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 September 30, 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)
(Address of principal executive offices)	**(312) 334-1579** (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 November 2, 2022, there were 30,437,380 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

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; difficulties, delays or our inability to successfully complete all or part of the announced restructuring actions or to realize the operating efficiencies and other benefits of such restructuring actions; higher than anticipated restructuring charges or changes in the timing of such restructuring charges; 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, Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for the quarter ended September 30, 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)

	September 30, 2022	December 31, 2021
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 307,998	$ 498,726
Accounts receivable, net	42,589	36,755
Prepaid expenses and other current assets	52,663	52,570
Total current assets	403,250	588,051
Property, equipment and software, net	61,117	73,581
Right-of-use assets - operating leases, net	18,007	47,958
Goodwill	178,685	216,393
Intangible assets, net	18,795	24,310
Investments	119,541	119,541
Deferred income taxes	60,157	62,945
Other non-current assets	29,419	25,102
Total assets	$ 888,971	$ 1,157,881
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$ 110,000	$ 100,000
Accounts payable	35,195	22,165
Accrued merchant and supplier payables	178,627	269,509
Accrued expenses and other current liabilities	198,308	239,313
Total current liabilities	522,130	630,987
Convertible senior notes, net	224,540	223,403
Operating lease obligations	14,636	58,747
Other non-current liabilities	30,551	34,448
Total liabilities	791,857	947,585
Commitments and contingencies (see Note 6)		
Stockholders' equity		
Common stock, par value $0.0001 per share, 100,500,000 shares authorized; 40,693,600 shares issued and 30,399,483 shares outstanding at September 30, 2022; 40,007,255 shares issued and 29,713,138 shares outstanding at December 31, 2021	4	4
Additional paid-in capital	2,317,003	2,294,215
Treasury stock, at cost, 10,294,117 shares at September 30, 2022 and December 31, 2021	(922,666)	(922,666)
Accumulated deficit	(1,339,170)	(1,156,868)
Accumulated other comprehensive income (loss)	41,657	(4,813)
Total Groupon, Inc. stockholders' equity	96,828	209,872
Noncontrolling interests	286	424
Total equity	97,114	210,296
Total liabilities and equity	$ 888,971	$ 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 September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenue:				
Service	$ 144,390	$ 198,976	$ 450,926	$ 577,761
Product	—	15,195	—	166,185
Total revenue	144,390	214,171	450,926	743,946
Cost of revenue:				
Service	18,668	19,127	57,231	58,719
Product	—	13,605	—	142,862
Total cost of revenue	18,668	32,732	57,231	201,581
Gross profit	125,722	181,439	393,695	542,365
Operating expenses:				
Marketing	37,897	53,159	106,685	130,545
Selling, general and administrative	119,243	119,494	369,601	384,606
Goodwill impairment	—	—	35,424	—
Long-lived asset impairment	—	—	8,811	—
Restructuring and related charges	4,912	12,483	8,163	34,150
Total operating expenses	162,052	185,136	528,684	549,301
Income (loss) from operations	(36,330)	(3,697)	(134,989)	(6,936)
Other income (expense), net	(23,541)	82,533	(49,761)	97,729
Income (loss) from operations before provision (benefit) for income taxes	(59,871)	78,836	(184,750)	90,793
Provision (benefit) for income taxes	(4,328)	135	(4,605)	773
Net income (loss)	(55,543)	78,701	(180,145)	90,020
Net (income) loss attributable to noncontrolling interests	(680)	(594)	(2,157)	(737)
Net income (loss) attributable to Groupon, Inc.	$ (56,223)	$ 78,107	$ (182,302)	$ 89,283
Net income (loss) per share:				
Basic	$ (1.86)	$ 2.64	$ (6.06)	$ 3.05
Diluted	$ (1.86)	$ 2.36	$ (6.06)	$ 2.80
Weighted average number of shares outstanding:				
Basic	30,307,734	29,567,802	30,070,598	29,282,932
Diluted	30,307,734	33,364,538	30,070,598	32,393,891
Comprehensive income (loss):				
Net income (loss)	$ (55,543)	$ 78,701	$ (180,145)	$ 90,020
Other comprehensive income (loss):				
Net change in unrealized gain (loss) on foreign currency translation adjustments	22,283	6,770	46,470	(46,353)
Reclassification of cumulative foreign currency translation				

adjustments (See Note 9)	—	(16)	—	32,268
Other comprehensive income (loss)	22,283	6,754	46,470	(14,085)
Comprehensive income (loss)	(33,260)	85,455	(133,675)	75,935
Comprehensive (income) loss attributable to noncontrolling interest	(680)	(594)	(2,157)	(737)
Comprehensive income (loss) attributable to Groupon, Inc.	$ (33,940)	$ 84,861	$ (135,832)	$ 75,198

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
Comprehensive income (loss)	—	—	—	—	—	(91,227)	20,818	(70,409)	977	(69,432)
Vesting of restricted stock units and performance share units	407,426	—	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of stock-based compensation awards	(151,368)	—	(2,166)	—	—	—	—	(2,166)	—	(2,166)
Stock-based compensation on equity-classified awards	—	—	9,784	—	—	—	—	9,784	—	9,784
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(943)	(943)
Balance at June 30, 2022	40,482,898	$ 4	$ 2,308,176	(10,294,117)	$ (922,666)	$ (1,282,947)	$ 19,374	$ 121,941	$ 144	$ 122,085
Comprehensive income (loss)	—	—	—	—	—	(56,223)	22,283	(33,940)	680	(33,260)
Vesting of restricted stock units and performance share units	230,186	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	53,529	—	514	—	—	—	—	514	—	514
Tax withholdings related to net share settlements of stock-based compensation awards	(73,013)	—	(830)	—	—	—	—	(830)	—	(830)
Stock-based compensation on equity-classified awards	—	—	9,143	—	—	—	—	9,143	—	9,143
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(538)	(538)
Balance at September 30, 2022	40,693,600	$ 4	$ 2,317,003	(10,294,117)	$ (922,666)	$ (1,339,170)	$ 41,657	$ 96,828	$ 286	$ 97,114

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, 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 capped call transactions	—	—	(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
Comprehensive income (loss)	—	—	—	—	—	(3,382)	(3,275)	(6,657)	253	(6,404)
Vesting of restricted stock units and performance share units	707,372	—	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of stock-based compensation awards	(254,466)	—	(11,716)	—	—	—	—	(11,716)	—	(11,716)
Settlement of convertible note hedges	—	—	3,061	—	—	—	—	3,061	—	3,061
Settlement of warrants	—	—	(1,752)	—	—	—	—	(1,752)	—	(1,752)
Purchase of capped call transactions	—	—	(3,576)	—	—	—	—	(3,576)	—	(3,576)
Stock-based compensation on equity-classified awards	—	—	10,501	—	—	—	—	10,501	—	10,501
Receipts from noncontrolling interest holders	—	—	—	—	—	—	—	—	102	102
Balance at June 30, 2021	39,805,243	$ 4	$ 2,260,308	(10,294,117)	$ (922,666)	$ (1,264,360)	$ (17,730)	$ 55,556	$ 280	$ 55,836
Comprehensive income (loss)	—	$ —	$ —	—	$ —	$ 78,107	$ 6,754	$ 84,861	$ 594	$ 85,455
Vesting of restricted stock units and performance share units	72,851	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	25,981	—	779	—	—	—	—	779	—	779
Tax withholdings related to net share settlements of stock-based compensation awards	(30,820)	—	(974)	—	—	—	—	(974)	—	(974)
Stock-based compensation on equity-classified awards	—	—	9,071	—	—	—	—	9,071	—	9,071
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(670)	(670)
Balance at September 30, 2021	39,873,255	$ 4	$ 2,269,184	(10,294,117)	$ (922,666)	$ (1,186,253)	$ (10,976)	$ 149,293	$ 204	$ 149,497

