through one of our online marketplaces, a third-party marketplace, or directly with a merchant for which we earn a commission. We do not include purchases with retailers using digital coupons accessed through our websites or mobile applications in our units metric. We consider units to be an important indicator of the total volume of business conducted through our marketplaces. We report units on a gross basis prior to the consideration of customer refunds and therefore units are not always a good proxy for gross billings.
- *Active customers* are 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. We do not include consumers who solely make purchases with retailers using digital coupons accessed through our websites or mobile applications in our active customer metric, nor do we include consumers who solely make purchases of our inventory through third-party marketplaces with which we partner.

Our gross billings and units for the three months ended March 31, 2022 and 2021 were as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Gross billings	$ 460,684	$ 553,972
Units	12,666	17,803

Our active customers for the trailing twelve months ended March 31, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended March 31,	
	2022	2021
TTM Active Customers (in thousands)	22,159	25,754

Financial Metrics

- *Revenue* is currently earned through service revenue transactions which we generate commissions by selling goods or services on behalf of third-party merchants. Service revenue from those transactions is reported on a net basis as the purchase price collected from the customer for the offering less an agreed upon portion of the purchase price paid to the third-party merchant. Service revenue also includes commissions we earn when customers make purchases with retailers using digital coupons accessed through our digital properties. In prior periods, we generated product revenue from our sales of first-party Goods inventory. Our historical product revenue from these first-party transactions, which were direct sales of merchandise inventory, was the purchase price received from the customer. As noted above in *Overview*, beginning in 2021 for our North America segment and 2022 for our International segment, revenue from our Goods category is primarily reported on a net basis within service revenue.
- *Gross profit* reflects the net margin we earn after deducting our cost of revenue from our revenue. In prior periods for our International segment, there is a lack of comparability between product revenue, which is reported on a gross basis, and service revenue, which primarily consists of transactions reported on a net basis. Due to the lack of comparability of revenue generated from our Goods category in prior periods, we believe that gross profit is an important measure for evaluating our performance.
- *Adjusted EBITDA* is a non-GAAP financial 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. For further information and a reconciliation to net income (loss) from continuing operations, refer to our discussion under Non-GAAP Financial Measures in the *Results of Operations* section.
- *Free cash flow* is a non-GAAP financial measure that comprises net cash provided by (used in) operating activities from continuing operations less purchases of property and equipment and capitalized software. For further information and a reconciliation to Net cash provided by (used in) operating activities from continuing operations, refer to our discussion in the *Liquidity and Capital Resources* section.

The following table presents the above financial metrics for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	**2021**
Revenue	$ 153,320	$ 263,817
Gross profit	134,001	166,983
Adjusted EBITDA	(6,960)	30,372
Free cash flow	(91,165)	(58,445)

Operating Expenses

- *Marketing* expense consists primarily of online marketing costs, such as search engine marketing, advertising on social networking sites and affiliate programs, and offline marketing costs, such as television and radio advertising. Additionally, compensation expense for marketing employees is classified within marketing expense. We record these costs within Marketing on the condensed consolidated statements of operations when incurred. From time to time, we have offerings from well-known national merchants for customer acquisition and activation purposes, for which the amount we owe the merchant for each voucher sold exceeds the transaction price paid by the customer. Our gross billings from those transactions generate no service revenue and our net cost (i.e., the excess of the amount owed to the merchant over the amount paid by the customer) is classified as marketing expense. We evaluate marketing expense as a percentage of gross profit because it gives us an indication of how well our marketing spend is driving gross profit performance.
- *Selling, general and administrative* ("SG&A") expenses include selling expenses such as sales commissions and other compensation expenses for sales representatives, as well as costs associated with supporting the sales function such as technology, telecommunications and travel. General and

administrative expenses include compensation expense for employees involved in customer service, operations, technology and product development, as well as general corporate functions, such as finance, legal and human resources. Additional costs in general and administrative include depreciation and amortization, rent, professional fees, litigation costs, travel and entertainment, recruiting, office supplies, maintenance, certain technology costs and other general corporate costs. We evaluate SG&A expense as a percentage of gross profit because it gives us an indication of our operating efficiency.

- *Restructuring and related charges* represent severance and benefit costs for workforce reductions, impairments and other facilities-related costs and professional advisory fees. See Item 1, Note 9, *Restructuring and Related Charges*, for additional information about our restructuring plan.