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net income (loss)	$ (180,145)	$ 90,020
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property, equipment and software	42,172	46,879
Amortization of acquired intangible assets	6,397	6,728
Impairment of goodwill	35,424	—
Impairment of long-lived assets	8,811	—
Restructuring-related impairment	2,949	7,651
Stock-based compensation	24,194	25,121
Changes in fair value of investments	—	(95,533)
Foreign currency translation adjustments reclassified into earnings	—	(32,268)
Change in assets and liabilities:		
Accounts receivable	(9,321)	7,985
Prepaid expenses and other current assets	(4,086)	(11,155)
Right-of-use assets - operating leases	22,896	16,016
Accounts payable	13,222	3,996
Accrued merchant and supplier payables	(80,436)	(175,079)
Accrued expenses and other current liabilities	(40,331)	(43,654)
Operating lease obligations	(36,671)	(24,614)
Other, net	43,075	22,961
Net cash provided by (used in) operating activities	(151,850)	(154,946)
Investing activities		
Purchases of property and equipment and capitalized software	(30,495)	(37,865)
Proceeds from sale or divestment of investment	—	6,859
Acquisitions of intangible assets and other investing activities	(2,077)	(2,491)
Net cash provided by (used in) investing activities	(32,572)	(33,497)
Financing activities		
Proceeds from borrowings under revolving credit agreement	50,000	—
Payments of borrowings under revolving credit agreement	(40,000)	(100,000)
Proceeds from issuance of 2026 convertible notes	—	230,000
Issuance costs for 2026 convertible notes and revolving credit agreement	—	(7,747)
Purchase of capped call transactions	—	(27,416)
Payments for the repurchase of Atairos convertible notes	—	(254,000)
Proceeds from the settlement of convertible note hedges	—	2,315
Payments for the settlement of warrants	—	(1,345)
Taxes paid related to net share settlements of stock-based compensation awards	(5,601)	(17,591)
Payments of finance lease obligations	(653)	(4,887)
Other financing activities	(1,238)	203
Net cash provided by (used in) financing activities	2,508	(180,468)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(9,240)	(4,894)
Net increase (decrease) in cash, cash equivalents and restricted cash	(191,154)	(373,805)
Cash, cash equivalents and restricted cash, beginning of period [1]	499,483	851,085
Cash, cash equivalents and restricted cash, end of period [1]	$ 308,329	$ 477,280

	Nine Months Ended September 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,361	$ 13,166
Income tax payments	4,483	9,406
Supplemental cash flow information on our leasing obligations:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 22,640	$ 24,614
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 2,669	$ —

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

(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 September 30, 2022, December 31, 2021, September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
Cash and cash equivalents	$ 307,998	$ 498,726	$ 476,782	$ 850,587
Restricted cash included in prepaid expenses and other current assets	331	757	498	498
Cash, cash equivalents and restricted cash	$ 308,329	$ 499,483	$ 477,280	$ 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 and Macroeconomic Conditions

The COVID-19 pandemic has changed the environment that our business operates in, which includes changes in consumer behavior and macroeconomic impacts affecting both us and our merchants. Although global economies have begun to recover from the COVID-19 pandemic as many health and safety restrictions have been lifted, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time. Impacts to our operations may be caused by macroeconomic trends such as the ongoing COVID-19 pandemic, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior. The full extent of the impact of both the COVID-19 pandemic and recent macroeconomic trends on our business, operations and financial results will depend on numerous evolving factors. We continue to monitor the pandemic and other macroeconomic trends and the potential impacts they may have on our future financial position, results of operations and cash flows. See Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information.

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. In July 2022, we extended our arrangement through July 2025 with the strategic partner in the variable interest entity that we consolidate. 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

During the three and nine months ended September 30, 2022 we evaluated goodwill and long-lived assets for impairment, due to the events described below, which indicated that the carrying amount of our assets or asset groups was not recoverable. In order to evaluate goodwill and long-lived assets for impairment, we compared the fair value of our two reporting units, North America and International, and our 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.

During the third quarter of 2022, we determined that the carrying amount of one of our right-of-use assets related to our 2020 Restructuring Plan may not be fully recoverable due to collectability of sublease income, and recognized impairment within our North America segment. See details in the table below and Note 9, *Restructuring and Related Charges*, for more information.

During the second quarter of 2022, we determined a downward revision of our forecast required us to evaluate our goodwill and long-lived assets for impairment. As a result of our interim quantitative assessment, we recognized goodwill impairment within our International reporting unit, representing a full impairment of goodwill for that reporting unit. We also recognized long-lived asset impairment related to certain asset groups within our International segment. We also determined that the carrying amount of certain right-of-use assets within our International segment related to our 2020 Restructuring Plan were not fully recoverable and recognized impairment. See details in the table below and Note 9, *Restructuring and Related Charges*, for more information.

During the first quarter of 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. Our interim quantitative assessment for the first quarter of 2022 did not identify any goodwill or long-lived asset impairment.

During the third quarter of 2021, we recognized impairment for our right-of-use assets and leasehold improvements under our 2020 Restructuring Plan. See details in the table below and Note 9, *Restructuring and Related Charges,* for more information.

Goodwill

The following table summarizes goodwill activity by segment for the nine months ended September 30, 2022 (in thousands):

	North America	International [(1)]	Consolidated
Balance as of December 31, 2021	$ 178,685	$ 37,708	$ 216,393
Goodwill impairment	—	(35,424)	(35,424)
Foreign currency translation	—	(2,284)	(2,284)
Balance as of September 30, 2022	$ 178,685	$ —	$ 178,685

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

Long-Lived Assets

The following table summarizes impairment charges presented within the following line items on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Long-lived asset impairment				
North America	$ —	$ —	$ —	$ —
International	—	—	8,811	—
Total Long-lived asset impairment	—	—	8,811	—
Restructuring and related charges				
North America	1,769	5,430	1,769	5,430
International	—	2,221	1,180	2,221
Total Restructuring and related charges	1,769	7,651	2,949	7,651
Total impairment	$ 1,769	$ 7,651	$ 11,760	$ 7,651

The following table summarizes impairment for long-lived assets and restructuring and related charges by asset type for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Property, equipment and software, net				
Leasehold improvements	$ —	$ 870	$ 1,632	$ 870
Computer hardware	—	—	1,323	—
Other property, equipment and software, net	—	—	416	—
Total Property, equipment and software, net	—	870	3,371	870
Right-of-use assets - operating leases, net	1,769	6,781	8,389	6,781
Total long-lived asset impairment	$ 1,769	$ 7,651	$ 11,760	$ 7,651

The following table summarizes intangible assets as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022			December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	$ 16,512	$ 12,500	$ 4,012	$ 19,976	$ 12,554	$ 7,422
Trade names	9,160	8,211	949	9,604	8,215	1,389
Patents	13,303	6,502	6,801	12,455	5,712	6,743
Other intangible assets	17,479	10,446	7,033	17,573	8,817	8,756
Total	$ 56,454	$ 37,659	$ 18,795	$ 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 $2.1 million for the three months ended September 30, 2022 and 2021 and $6.4 million and $6.7 million for the nine months ended September 30, 2022 and 2021. As of September 30, 2022, estimated future amortization expense related to intangible assets is as follows (in thousands):

Remaining amounts in 2022	$ 2,047
2023	7,205
2024	3,877
2025	2,469
2026	1,622
Thereafter	1,575
Total	$ 18,795

NOTE 3. INVESTMENTS

As of September 30, 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 and nine months ended September 30, 2022.

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

	September 30, 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%

Other Equity Investments

Our non-controlling equity interest in SumUp Holdings S.a.r.l. ("SumUp") was 2.29% as of September 30, 2022.

During the third quarter of 2021, we adjusted the carrying value of SumUp due to an observable price change in an orderly transaction, which resulted in an unrealized gain of $89.1 million for the three and nine months ended September 30, 2021. We also sold 100% of our shares in an other equity investment for total cash consideration of $2.6 million and recognized a gain of $2.2 million. During the second quarter 2021, we sold our shares in an other equity investment and recognized a gain and total cash consideration of $4.2 million. The gains on our investments have been presented in Other income (expense), net in the Condensed Consolidated Statement of Operations for the applicable three and nine months ended September 30, 2021

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

The following table summarizes Other income (expense), net for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income	$ 2,626	$ 1,336	$ 5,399	$ 3,818
Interest expense	(3,760)	(3,534)	(9,849)	(14,123)
Changes in fair value of investments [(1)]	—	91,288	—	95,533
Loss on extinguishment of debt	—	—	—	(5,090)
Foreign currency gains (losses), net and other [(2)]	(22,407)	(6,557)	(45,311)	17,591
Other income (expense), net	$ (23,541)	$ 82,533	$ (49,761)	$ 97,729

(1) Includes an $89.1 million unrealized gain due to an upward adjustment for an observable price change of SumUp for the three and nine months ended September 30, 2021.

(2) Includes a $32.3 million cumulative foreign currency translation adjustment gain for the nine months ended September 30, 2021 that was reclassified into earnings as a result of the substantial liquidation of our subsidiary in Japan as part of our restructuring actions.

The following table summarizes Prepaid expenses and other current assets as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Prepaid expenses	$ 19,535	$ 28,550
Income taxes receivable	17,448	7,711
Deferred cloud implementation cost	7,420	6,476
Other	8,260	9,833
Total prepaid expenses and other current assets	$ 52,663	$ 52,570

The following table summarizes Other non-current assets as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Deferred contract acquisition costs	$ 5,377	$ 7,080
Deferred cloud implementation costs	18,596	11,986
Other	5,446	6,036
Total other non-current assets	$ 29,419	$ 25,102

The following table summarizes Accrued expenses and other current liabilities as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Refund reserve	$ 10,701	$ 19,601
Compensation and benefits	16,949	30,367
Accrued marketing	12,529	37,900
Restructuring-related liabilities	8,324	11,349
Customer credits	45,669	56,558
Deferred revenue	814	3,523
Operating lease obligations	38,788	32,062
Other (1)	64,534	47,953
Total accrued expenses and other current liabilities	$ 198,308	$ 239,313

(1) Includes certain payroll taxes deferred under the Coronavirus Aid, Relief and Economic Security ("CARES") Act of $2.7 million as of September 30, 2022 and December 31, 2021. This amount is due by December 31, 2022.

The following table summarizes Other non-current liabilities as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Contingent income tax liabilities	$ 23,594	$ 24,213
Deferred income taxes	2,346	2,802
Other	4,611	7,433
Total other non-current liabilities	$ 30,551	$ 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, which is presented in Other income (expense), net in the Condensed Consolidated Statement of Operations.

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 $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 $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 $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 Convertible senior notes, net in the accompanying Condensed Consolidated Balance Sheets.

The carrying amount of the 2026 Notes consisted of the following as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Principal amount	$ 230,000	$ 230,000
Less: debt discount	(5,460)	(6,597)
Net carrying amount of liability	$ 224,540	$ 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 September 30, 2022 and December 31, 2021 was $148.3 million and $183.3 million and was determined using a lattice model.

During the three and nine months ended September 30, 2022 and 2021, we recognized interest costs on the 2026 Notes and the Atairos Notes as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Contractual interest	$ 646	$ 646	$ 1,940	$ 4,378
Amortization of debt discount	380	374	1,137	1,226
Total	$ 1,026	$ 1,020	$ 3,077	$ 5,604

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 reduced 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 (the "Second Amendment") to the revolving credit agreement (as amended by the First Amendment and the Second Amendment, the “Prior Credit Agreement”) to, among other things, permit the issuance of the 2026 Notes and related capped call transactions. The Second Amendment also 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. Further, the Second Amendment changed the requirement to maintain a minimum fixed charge coverage ratio to a requirement to maintain a minimum interest coverage ratio.

On September 28, 2022, we entered into a third amendment to the Prior Credit Agreement (the "Third Amendment" and the Prior Credit Agreement as amended, the "Amended Credit Agreement") to modify certain financial covenants and provide for additional flexibility in our operations, including certain modifications to our requirement to maintain (i) a maximum funded indebtedness to EBITDA ratio and (ii) a monthly minimum liquidity balance. In addition to the modifications described below, the Third Amendment reduced our borrowing capacity under our senior secured revolving credit facility from $225.0 million to $150.0 million.

We deferred debt issuance costs of $4.0 million in aggregate in connection with the Amended Credit Agreement. Deferred debt issuance costs are included within Other non-current assets on the Condensed Consolidated Balance Sheet as of September 30, 2022 and are amortized to interest expense over the term of the respective 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. The Third Amendment further restricts certain existing negative covenants, including with respect to our ability to make share repurchases, acquisitions, investments and to incur additional indebtedness and liens.

As of September 30, 2022, we were in compliance with the covenants under our Amended Credit Agreement. Non-compliance with the covenants under the Amended Credit Agreement may result in termination of the commitments thereunder and then any 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 Prior Credit Agreement bore (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 Prior Credit Agreement also includes a replacement mechanism for the discontinuation of the adjusted LIBO rate.

The Third Amendment replaces LIBOR as a benchmark interest rate under the Prior Credit Agreement with Term Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment of 10 basis points. The Third Amendment also provides that, from the date of the Third Amendment through the fiscal quarter ending June 30, 2023, the Alternate Base Rate ("ABR") and Canadian prime spreads shall be raised to 1.50%, the fixed rate spreads to 2.50% and the commitment fee to 0.4% on the daily amount of the unused commitments under the Amended Credit Agreement. After June 30, 2023, the applicable spreads and commitment fee will revert to the levels set by the Prior Credit Agreement, with the addition of a new tier that is applicable when the ratio of funded indebtedness to EBITDA exceeds 3.00:1.00 and provides for ABR and Canadian prime spreads of 1.25%, fixed rate spreads of 2.25% and a commitment fee of 0.4% on the daily amount of the unused commitments under the Amended Credit Agreement.

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 $150.0 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.

As of September 30, 2022, we had $110.0 million of outstanding borrowings and $24.5 million of outstanding letters of credit and as of December 31, 2021 we had $100.0 million of outstanding borrowings and $25.8 million of outstanding letters of credit under the Amended Credit Agreement.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Our contractual obligations and commitments and future sublease income under our contractually obligated operating subleases as of September 30, 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.