Factors Affecting Our Performance

Impact of COVID-19. During the COVID-19 pandemic, protective measures taken to control the spread of COVID-19 and changes in consumer behavior have had and continue to have a negative impact on our business, which relies on customers' purchases of local experiences, including events and activities, beauty and wellness, travel and dining. Recovery from the COVID-19 pandemic has been and could continue to be volatile and prolonged given the unprecedented and continuously-evolving nature of the situation and the emergence and spread of various variants. We also have been, and may continue to be, impacted by pandemic-related supply chain issues, staffing shortages and other transient issues that affect our merchants and continue to evolve during the pandemic recovery period.

We will continue to monitor the impact of COVID-19 on our business, particularly in markets where strict restrictions remain in place.

Attracting and retaining local merchants. As we focus on our local experiences marketplace, we depend on our ability to attract and retain merchants who are willing to offer their experiences on our platform. Merchants can withdraw their offerings from our marketplace at any time, and their willingness to continue offering services through our marketplace depends on the effectiveness of our marketplace offering.

Driving purchase frequency and re-engaging and retaining customers. As the global economy continues to recover from the pandemic, we are surfacing relevant inventory in order to drive purchase frequency and retain customers. We also continue to focus on expanding inventory through our three inventory products - deals with fewer restrictions, a lower discount inventory product called offers, and market rate supply. On the customer experience side, we continue to improve our websites and mobile applications; launch innovative products that remove friction from the customer journey and drive awareness to our supply; and grow our high-quality, repeatable inventory.

Results of Operations

North America

Operating Metrics

North America segment gross billings and units for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Gross billings			
Service gross billings:			
Local	$ 249,290	$ 281,296	(11.4)%
Goods	36,608	69,142	(47.1)
Travel	24,014	31,460	(23.7)
Total service gross billings	309,912	381,898	(18.8)
Product gross billings - Goods	—	626	(100.0)
Total gross billings	$ 309,912	$ 382,524	(19.0)
Units			
Local	6,181	8,266	(25.2)%
Goods	1,450	3,081	(52.9)
Travel	123	193	(36.3)
Total units	7,754	11,540	(32.8)

North America TTM active customers for the trailing twelve months ended March 31, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended March 31,		
	2022	2021	% Change
TTM Active customers	13,991	15,204	(8.0)%

Comparison of the Three Months Ended March 31, 2022 and 2021:

North America gross billings, units, and TTM active customers decreased by $72.6 million, 3.8 million and 1.2 million for the three months ended March 31, 2022 compared with the prior year period. These declines were primarily attributable to a decrease in consumer demand in our Goods category and a decrease in consumer demand due to the new variant of COVID-19 in our Local category.

Financial Metrics

North America segment revenue, cost of revenue and gross profit for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Revenue			
Service revenue			
Local	$ 96,921	$ 125,374	(22.7)%
Goods	8,294	15,285	(45.7)
Travel	4,949	5,959	(16.9)
Total service revenue	110,164	146,618	(24.9)
Product revenue - Goods	—	626	(100.0)
Total revenue	$ 110,164	$ 147,244	(25.2)
Cost of revenue			
Service cost of revenue			
Local	$ 13,163	$ 12,948	1.7 %
Goods	1,459	2,229	(34.5)
Travel	1,295	1,241	4.4
Total service cost of revenue	15,917	16,418	(3.1)
Product cost of revenue - Goods	—	458	(100.0)
Total cost of revenue	$ 15,917	$ 16,876	(5.7)
Gross profit			
Service gross profit			
Local	$ 83,758	$ 112,426	(25.5)%
Goods	6,835	13,056	(47.6)
Travel	3,654	4,718	(22.6)
Total service gross profit	94,247	130,200	(27.6)
Product gross profit - Goods	—	168	(100.0)
Total gross profit	$ 94,247	$ 130,368	(27.7)
Service margin (1)	35.5 %	38.4 %	
% of Consolidated revenue	71.9 %	55.8 %	
% of Consolidated cost of revenue	82.4	17.4	
% of Consolidated gross profit	70.3	78.1	

(1) Represents the percentage of service gross billings that we retained after deducting the merchant's share from revenue.

Comparison of the Three Months Ended March 31, 2022 and 2021:

North America revenue, cost of revenue and gross profit decreased by $37.1 million, $1.0 million and $36.1 million for the three months ended March 31, 2022 compared with the prior year period. The revenue and gross profit declines were primarily attributable to lower Local and Goods gross billings.

Marketing and Contribution Profit

We define contribution profit as gross profit less marketing expense. North America contribution profit for the three months ended March 31, 2022 and 2021 was as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Marketing	$ 27,991	$ 22,768	22.9 %
% of Gross profit	*29.7 %*	*17.5 %*	
Contribution profit	$ 66,256	$ 107,600	(38.4)%

Comparison of the Three Months Ended March 31, 2022 and 2021:

North America marketing expense and marketing expense as a percentage of gross profit increased for the three months ended March 31, 2022 compared with the prior year period driven primarily by increased investment in an effort to drive both consumer awareness and demand.

North America contribution profit decreased for the three months ended March 31, 2022 compared with the prior year period primarily due to a decrease in gross profit and higher marketing expense.

International

Operating Metrics

International segment gross billings and units for the three months ended March 31, 2022 and 2021 were as follows (in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Gross billings			
Service gross billings:			
Local	$ 99,660	$ 69,674	43.0 %
Goods	35,350	7,748	NM
Travel	15,762	3,459	NM
Total service gross billings	150,772	80,881	86.4
Product gross billings - Goods	—	90,567	(100.0)
Total gross billings	$ 150,772	$ 171,448	(12.1)
Units			
Local	3,329	2,091	59.2 %
Goods	1,471	4,121	(64.3)
Travel	112	51	119.6
Total units	4,912	6,263	(21.6)

International TTM active customers for the trailing twelve months ended March 31, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended March 31,		
	2022	2021	% Change
TTM Active customers	8,168	10,550	(22.6)%

Comparison of the Three Months Ended March 31, 2022 and 2021:

International gross billings, units and TTM active customers decreased by $20.7 million, 1.4 million and 2.4 million for the three months ended March 31, 2022 compared with the prior year period. These declines were primarily attributable to a de-emphasis on our Goods category, partially offset by higher demand in our Local category and improved customer refund levels. In addition, there was a $9.3 million unfavorable impact from year-over-year changes in foreign currency exchange rates.

Financial Metrics

International segment revenue, cost of revenue and gross profit for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Revenue			
Service revenue:			
Local	$ 33,150	$ 23,189	43.0 %
Goods	6,779	1,970	NM
Travel	3,227	847	NM
Total service revenue	43,156	26,006	65.9
Product revenue - Goods	—	90,567	(100.0)
Total revenue	$ 43,156	$ 116,573	(63.0)
Cost of revenue			
Service cost of revenue:			
Local	$ 2,596	$ 1,762	47.3 %
Goods	396	111	NM
Travel	410	134	NM
Total service cost of revenue	3,402	2,007	69.5
Product cost of revenue - Goods	—	77,951	(100.0)
Total cost of revenue	$ 3,402	$ 79,958	(95.7)
Gross profit			
Service gross profit:			
Local	$ 30,554	$ 21,427	42.6 %
Goods	6,383	1,859	NM
Travel	2,817	713	NM
Total service gross profit	39,754	23,999	65.6
Product gross profit - Goods	—	12,616	(100.0)
Total gross profit	$ 39,754	$ 36,615	8.6
Service margin (1)	28.6 %	32.2 %	
% of Consolidated revenue	28.1 %	44.2 %	
% of Consolidated cost of revenue	17.6	82.6	
% of Consolidated gross profit	29.7	21.9	

(1) Represents the percentage of service gross billings that we retained after deducting the merchant's share from revenue.

Comparison of the Three Months Ended March 31, 2022 and 2021

International revenue and cost of revenue decreased by $73.4 million and $76.6 million for the three months ended March 31, 2022 compared with the prior year period. Those decreases were primarily due to the transition of Goods to a third-party marketplace model. This decline was partially offset by an increase Local gross billings and improved customer refund levels. Revenue also had an unfavorable impact of $2.6 million from year-over-year changes in foreign currency exchange rates.

International gross profit increased by $3.1 million for the three months ended March 31, 2022 compared with the prior year period primarily driven by an increase in Local gross billings and improved customer refund levels, partially offset by lower Goods gross billings.

Marketing and Contribution Profit

International marketing and contribution profit for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Marketing	$ 11,425	$ 10,898	4.8 %
% of Gross profit	*28.7 %*	*29.8 %*	
Contribution profit	$ 28,329	$ 25,717	10.2 %

Comparison of the Three Months Ended March 31, 2022 and 2021:

International marketing expense increased for the three months ended March 31, 2022 compared with the prior year period primarily due to an increase in investment in an effort to drive both consumer awareness and demand. Marketing expense as a percentage of gross profit remained largely flat.

The increase in International contribution profit for the three months ended March 31, 2022 compared with the prior year period was primarily attributable to a $3.1 million increase in gross profit as described above, partially offset by higher marketing expense.