During the third quarter of 2022, however, we reassessed the term of one of our operating leases in our North America segment and, as a result, our expected future minimum lease payments related to that lease have been modified. Our current quarter reassessment included an increase in our Accrued expenses and other current liabilities of $11.6 million, a decrease to our long-term Operating lease obligations of $25.6 million, a decrease to our Right-of-use assets - operating leases, net of $9.5 million in the Condensed Consolidated Balance Sheets and a gain of $4.5 million in Restructuring and related charges on the Condensed Consolidated Statements of Operations. Refer to Note 9, *Restructuring and Related Charges* for additional information on the gain recognized. In addition, the collectability of the sublease payments related to that lease is not reasonably assured. Refer to Note 2, *Goodwill and Long-Lived Assets* for additional information.

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. On June 27, 2022, the District Court granted preliminary approval of the settlement. On October 28, 2022, the District Court granted final approval of the settlement class with no class members opting out and no objections. Now that the settlement class has been confirmed and the case is fully resolved with no opt outs, all class members must follow a claims process administered by a third party and will be barred from filing future lawsuits based on these events. The full amount of the $13.5 million settlement is covered under Groupon's insurance policies and was paid into an escrow fund by Groupon’s insurance carriers on July 26, 2022. 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 as of September 30, 2022.

In addition, four 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. Third, on January 24, 2022, a shareholder named Saman Khoury filed a derivative lawsuit, also in the Court of Chancery in the State of Delaware. Finally, on May 9, 2022, a shareholder named Moriah Anders filed a lawsuit, also in the Court of Chancery in the State of Delaware. All four lawsuits name Groupon and certain of the Company's former and current officers and directors. The allegations in all four 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. All four matters are stayed pending the outcome of the Securities Lawsuit. We intend to vigorously defend these matters, 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 Statements, 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 September 30, 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 September 30, 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

Groupon, Inc. Incentive Plan

In August 2011, we established the Groupon, Inc. 2011 Incentive Plan, as amended and restated (the "2011 Plan"), under which options, RSUs and performance stock units for up to 11,875,000 shares of common stock are authorized for future issuance to employees, consultants and directors. The 2011 Plan is administered by the Compensation Committee of the Board. As of September 30, 2022, 3,203,455 shares of common stock were available for future issuance under the 2011 Plan.

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 nine months ended September 30, 2022:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value (per unit)
Unvested at December 31, 2021	2,205,235	$ 31.06
Granted	2,233,380	19.14
Vested	(915,272)	33.25
Forfeited	(514,350)	26.94
Unvested at September 30, 2022	3,008,993	$ 22.20

As of September 30, 2022, $52.2 million of unrecognized compensation costs related to unvested restricted stock units, excluding any impact of forfeitures, are expected to be recognized over a remaining weighted-average period of 1.19 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 nine months ended September 30, 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, 2020. The weighted average grant date fair value of those shares was $31.97 per share. As of September 30, 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 and nine months ended September 30, 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 nine months ended September 30, 2022 (in thousands):

	Customer Credits
Balance as of December 31, 2021	$ 56,558
Credits issued	105,044
Credits redeemed [1]	(98,160)
Breakage revenue recognized	(16,459)
Foreign currency translation	(1,314)
Balance as of September 30, 2022	$ 45,669

(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 September 30, 2022 and December 31, 2021, deferred contract acquisition costs were $6.2 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. We amortized $2.7 million and $2.6 million of deferred contract acquisition costs for the three months ended September 30, 2022 and 2021, and $8.3 million and $7.8 million for the nine months ended September 30, 2022 and 2021.

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 nine months ended September 30, 2022 (in thousands):

	Allowance for Expected Credit Losses
Balance as of December 31, 2021	$ 7,974
Change in provision	(896)
Write-offs	(1,254)
Foreign currency translation	(674)
Balance as of September 30, 2022	$ 5,150

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 recognized variable consideration from unredeemed vouchers that were sold in a prior period of $7.4 million and $19.1 million for the three months ended September 30, 2022 and 2021, and $9.4 million and $31.8 million for the nine months ended September 30, 2022 and 2021. During the year ended December 31, 2021, the substantial majority of vouchers sold at the onset of the COVID-19 pandemic reached expiration at redemption rates lower than our historical estimates. 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 August 2022 and April 2020, we initiated Board-approved restructuring plans. Costs incurred related to the restructuring plan are classified as Restructuring and related charges on the Condensed Consolidated Statements of Operations. The restructuring activities are summarized by plan in the sections below.

2022 Restructuring Plan

In August 2022, we initiated a multi-phase cost savings plan designed to reduce our expense structure to align with our go-forward business and financial objectives (the “2022 Cost Savings Plan”). The 2022 Cost Savings Plan included a restructuring plan, approved by our Board on August 5, 2022 (the “2022 Restructuring Plan”). The first phase of the 2022 Restructuring Plan is expected to include an overall reduction of approximately 500 positions globally, with the majority of these reductions expected to occur by the end of 2022 and the remainder in early 2023. In connection with these actions, we expect to record total pre-tax charges of $10.0 million to $20.0 million. Substantially all of the pre-tax charges are expected to be paid in cash and will relate to employee severance and compensation benefits, with an immaterial amount of charges related to other exit costs. We expect to begin the next phase of our restructuring actions under this plan in 2023, and we anticipate these actions will include a focus on reducing our technology platform costs following the completion of our transition to the cloud. We have incurred total pretax charges of $6.2 million since the inception of the 2022 Restructuring Plan.

The following tables summarize costs incurred by segment related to the 2022 Restructuring Plan for the three and nine months ended September 30, 2022 (in thousands):

	Three and Nine Months Ended September 30, 2022		
	Employee Severance and Benefit Costs (Credits) (1)	Other Exit Costs	Total Restructuring Charges (Credits)
North America	$ 4,600	$ 158	$ 4,758
International	1,436	—	1,436
Consolidated	$ 6,036	$ 158	$ 6,194

(1) The employee severance and benefits costs for the three and nine months ended September 30, 2022 are related to the termination of approximately 380 employees, of which 318 are still completing their notice period and legally-required severance and benefits have been recognized as of September 30, 2022. Additional severance and benefits costs related to the remaining 318 employees may be incurred in future periods.

The following table summarizes restructuring liability activity for the 2022 Restructuring Plan (in thousands):

	Employee Severance and Benefit Costs	Other Exit Costs	Total
Balance as of December 31, 2021	$ —	$ —	$ —
Charges payable in cash	6,036	158	6,194
Cash payments	(3,167)	—	(3,167)
Foreign currency translation	(29)	—	(29)
Balance as of September 30, 2022 (1)	$ 2,840	$ 158	$ 2,998

(1) Substantially all of the remaining cash payments for the 2022 Restructuring Plan costs are expected to be disbursed through 2023.

2020 Restructuring Plan

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 (the "2020 Restructuring Plan"). We have incurred total pretax charges of $108.7 million since the inception of the 2020 Restructuring Plan. Our actions under this plan were substantially completed by December 31, 2021, and our current and future charges or credits will be from changes in estimates. Our 2020 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 $32.3 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 nine months ended September 30, 2021.