Consolidated Operating Expenses

Operating expenses for the three months ended March 31, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Marketing	$ 39,416	$ 33,666	17.1 %
Selling, general and administrative	126,420	127,143	(0.6)
Restructuring and related charges	312	7,422	(95.8)
Total operating expenses	$ 166,148	$ 168,231	(1.2)
% of Gross profit:			
Marketing	29.4 %	20.2 %	
Selling, general and administrative	94.3 %	76.1 %	

Comparison of the Three Months Ended March 31, 2022 and 2021:

Marketing expense and marketing expense as a percentage of gross profit increased for the three months ended March 31, 2022 compared with the prior year period due to an increase in investment in an effort to drive both consumer awareness and demand.

SG&A remained largely flat and SG&A as a percentage of gross profit increased for the three months ended March 31, 2022 compared with the prior year. SG&A as a percentage of gross profit increased primarily due to consolidated gross profit decreasing, as discussed above.

Restructuring and related charges decreased for the three months ended March 31, 2022 compared with the prior year period as the actions from our restructuring plan were substantially completed by December 31, 2021. See Item 1, Note 9, *Restructuring and Related Charges*, for additional information.

Consolidated Other Income (Expense), Net

Other income (expense), net includes interest income, interest expense, gains and losses on fair value option investments, impairments of investments, loss on extinguishment of debt and foreign currency gains and losses, primarily resulting from intercompany balances with our subsidiaries that are denominated in foreign currencies.

Other income (expense), net for the three months ended March 31, 2022 and 2021 was as follows (dollars in thousands):

	Three Months Ended March 31,	
	2022	2021
Other income (expense), net	$ (4,880)	$ 18,123

Comparison of the Three Months Ended March 31, 2022 and 2021:

The change in Other income (expense), net for the three months ended March 31, 2022 as compared with the prior year period is primarily related to a $25.4 million change in foreign currency gains and losses.

Consolidated Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes for the three months ended March 31, 2022 and 2021 was as follows (dollars in thousands):

	Three Months Ended March 31,		
	2022	2021	% Change
Provision (benefit) for income taxes	$ (2,675)	$ 2,427	NM
Effective tax rate	7.2 %	14.4 %	

Comparison of the Three Months Ended March 31, 2022 and 2021:

The effective tax rates for the three months ended March 31, 2022 and 2021 were impacted by pretax losses incurred in jurisdictions that have valuation allowances against their net deferred tax assets. The three months ended March 31, 2021 were also impacted by the benefit of non-taxable items and the U.S. research and development tax credit. For the three months ended March 31, 2021, we had a full valuation recorded against the U.S. federal and state deferred tax assets. We recorded a partial valuation allowance release in Q4 2021. For the three months ended March 31, 2022, we continue to maintain a valuation allowance in the U.S. against capital losses, deferred tax assets that will convert into capital losses upon reversal, and state credits that we are not expecting to be able to realize. We expect that our consolidated effective tax rate in future periods will continue to differ significantly from the U.S. federal income tax rate as a result of our tax obligations in jurisdictions with profits and valuation allowances in jurisdictions with losses. See Item 1, Note 10, *Income Taxes*, for additional information relating to tax audits and assessments and regulatory and legal developments that may impact our business and results of operations in the future.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. GAAP, we have provided the following non-GAAP financial measures: Adjusted EBITDA, free cash flow and foreign currency exchange rate neutral operating results. Those 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 those 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, those non-GAAP financial measures are not intended to be a substitute for those reported in accordance with U.S. GAAP.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP performance measure that we define as Income (loss) from continuing operations excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation 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.

We exclude stock-based compensation expense and depreciation and amortization because they are primarily non-cash in nature and we believe that non-GAAP financial measures excluding those items provide meaningful supplemental information about our operating performance and liquidity. For the three months ended March 31, 2022 and 2021, special charges and credits included charges related to our restructuring plan. 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.

The following is a reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP financial measure, Net income (loss), for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	$ (34,352)	$ 14,448
Adjustments:		
Stock-based compensation	7,506	7,179
Depreciation and amortization	17,369	17,019
Restructuring and related charges	312	7,422
Other (income) expense, net (1)	4,880	(18,123)
Provision (benefit) for income taxes	(2,675)	2,427
Total adjustments	27,392	15,924
Adjusted EBITDA	$ (6,960)	$ 30,372

(1) Includes a $32.2 million cumulative foreign currency translation adjustment gain that was reclassified into earnings for the three months ended March 31, 2021 as a result of the substantial liquidation of our subsidiary in Japan as part of our restructuring actions. Refer to Item 1, Note 9, *Restructuring and Related Charges.*

Free cash flow. 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. 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.

Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. In addition, free cash flow reflects the impact of the timing difference between when we are paid by customers and when we pay merchants and suppliers. Therefore, we believe it is important to view free cash flow as a complement to our condensed consolidated statements of cash flows. For a reconciliation of free cash flow to the most comparable U.S. GAAP financial measure, see *Liquidity and Capital Resources* below.

Foreign currency exchange rate neutral operating results. Foreign currency 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. Those measures are intended to facilitate comparisons to our historical performance.

The following table represents the effect on our condensed consolidated statements of operations from changes in exchange rates versus the U.S. dollar for the three months ended March 31, 2022 (in thousands):

	Three Months Ended March 31, 2022		
	At Avg. Q1 2021 Rates (1)	Exchange Rate Effect (2)	As Reported
Gross billings	$ 470,014	$ (9,330)	$ 460,684
Revenue	155,965	(2,645)	153,320
Cost of revenue	19,531	(212)	19,319
Gross profit	136,434	(2,433)	134,001
Marketing	40,189	(773)	39,416
Selling, general and administrative	129,442	(3,022)	126,420
Restructuring and related charges	289	23	312
Income (loss) from operations	(33,486)	1,339	(32,147)

(1) Represents the financial statement balances that would have resulted had exchange rates in the reporting period been the same as those in effect in the prior year period.

(2) Represents the increase or decrease in the reported amount resulting from changes in exchange rates from those in effect in the prior year period.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flows from operations and cash balances, which primarily consist of bank deposits and government money market funds. As of March 31, 2022, cash and cash equivalents, including outstanding borrowings under the Amended Credit Agreement, were $403.0 million.

Our net cash flows from operating, investing and financing activities from continuing operations for the three months ended March 31, 2022 and 2021 were as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Cash provided by (used in):		
Operating activities	$ (78,164)	$ (46,405)
Investing activities	(13,916)	(12,744)
Financing activities	(2,964)	62,618

Our free cash flow for the three months ended March 31, 2022 and 2021 and a reconciliation to the most comparable U.S. GAAP financial measure, Net cash provided by (used in) operating activities from continuing operations, for those periods were as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net cash provided by (used in) operating activities from continuing operations	$ (78,164)	$ (46,405)
Purchases of property and equipment and capitalized software	(13,001)	(12,040)
Free cash flow	$ (91,165)	$ (58,445)

Our revenue-generating transactions are primarily structured such that we collect cash up-front from customers and pay third-party merchants at a later date, either based upon the customer's redemption of the related voucher or fixed payment terms, which are generally biweekly throughout the term of the merchant's offering.

Our cash balances fluctuate significantly throughout the year based on many variables, including gross billings growth rates, the timing of payments to merchants and suppliers and the mix of transactions between Goods and Local.

Net cash provided by (used in) operating activities

For the three months ended March 31, 2022, our net cash used in operating activities was $78.2 million, as compared with $34.4 million net loss. That difference is primarily attributable to a $68.7 million net decrease from changes in working capital, which was primarily related to seasonal timing of payments to merchants and suppliers and the impact of COVID-19 of lower cash inflows from bookings, and other non-current assets and liabilities, partially offset by non-cash items, including depreciation and amortization and stock-based compensation.

For the three months ended March 31, 2021, our net cash used in operating activities was $46.4 million, as compared with a $14.4 million net income. That difference is primarily due to a $53.1 million net decrease from changes in working capital and other assets and liabilities. The working capital impact was related to seasonal timing of payments to inventory suppliers and the impact of COVID-19. The difference between our net cash used in operating activities and our net income from continuing operations is also due to $7.7 million of non-cash items, including a $32.2 million foreign currency translation gain that was reclassified into earnings due to our substantial liquidation of our subsidiary in Japan partially offset by depreciation and amortization and stock-based compensation.

Net cash provided by (used in) investing activities

For the three months ended March 31, 2022, our net cash used in investing activities was $13.9 million, which included purchases of property and equipment and capitalized software of $13.0 million.

For the three months ended March 31, 2021, our net cash used in investing activities was $12.7 million, which included purchases of property and equipment and capitalized software of $12.0 million.

Net cash provided by (used in) financing activities

For the three months ended March 31, 2022, our net cash used in financing activities was $3.0 million, which included $2.5 million in taxes paid related to net share settlements of stock-based compensation awards.

For the three months ended March 31, 2021, our net cash provided by financing activities was $62.6 million. Our net cash provided by financing activities included $200.0 million of proceeds received from the issuance of the 2026 Notes, partially offset by $6.6 million in cash paid for issuance costs for the 2026 Notes and the revolving credit agreement, $23.8 million related to the purchase of capped call transactions, and $100.0 million in payments under our revolving credit agreement.