The following tables summarize costs incurred by segment related to the 2020 Restructuring Plan for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30, 2022				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ —	$ (1)	$ —	$ (1,578)	$ (1,579)
International	121	28	—	148	297
Consolidated	$ 121	$ 27	$ —	$ (1,430)	$ (1,282)

	Three Months Ended September 30, 2021				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 26	$ 251	$ 602	$ 5,610	$ 6,489
International	2,600	571	268	2,555	5,994
Consolidated	$ 2,626	$ 822	$ 870	$ 8,165	$ 12,483

	Nine Months Ended September 30, 2022				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 1	$ 129	$ —	$ (404)	$ (274)
International	305	89	—	1,849	2,243
Consolidated	$ 306	$ 218	$ —	$ 1,445	$ 1,969

	Nine Months Ended September 30, 2021				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 458	$ 1,482	$ 602	$ 6,974	$ 9,516
International	21,665	599	268	2,102	24,634
Consolidated	$ 22,123	$ 2,081	$ 870	$ 9,076	$ 34,150

As a part of our 2020 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. We recognized impairment related to those leases for $1.8 million and $2.9 million during the three and nine months ended September 30, 2022 and $7.7 million during the three and nine months ended September 30, 2021. See Note 2, *Goodwill and Long-Lived Assets,* for additional information. In addition, during the three and nine months ended September 30, 2022, we recognized a gain of $4.5 million in Restructuring and related charges for one of our previously-impaired leases in our North America segment due to a reassessment of the term. 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 for the 2020 Restructuring Plan (in thousands):

	Employee Severance and Benefit Costs	Legal and Advisory Costs	Total
Balance as of December 31, 2021	$ 11,038	$ 311	$ 11,349
Charges payable in cash	306	218	524
Cash payments	(5,390)	(170)	(5,560)
Foreign currency translation	(921)	(66)	(987)
Balance as of September 30, 2022 (1)	$ 5,033	$ 293	$ 5,326

(1) Substantially all of the remaining cash payments for the 2020 Restructuring Plan costs are expected to be disbursed by the end of 2023.

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 operations before provision (benefit) for income taxes for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision (benefit) for income taxes	$ (4,328)	$ 135	$ (4,605)	$ 773
Income (loss) from operations before provision (benefit) for income taxes	(59,871)	78,836	(184,750)	90,793

Our U.S. Federal income tax rate is 21%. The primary factor impacting the effective tax rate for the three and nine months ended September 30, 2022 and 2021 was the pretax losses incurred in jurisdictions that have valuation allowances against their net deferred tax assets. The three and nine months ended September 30, 2022 were also impacted by the reduction to our estimated annual tax rate due to an increase in expected annual losses. The three and nine months ended September 30, 2021 were also impacted by the benefit of non-taxable items, including the unrealized gain on the observable price change recorded in an other equity investment during the three months ended September 30, 2021, the U.S. research and development tax credit, and reversals of reserves for uncertain tax positions due to closing of applicable statutes of limitations. For the three and nine months ended September 30, 2021, we had a full valuation allowance recorded against the U.S. federal and state deferred tax assets. We recorded a partial valuation allowance release in Q4 2021. For the three and nine months ended September 30, 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 $105.7 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. There could be potential increases in our liabilities for uncertain tax positions from the ultimate resolution of that assessment. We believe it is reasonably possible that reductions of up to $26.2 million in unrecognized tax benefits may occur within the 12 months following September 30, 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

September 30, 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 and nine months ended September 30, 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 recognized $35.4 million in non-cash impairment charges related to goodwill for the nine months ended September 30, 2022. We recognized $1.8 million and $11.8 million in non-cash impairment charges related to long-lived assets for the three and nine months ended September 30, 2022, of which $1.8 million and $2.9 million are included in Restructuring and related charges on our Condensed Consolidated Statements of Operations. We recognized $7.7 million in non-cash impairment charges related to long-lived assets during the three and nine months ended September 30, 2021, which is included in Restructuring and related charges on our Condensed Consolidated Statements of Operations. See Note 2, *Goodwill and Long-Lived Assets,* and Note 9*, Restructuring and Related Charges,* for additional information.

We adjusted the carrying value of an other equity investment, which resulted in an unrealized gain of $89.1 million, and sold shares in an other equity investment for a gain of $2.2 million for the three and nine months ended September 30, 2021. During the second quarter 2021, we sold our shares in an other equity investment and recognized a gain of $4.2 million. See Note 3, *Investments*, for additional information.

We did not record any other significant nonrecurring fair value measurements for the three and nine months ended September 30, 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 September 30, 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 and nine months ended September 30, 2022 and 2021 (in thousands, except share amounts and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic and diluted net income (loss) per share:				
Numerator				
Net income (loss)	$ (55,543)	$ 78,701	$ (180,145)	$ 90,020
Less: Net income (loss) attributable to noncontrolling interests	680	594	2,157	737
Basic net income (loss) attributable to common stockholders	(56,223)	78,107	(182,302)	89,283
Diluted net income (loss) attributable to common stockholders	(56,223)	78,107	(182,302)	89,283
Plus: Interest expense from assumed conversion of convertible senior notes	—	700	—	1,392
Net income (loss) attributable to common stockholders plus assumed conversions	(56,223)	78,807	(182,302)	90,675
Denominator				
Shares used in computation of basic net income (loss) per share	30,307,734	29,567,802	30,070,598	29,282,932
Weighted-average effect of diluted securities				
Restricted stock units	—	351,720	—	712,866
Performance share units and other stock-based compensation awards	—	68,616	—	89,981
Convertible senior notes due 2026	—	3,376,400	—	2,308,112
Shares used in computation of diluted net income (loss) per share	30,307,734	33,364,538	30,070,598	32,393,891
Basic net income (loss) per share:	$ (1.86)	$ 2.64	$ (6.06)	$ 3.05
Diluted net income (loss) per share:	$ (1.86)	$ 2.36	$ (6.06)	$ 2.80

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Restricted stock units	2,223,826	854,304	2,448,348	410,856
Performance share units and other stock-based compensation awards	94,690	—	102,406	—
Convertible Senior notes due 2022 (1)	—	—	—	1,144,689
Convertible Senior notes due 2026 (1)	3,376,400	—	3,376,400	—
Warrants	—	—	—	1,170,126
Capped call transactions	3,376,400	3,376,400	3,376,400	2,308,112
Total	9,071,316	4,230,704	9,303,554	5,033,783

(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 September 30, 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 September 30, 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. We completed a transition to a third-party goods marketplace in International in 2021, and therefore we no longer generate product revenue in our Goods category. For the three and nine months ended September 30, 2022, adjustments to accruals previously established in our Goods category related to product are presented within service.

The following table summarizes revenue by reportable segment and category for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
North America				
Service revenue:				
Local	$ 97,843	$ 129,131	$ 296,233	$ 394,358
Goods	5,978	9,189	20,476	37,266
Travel	4,065	4,791	13,465	18,893
Total service revenue	107,886	143,111	330,174	450,517
Product revenue - Goods	—	—	—	626
Total North America revenue (1)	107,886	143,111	330,174	451,143
International				
Service revenue:				
Local	30,089	46,071	95,350	109,589
Goods	4,459	5,879	16,986	9,429
Travel	1,956	3,915	8,416	8,226
Total service revenue	36,504	55,865	120,752	127,244
Product revenue - Goods	—	15,195	—	165,559
Total International revenue (1)	$ 36,504	$ 71,060	$ 120,752	$ 292,803