In July 2020, we entered into an amendment to the revolving credit agreement (the "First Amendment") which permanently reduces borrowing capacity under our senior secured revolving credit facility from $400.0 million to $225.0 million. In March 2021, we entered into a second amendment to the revolving credit agreement (the "Second Amendment" and the revolving credit agreement as amended, the "Amended Credit Agreement") to, amongst other things, permit the issuance of the 2026 Notes and related capped call transactions. We were in compliance with the applicable covenants as of March 31, 2022 based on the borrowings outstanding under our Amended Credit Agreement. However, our access to the full capacity of our Amended Credit Agreement is partially restricted and our liquidity is impacted accordingly. In the future, we may be required to repay amounts borrowed, which could further impact our liquidity. In addition, if we are not able to comply with these covenants, we may need to seek covenant relief in the future. See Item 1, Note 5, *Financing Arrangements* for additional information.

We believe that our cash balances, excluding borrowings under the Amended Credit Agreement, and cash generated from operations will be sufficient to meet our working capital requirements and capital expenditures for at least the next 12 months. We plan to continue to actively manage and optimize our cash balances and liquidity, working capital and operating expenses, although there can be no assurances that we will be able to do so.

As of March 31, 2022, we had $69.7 million in cash held by our international subsidiaries, which is primarily denominated in Euros, British Pounds Sterling, Canadian dollars, and, to a lesser extent, Australian dollars. In general, it is our practice and intention to re-invest the earnings of our non-U.S. subsidiaries in those operations. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business.

In May 2018, the Board authorized us to repurchase up to $300.0 million of our common stock under our share repurchase program. As of March 31, 2022, $245.0 million of common stock remained available for purchase under our program. The timing and amount of share repurchases, if any, will be determined based on market conditions, limitations under the Amended Credit Agreement, share price, available cash and other factors, and the share repurchase program may be terminated at any time. Repurchases will be made in compliance with SEC rules and other legal requirements and may be made, in part, under a Rule 10b5-1 plan, which permits share repurchases when we might otherwise be precluded from doing so.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of March 31, 2022 did not materially change from the amounts set forth in our 2021 Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2022.

Significant Accounting Policies and Critical Accounting Estimates

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenue and expenses, and related disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our significant accounting policies are discussed in Part II, Item 8, Note 2, *Summary of Significant Accounting Policies* in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition, refer to the critical accounting estimates under Part II, Item 7, *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, 2021.

Recently Issued Accounting Standards

There are no accounting standards that have been issued but not yet adopted that are expected to have a material impact on our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various foreign currencies other than the U.S. dollar, principally the Euro, British pound sterling, Canadian dollar and Australian dollar, which exposes us to foreign currency risk. For the three months ended March 31, 2022, we derived approximately 28.1% of our revenue from our International segment. Revenue and related expenses generated from our international operations are generally denominated in the local currencies of the corresponding countries. The functional currencies of our subsidiaries that either operate or support these markets are generally the same as the corresponding local currencies. However, the results of operations of, and certain of our intercompany balances associated with, our international operations are exposed to foreign currency exchange rate fluctuations. Upon consolidation, as exchange rates vary, our revenue and other operating results may differ materially from expectations, and we may record significant gains or losses on the re-measurement of intercompany balances.

We assess our foreign currency exchange risk based on hypothetical changes in rates utilizing a sensitivity analysis that measures the potential impact on working capital based on a 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities. The primary assumption used in this model is a hypothetical 10% weakening or strengthening of the U.S. dollar against those currency exposures as of March 31, 2022 and December 31, 2021.

As of March 31, 2022, our net working capital deficit (defined as current assets less current liabilities) from subsidiaries that are subject to foreign currency translation risk was $36.5 million. The potential increase in this working capital deficit from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be $3.7 million. This compares with a $69.2 million working capital deficit subject to foreign currency exposure as of December 31, 2021, for which a 10% adverse change would have resulted in a potential increase in this working capital deficit of $6.9 million.