(1) North America includes revenue from the United States of $105.0 million and $140.2 million for the three months ended September 30, 2022 and 2021, and $323.9 million and $444.2 million for the nine months ended September 30, 2022 and 2021. International includes revenue from the United Kingdom of $21.4 million and $100.4 million for the three and nine months ended September 30, 2021. There were no other individual countries that represented more than 10% of consolidated total revenue for the three and nine months ended September 30, 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 and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
North America				
Service cost of revenue:				
Local	$ 13,388	$ 13,947	$ 40,428	$ 41,927
Goods	1,142	1,325	3,849	5,577
Travel	1,008	1,029	3,399	3,801
Total service cost of revenue	15,538	16,301	47,676	51,305
Product cost of revenue - Goods	—	—	—	458
Total North America cost of revenue	15,538	16,301	47,676	51,763
International				
Service cost of revenue:				
Local	2,674	2,195	7,946	6,094
Goods	125	292	521	537
Travel	331	339	1,088	783
Total service cost of revenue	3,130	2,826	9,555	7,414
Product cost of revenue - Goods	—	13,605	—	142,404
Total International cost of revenue	$ 3,130	$ 16,431	$ 9,555	$ 149,818

The following table summarizes contribution profit by reportable segment for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
North America				
Revenue	$ 107,886	$ 143,111	$ 330,174	$ 451,143
Cost of revenue	15,538	16,301	47,676	51,763
Marketing	26,376	38,302	73,996	94,247
Contribution profit	65,972	88,508	208,502	305,133
International				
Revenue	36,504	71,060	120,752	292,803
Cost of revenue	3,130	16,431	9,555	149,818
Marketing	11,521	14,857	32,689	36,298
Contribution profit	21,853	39,772	78,508	106,687
Consolidated				
Revenue	144,390	214,171	450,926	743,946
Cost of revenue	18,668	32,732	57,231	201,581
Marketing	37,897	53,159	106,685	130,545
Contribution profit	87,825	128,280	287,010	411,820
Selling, general and administrative	119,243	119,494	369,601	384,606
Goodwill impairment	—	—	35,424	—
Long-lived asset impairment	—	—	8,811	—
Restructuring and related charges	4,912	12,483	8,163	34,150
Income (loss) from operations	$ (36,330)	$ (3,697)	$ (134,989)	$ (6,936)

The following table summarizes total assets by reportable segment as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Total assets:		
North America [(1)]	$ 763,838	$ 964,523
International [(1)]	125,133	193,358
Consolidated total assets	$ 888,971	$ 1,157,881

(1) North America contains assets from the United States of $751.7 million and $951.8 million as of September 30, 2022 and December 31, 2021. International contained assets from the United Kingdom of $126.0 million as of December 31, 2021. There were no other individual countries that represented more than 10% of consolidated total assets as of September 30, 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 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 stimulate customer engagement and demand. Our inventory efforts include testing of curated collections and our intention to launch a test concept for a new Beauty platform.

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 Pandemic and Macroeconomic Conditions

The COVID-19 pandemic has changed the environment that our business operates in, which includes changes in consumer behavior and macroeconomic impacts affecting both us and our merchants. Although global economies have begun to recover from the COVID-19 pandemic as most health and safety restrictions have been lifted, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time. Impacts to our operations may be caused by macroeconomic trends such as the ongoing COVID-19 pandemic, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior.

2022 Cost Savings Plan

In August 2022, we initiated a multi-phase cost savings plan designed to reduce our expense structure to align with our go-forward business and financial objectives (the “2022 Cost Savings Plan”). The 2022 Cost Savings Plan included a restructuring plan, approved by our Board on August 5, 2022 (the “2022 Restructuring Plan”), as well as other planned savings to be achieved through other actions, such as future reductions in our facilities footprint at natural lease terminations (or by exercising existing options in leases) and elective decisions to eliminate vacant positions rather than rehire. We estimate that the first phase of the 2022 Cost Savings Plan could result in approximately $150 million in run-rate cost savings by the end of 2023.

The first phase of the 2022 Restructuring Plan is expected to include an overall reduction of approximately 500 positions globally, with the majority of these reductions expected to occur by the end of 2022 and the remainder in early 2023. In connection with these actions, we expect to record total pre-tax charges of $10.0 million to $20.0 million. Substantially all of the pre-tax charges are expected to be paid in cash and will relate to employee severance and compensation benefits, with an immaterial amount of charges related to other exit costs. We expect to begin the next phase of our restructuring actions under this plan in 2023, and we anticipate these actions will include a focus on reducing our technology platform costs following the completion of our transition to the cloud.

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 and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross billings	$ 433,856	$ 552,990	$ 1,354,705	$ 1,714,551
Units	12,278	15,746	36,996	50,227

Our active customers for the trailing twelve months ended September 30, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended September 30,	
	2022	2021
TTM Active Customers (in thousands)	20,184	24,006

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 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 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), 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 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, refer to our discussion in the *Liquidity and Capital Resources* section.

The following table presents the above financial metrics for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenue	$ 144,390	$ 214,171	$ 450,926	$ 743,946
Gross profit	125,722	181,439	393,695	542,365
Adjusted EBITDA	(8,596)	34,607	(9,828)	105,942
Free cash flow	(51,840)	(87,581)	(182,345)	(192,811)

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 macroeconomic conditions. We have been, and may continue to be, impacted by adverse consequences of the macroeconomic environment, including but not limited to, the ongoing COVID-19 pandemic, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior. We will continue to monitor the impact of macroeconomic conditions on our business.

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.

Re-engaging and retaining customers to drive purchase frequency. To re-engage and retain customers to drive purchase frequency, we are focused on strengthening our core marketplace by improving inventory density, the customer experience and trust. In addition to our efforts to improve our inventory density we are exploring opportunities to differentiate our inventory.

Results of Operations

North America

Operating Metrics

North America segment gross billings and units for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Gross billings						
Service gross billings:						
Local	$ 248,929	$ 318,825	(21.9)%	$ 763,333	$ 937,313	(18.6)%
Goods	28,334	43,096	(34.3)	95,404	168,881	(43.5)
Travel	21,118	23,519	(10.2)	66,824	94,211	(29.1)
Total service gross billings	298,381	385,440	(22.6)	925,561	1,200,405	(22.9)
Product gross billings - Goods	—	—	—	—	626	(100.0)
Total gross billings	$ 298,381	$ 385,440	(22.6)	$ 925,561	$ 1,201,031	(22.9)
Units						
Local	6,043	8,196	(26.3)%	18,579	25,335	(26.7)%
Goods	1,119	1,849	(39.5)	3,710	7,260	(48.9)
Travel	91	128	(28.9)	305	512	(40.4)
Total units	7,253	10,173	(28.7)	22,594	33,107	(31.8)

North America TTM active customers for the trailing twelve months ended September 30, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended September 30,		
	2022	2021	% Change
TTM Active customers	12,287	14,976	(18.0)%

Comparison of the Three Months Ended September 30, 2022 and 2021:

North America gross billings, units, and TTM active customers decreased by $87.1 million, 2.9 million and 2.7 million for the three months ended September 30, 2022 compared with the prior year period. These decreases were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

North America gross billings and units decreased by $275.5 million and 10.5 million for the nine months ended September 30, 2022 compared with the prior year period. These decreases were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Financial Metrics