Interest Rate Risk

Our cash balance as of March 31, 2022 consists of bank deposits and government money market funds, so exposure to market risk for changes in interest rates is limited. In March and April 2021, we issued the 2026 Notes with an aggregate principal amount of $230.0 million (see Item 1, Note 5, *Financing Arrangements*). The 2026 Notes bear interest at a fixed rate, so we have no financial statement impact from changes in interest rates. However, changes in market interest rates impact the fair value of the 2026 Notes along with other variables such as our credit spreads and the market price and volatility of our common stock. Our Amended Credit Agreement provides for aggregate principal borrowings of up to $225.0 million. As of March 31, 2022, we had $100.0 million of borrowings outstanding and $25.0 million of outstanding letters of credit under the Amended Credit Agreement. See Item 2, *Liquidity and Capital Resources,* for additional information. Because borrowings under the Amended Credit Agreement bear interest at a variable rate, we are exposed to market risk relating to changes in interest rates if we borrow under the Amended Credit Agreement. We have $83.0 million of lease obligations as of March 31, 2022. Interest rates on existing leases typically do not change unless there is a modification to a lease agreement and as such, we do not believe that the interest rate risk on the lease obligations is significant.

Inflation Risk

In light of the current inflationary environment, our business is being affected by limitations on our merchants' and customers' discretionary spend. Our costs are subject to inflationary pressures, which we expect to continue, and if those pressures become significant, we may not be able to offset such higher costs through price increases or other cost efficiency measures. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Interim Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our management concluded that, as of March 31, 2022, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Item 1, Note 6, *Commitments and Contingencies*, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021, except as supplemented and updated below:

Our international operations are subject to varied and evolving sociopolitical conditions as well as commercial, employment and regulatory challenges, and our inability to adapt to the diverse and changing landscapes of our international markets may adversely affect our business.

Our international operations require management attention and resources and also require us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. Our international operations are subject to numerous risks, including the following:

- our ability to maintain merchant and customer satisfaction such that our marketplace will continue to attract high quality merchants;
- our ability to successfully respond to macroeconomic challenges, including the impact of COVID-19, current or future inflation and the ability to optimize our supply to take into account consumer preferences at a particular point in time;
- political, economic and civil instability and uncertainty (including acts of terrorism, civil unrest, labor unrest, violence and outbreaks of war and pandemics or other disease outbreaks);
- disruptions and instability in the international markets in which we operate, including Poland, as a result of the invasion and ongoing conflict in Ukraine;
- currency exchange rate fluctuations;
- strong local competitors, who may better understand the local market and/or have greater resources in the local market;
- different regulatory or other legal requirements (including potential fines and penalties that may be imposed for failure to comply with those requirements), such as regulation of gift cards and coupon terms, Internet services, professional selling, distance selling, bulk emailing, privacy and data protection (including GDPR), cybersecurity, business licenses and certifications, taxation (including the European Union's voucher directive, digital service tax and similar regulations and any audits), consumer protection laws including those restricting the types of services we may offer (e.g., medical-related services), banking and money transmitting, that may limit or prevent the offering of our services in some jurisdictions, cause unanticipated compliance expenses or limit our ability to enforce contractual obligations;
- our ability to use a common technology platform in our North America and International segments to operate our business without significant business interruptions or delays;
- difficulties in integrating with local payment providers, including banks, credit and debit card networks and electronic funds transfer systems;
- the ability to quickly and effectively consult and negotiate with our international workers' councils and trade unions on various matters including restructuring actions, strategic decisions and other business critical matters, which could result in the delay of executing key actions or product delivery and increase costs;
- the local legal restrictions relating to employment and staffing;
- difficulty in staffing, including attracting and retaining talent with an appropriate level of skill and experience, including product and technology expertise, GAAP knowledge and experience to create the proper control environment for effective internal control over financial reporting, developing and managing foreign operations, including through centralized shared service centers, as a result of distance, language barriers and cultural differences;
- seasonal reductions in business activity;
- expenses associated with localizing our products; and

- differing intellectual property laws.

We are subject to complex laws and regulations that apply to our international operations, such as data privacy and protection requirements, including GDPR, the Foreign Corrupt Practices Act, the UK Anti-Bribery Act and similar local laws prohibiting certain payments to government officials, banking and payment processing regulations and anti-competition regulations, among others. The cost of complying with these various, and sometimes conflicting, laws and regulations is substantial. We have implemented and continue to implement policies and procedures to ensure compliance with these laws and regulations, however, we cannot ensure that our employees, contractors, or agents will not violate our policies. Changing laws, regulations and enforcement actions in the United States and throughout the world could harm our business. If commercial and regulatory constraints in our international markets restrict our ability to conduct our operations or execute our strategic plan, our business may be adversely affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

During the three months ended March 31, 2022, we did not issue any unregistered equity securities.

Issuer Purchases of Equity Securities

As of March 31, 2022, there have been no changes to our Board authorized share repurchase program. For additional information, please refer to Part II, Item 5, *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* in our Annual Report on Form 10-K for the year ended December 31, 2021.