North America segment revenue, cost of revenue and gross profit for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	**2021**	**% Change**	**2022**	**2021**	**% Change**
Revenue						
Service revenue						
Local	$ 97,843	$ 129,131	(24.2)%	$ 296,233	$ 394,358	(24.9)%
Goods	5,978	9,189	(34.9)	20,476	37,266	(45.1)
Travel	4,065	4,791	(15.2)	13,465	18,893	(28.7)
Total service revenue	107,886	143,111	(24.6)	330,174	450,517	(26.7)
Product revenue - Goods	—	—	—	—	626	(100.0)
Total revenue	$ 107,886	$ 143,111	(24.6)	$ 330,174	$ 451,143	(26.8)
Cost of revenue						
Service cost of revenue						
Local	$ 13,388	$ 13,947	(4.0)%	$ 40,428	$ 41,927	(3.6)%
Goods	1,142	1,325	(13.8)	3,849	5,577	(31.0)
Travel	1,008	1,029	(2.0)	3,399	3,801	(10.6)
Total service cost of revenue	15,538	16,301	(4.7)	47,676	51,305	(7.1)
Product cost of revenue - Goods	—	—	—	—	458	(100.0)
Total cost of revenue	$ 15,538	$ 16,301	(4.7)	$ 47,676	$ 51,763	(7.9)
Gross profit						
Service gross profit						
Local	$ 84,455	$ 115,184	(26.7)%	$ 255,805	$ 352,431	(27.4)%
Goods	4,836	7,864	(38.5)	16,627	31,689	(47.5)
Travel	3,057	3,762	(18.7)	10,066	15,092	(33.3)
Total service gross profit	92,348	126,810	(27.2)	282,498	399,212	(29.2)
Product gross profit - Goods	—	—	—	—	168	(100.0)
Total gross profit	$ 92,348	$ 126,810	(27.2)	$ 282,498	$ 399,380	(29.3)
Service margin (1)	36.2 %	37.1 %		35.7 %	37.5 %	
% of Consolidated revenue	74.7 %	66.8 %		73.2 %	60.6 %	
% of Consolidated cost of revenue	83.2	49.8		83.3	25.7	
% of Consolidated gross profit	73.5	69.9		71.8	73.6	

(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 September 30, 2022 and 2021:

North America revenue, cost of revenue and gross profit decreased by $35.2 million, $0.8 million and $34.5 million for the three months ended September 30, 2022 compared with the prior year period. The revenue and gross profit declines were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

North America revenue, cost of revenue and gross profit decreased by $121.0 million, $4.1 million and $116.9 million for the nine months ended September 30, 2022 compared with the prior year period. The revenue and gross profit declines were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Marketing and Contribution Profit

We define contribution profit as gross profit less marketing expense. North America contribution profit for the three and nine months ended September 30, 2022 and 2021 was as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Marketing	$ 26,376	$ 38,302	(31.1)%	$ 73,996	$ 94,247	(21.5)%
% of Gross profit	*28.6 %*	*30.2 %*		*26.2 %*	*23.6 %*	
Contribution profit	$ 65,972	$ 88,508	(25.5)%	$ 208,502	$ 305,133	(31.7)%

Comparison of the Three Months Ended September 30, 2022 and 2021:

North America marketing expense and marketing expense as a percentage of gross profit decreased for the three months ended September 30, 2022 compared with the prior year period driven primarily by accelerated traffic declines and a lower investment in our online marketing spend.

North America contribution profit decreased for the three months ended September 30, 2022 compared with the prior year period primarily due to a decrease in gross profit.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

North America marketing expense decreased for the nine months ended September 30, 2022 compared with the prior year period driven primarily by accelerated traffic declines and a lower investment in our online marketing spend. North America marketing expense as a percentage of gross profit increased for the nine months ended September 30, 2022 compared with the prior year period driven primarily by a decrease in gross profit.

North America contribution profit decreased for the nine months ended September 30, 2022 compared with the prior year period primarily due to a decrease in gross profit.

International

Operating Metrics

International segment gross billings and units for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Gross billings						
Service gross billings:						
Local	$ 96,592	$ 103,984	(7.1)%	$ 293,036	$ 263,535	11.2 %
Goods	25,509	28,217	(9.6)	91,720	44,418	106.5
Travel	13,374	20,154	(33.6)	44,388	40,008	10.9
Total service gross billings	135,475	152,355	(11.1)	429,144	347,961	23.3
Product gross billings - Goods	—	15,195	(100.0)	—	165,559	(100.0)
Total gross billings	$ 135,475	$ 167,550	(19.1)	$ 429,144	$ 513,520	(16.4)
Units						
Local	3,900	3,683	5.9 %	10,410	8,357	24.6 %
Goods	1,046	1,770	(40.9)	3,722	8,489	(56.2)
Travel	79	120	(34.2)	270	274	(1.5)
Total units	5,025	5,573	(9.8)	14,402	17,120	(15.9)

International TTM active customers for the trailing twelve months ended September 30, 2022 and 2021 were as follows (in thousands):

	Trailing Twelve Months Ended September 30,		
	2022	2021	% Change
TTM Active customers	7,897	9,030	(12.5)%

Comparison of the Three Months Ended September 30, 2022 and 2021:

International gross billings, units and TTM active customers decreased by $32.1 million, 0.5 million and 1.1 million for the three months ended September 30, 2022 compared with the prior year period. These declines were primarily attributable to a de-emphasis on our Goods category, partially offset by improved customer refund levels. In addition, there was a $21.4 million unfavorable impact on gross billings from year-over-year changes in foreign currency exchange rates.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

International gross billings and units decreased by $84.4 million and 2.7 million for the nine months ended September 30, 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 $47.6 million unfavorable impact on gross billings from year-over-year changes in foreign currency exchange rates.

Financial Metrics

International segment revenue, cost of revenue and gross profit for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue						
Service revenue:						
Local	$ 30,089	$ 46,071	(34.7)%	$ 95,350	$ 109,589	(13.0)%
Goods	4,459	5,879	(24.2)	16,986	9,429	80.1
Travel	1,956	3,915	(50.0)	8,416	8,226	2.3
Total service revenue	36,504	55,865	(34.7)	120,752	127,244	(5.1)
Product revenue - Goods	—	15,195	(100.0)	—	165,559	(100.0)
Total revenue	$ 36,504	$ 71,060	(48.6)	$ 120,752	$ 292,803	(58.8)
Cost of revenue						
Service cost of revenue:						
Local	$ 2,674	$ 2,195	21.8 %	$ 7,946	$ 6,094	30.4 %
Goods	125	292	(57.2)	521	537	(3.0)
Travel	331	339	(2.4)	1,088	783	39.0
Total service cost of revenue	3,130	2,826	10.8	9,555	7,414	28.9
Product cost of revenue - Goods	—	13,605	(100.0)	—	142,404	(100.0)
Total cost of revenue	$ 3,130	$ 16,431	(81.0)	$ 9,555	$ 149,818	(93.6)
Gross profit						
Service gross profit:						
Local	$ 27,415	$ 43,876	(37.5)%	$ 87,404	$ 103,495	(15.5)%
Goods	4,334	5,587	(22.4)	16,465	8,892	85.2
Travel	1,625	3,576	(54.6)	7,328	7,443	(1.5)
Total service gross profit	33,374	53,039	(37.1)	111,197	119,830	(7.2)
Product gross profit - Goods	—	1,590	(100.0)	—	23,155	(100.0)
Total gross profit	$ 33,374	$ 54,629	(38.9)	$ 111,197	$ 142,985	(22.2)
Service margin (1)	26.9 %	36.7 %		28.1 %	36.6 %	
% of Consolidated revenue	25.3 %	33.2 %		26.8 %	39.4 %	
% of Consolidated cost of revenue	16.8	50.2		16.7	74.3	
% of Consolidated gross profit	26.5	30.1		28.2	26.4	

(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 September 30, 2022 and 2021

International revenue, cost of revenue and gross profit decreased by $34.6 million, $13.3 million and $21.3 million for the three months ended September 30, 2022 compared with the prior year period. Those decreases were primarily due to the transition of Goods to a third-party marketplace model, a decline in engagement on our platform in our Goods category and lower variable consideration from unredeemed vouchers, partially offset by improved customer refund levels. Revenue and gross profit also had an unfavorable impact of $5.8 million and $5.3 million from year-over-year changes in foreign currency exchange rates.