The following table provides information about purchases of shares of our common stock during the three months ended March 31, 2022 related to shares withheld upon vesting of restricted stock units for minimum tax withholding obligations:

Date	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under Program
January 1-31, 2022	77,646	$ 22.89	—	—
February 1-28, 2022	10,226	23.76	—	—
March 1-31, 2022	30,717	18.78	—	—
Total	118,589	$ 21.90	—	—

(1) Total number of shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of stock-based compensation awards.

ITEM 5. OTHER INFORMATION

Appointment of Chief Accounting Officer

On May 9, 2022, the Company announced that Kerrie Dvorak, currently the Company’s Interim Chief Accounting Officer, has been appointed as the Company’s Chief Accounting Officer, effective immediately.

Ms. Dvorak, age 39, has served as the Company’s Interim Chief Accounting Officer since September 2021. She previously served in various roles at the Company, including as the Company’s Senior Director of Corporate Accounting since July 1, 2020, Director of Corporate Accounting of the Company since April 1, 2019, Senior Manager of Corporate Accounting of the Company since September 1, 2017 and Technical Accounting Manager of the Company since November 2014. Prior to joining Groupon, Ms. Dvorak served in a variety of roles at GATX Corporation (NYSE: GATX), from June 2011 to November 2014, and prior to that, held accounting positions at Deerfield Capital Management, KPMG and BKD CPAs & Advisors.

In connection with her appointment as Chief Accounting Officer, Ms. Dvorak will receive an annual base salary of $285,000, and she will be eligible for an annual performance bonus with a target amount of 40% of base salary, provided, however, that for fiscal year 2022, Ms. Dvorak’s annual performance bonus will be guaranteed at a minimum of 40% of base salary. Ms. Dvorak will no longer receive a monthly stipend of $10,000, which she received for each month (for the full or partial month) she served as Interim Chief Accounting Officer. In addition, Ms. Dvorak will receive an award of Restricted Stock Units (“RSUs”) under the Groupon, Inc. 2011 Incentive Plan, as amended (the “Incentive Plan”), with an aggregate value of $250,000. Such award is in addition to Ms. Dvorak’s regular course equity award in connection with the Company’s annual compensation review process. The actual number of RSUs will be calculated using the average closing price of the Company's common stock in May 2022. Ms. Dvorak’s RSU award will vest in varying amounts beginning in May 2023 until May 2025, subject to Ms. Dvorak’s continued employment with the Company on each vesting date.

For as long as Ms. Dvorak serves as the Company’s Chief Accounting Officer, in the event that Ms. Dvorak’s employment is terminated without cause or for good reason in connection with a change in control of the Company, she will receive severance benefits equal to (i) 12 months of her salary and 12 months of her COBRA premiums and (ii) the accelerated vesting of 50% of her outstanding equity awards.

There are no family relationships between Ms. Dvorak and any of the directors or executive officers of the Company, and there are no transactions in which Ms. Dvorak has an interest requiring disclosure under Item 404(a) of Regulation S-K. There is no arrangement or understanding between Ms. Dvorak and any other person pursuant to which Ms. Dvorak was appointed as an officer of the Company.

Named Executive Officer Compensation

On May 9, 2022, the Compensation Committee (the "Compensation Committee") of the Board in connection with its annual compensation review process approved equity awards of restricted stock units ("RSUs") under the Groupon, Inc. 2011 Incentive Plan, as amended, for named executive officers in amounts and on terms consistent with prior practice (except as described below with respect to the Interim Chief Financial Officer). Other than as set forth below, there are no changes to the base salaries and target bonus amounts of the Company's named executive officers for 2022.

Mr. Schmitz, the Company's Interim Chief Financial Officer, will receive an award of RSUs under the Incentive Plan, with an aggregate value of $1,487,500. The actual number of RSUs will be calculated using the average closing price of the Company's common stock in May 2022. Mr. Schmitz's RSU award will vest in varying amounts beginning in May 2023 until May 2025, subject to Mr. Schmitz's continued employment with the Company on each vesting date.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS **	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104 **	Cover Page Interactive Data File

** The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 9th day of May 2022.

GROUPON, INC.

By: /s/ Damien Schmitz

Name: Damien Schmitz

Title: Interim Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Kedar Deshpande, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Groupon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022 /s/ Kedar Deshpande

Kedar Deshpande
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Damien Schmitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Groupon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022

/s/ Damien Schmitz
Damien Schmitz
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certifications Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Groupon, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kedar Deshpande, Chief Executive Officer of the Company, and Damien Schmitz, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Kedar Deshpande
Kedar Deshpande
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Damien Schmitz
Damien Schmitz
Interim Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2022