Comparison of the Nine Months Ended September 30, 2022 and 2021

International revenue, cost of revenue and gross profit decreased by $172.1 million, $140.3 million and $31.8 million for the nine months ended September 30, 2022 compared with the prior year period. Those decreases were primarily due to the transition of Goods to a third-party marketplace model and lower variable consideration from unredeemed vouchers, partially offset by an increase in Local gross billings and improved customer refund levels. Revenue and gross profit also had unfavorable impacts of $13.3 million and $12.3 million from year-over-year changes in foreign currency exchange rates.

Marketing and Contribution Profit

International marketing and contribution profit for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Marketing	$ 11,521	$ 14,857	(22.5)%	$ 32,689	$ 36,298	(9.9)%
% of Gross profit	*34.5 %*	*27.2 %*		*29.4 %*	*25.4 %*	
Contribution profit	$ 21,853	$ 39,772	(45.1)%	$ 78,508	$ 106,687	(26.4)%

Comparison of the Three Months Ended September 30, 2022 and 2021:

International marketing expense decreased for the three months ended September 30, 2022 compared with the prior year period primarily due to accelerated traffic declines and a lower investment in our online marketing spend. Marketing expense as a percentage of gross profit increased for the three months ended September 30, 2022 compared with the prior year period primarily due to a decrease in gross profit.

The decrease in International contribution profit for the three months ended September 30, 2022 compared with the prior year period was primarily attributable to a decrease in gross profit.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

International marketing expense decreased for the nine months ended September 30, 2022 compared with the prior year period primarily due to accelerated traffic declines and a lower investment in our online marketing spend. Marketing expense as a percentage of gross profit increased for the nine months ended September 30, 2022 compared with the prior year period due to a decrease in gross profit.

The decrease in International contribution profit for the nine months ended September 30, 2022 compared with the prior year period was primarily attributable to a decrease in gross profit.

Consolidated Operating Expenses

Operating expenses for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Marketing	$ 37,897	$ 53,159	(28.7)%	$ 106,685	$ 130,545	(18.3)%
Selling, general and administrative	119,243	119,494	(0.2)	369,601	384,606	(3.9)
Goodwill impairment	—	—	—	35,424	—	NM
Long-lived asset impairment	—	—	—	8,811	—	NM
Restructuring and related charges	4,912	12,483	(60.7)	8,163	34,150	(76.1)
Total operating expenses	$ 162,052	$ 185,136	(12.5)	$ 528,684	$ 549,301	(3.8)
% of Gross profit:						
Marketing	30.1 %	29.3 %		27.1 %	24.1 %	
Selling, general and administrative	94.8 %	65.9 %		93.9 %	70.9 %	

Comparison of the Three Months Ended September 30, 2022 and 2021:

Marketing expense decreased for the three months ended September 30, 2022 compared with the prior year period due to accelerated traffic declines and a lower investment in our online marketing spend. Marketing expense as a percentage of gross profit increased for the three months ended September 30, 2022 compared with the prior year period driven primarily by a decrease in gross profit.

SG&A remained largely flat for the three months ended September 30, 2022 compared with the prior year period. SG&A as a percentage of gross profit increased compared with the prior year period primarily due to a decrease in consolidated gross profit, as discussed above.

Restructuring and related charges decreased for the three months ended September 30, 2022 compared with the prior year period primarily due to the substantial completion of our 2020 restructuring plan, partially offset by costs incurred on the 2022 Restructuring Plan. See Item 1, Note 9, *Restructuring and Related Charges*, for additional information.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

Marketing expense decreased for the nine months ended September 30, 2022 compared with the prior year period due to accelerated traffic declines and a lower investment in our online marketing spend. Marketing expense as a percentage of gross profit increased for the nine months ended September 30, 2022 compared to the prior year period due to a decrease in consolidated gross profit.

SG&A decreased for the nine months ended September 30, 2022 compared with the prior year period due to lower payroll, partially offset by higher cloud costs. SG&A as a percentage of gross profit increased for the nine months ended September 30, 2022 compared with the prior year period primarily due to a decrease in consolidated gross profit, as discussed above.

During the nine months ended September 30, 2022, we recognized goodwill impairment of $35.4 million and long-lived asset impairment of $8.8 million. See Item 1, Note 2, *Goodwill and Long-Lived Assets,* for additional information. We had no similar activity in the prior year period.

Restructuring and related charges decreased for the nine months ended September 30, 2022 compared to the prior year period primarily due to the substantial completion of our 2020 restructuring plan, partially offset by costs incurred on the 2022 Restructuring Plan. 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 and nine months ended September 30, 2022 and 2021 was as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Other income (expense), net	$ (23,541)	$ 82,533	$ (49,761)	$ 97,729

Comparison of the Three Months Ended September 30, 2022 and 2021:

The change in Other income (expense), net for the three months ended September 30, 2022 as compared with the prior year period is primarily related to an unrealized gain of $89.1 million recorded in 2021 as a result of an upward adjustment for an observable price change on an other equity investment, as well as a $15.9 million change in foreign currency gains and losses.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

The change in Other income (expense), net for the nine months ended September 30, 2022 as compared with the prior year period is primarily related to an unrealized gain of $89.1 million recorded in 2021 as a result of an upward adjustment for an observable price change on an other equity investment, as well as a $62.9 million change in foreign currency gains and losses.

Consolidated Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes for the three and nine months ended September 30, 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	**2021**	**% Change**	**2022**	**2021**	**% Change**
Provision (benefit) for income taxes	$ (4,328)	$ 135	NM	$ (4,605)	$ 773	NM
Effective tax rate	7.2 %	0.2 %		2.5 %	0.9 %	

Comparison of the Three Months Ended September 30, 2022 and 2021:

The effective tax rates for the three months ended September 30, 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 September 30, 2022 were also impacted by the reduction to our estimated annual tax rate due to an increase in expected annual losses. The three months ended September 30, 2021 were also impacted by the benefit of non-taxable items including the unrealized gain on the observable price change recorded for an other equity method investment during the three months ended September 30, 2021, the U.S. research and development tax credit, and reversals of reserves for uncertain tax positions due to the closing of applicable statutes of limitations. For the three months ended September 30, 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 September 30, 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.

Comparison of the Nine Months Ended September 30, 2022 and 2021:

The effective tax rates for the nine months ended September 30, 2022 and 2021 were impacted by pretax losses incurred in jurisdictions that have valuation allowances against their net deferred tax assets. The nine months ended September 30, 2022 were also impacted by the reduction to our estimated annual tax rate due to an increase in expected annual losses. The nine months ended September 30, 2021 were also impacted by the benefit of non-taxable items including the unrealized gain on the observable price change recorded for an other equity method investment during the nine months ended September 30, 2021, the U.S. research and development tax credit, and reversals of reserves for uncertain tax positions due to the closing of applicable statutes of limitations. For the nine months ended September 30, 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 nine months ended September 30, 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 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 Net income (loss) 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 Net income (loss).

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 and nine months ended September 30, 2022 and 2021, special charges and credits included charges related to our 2020 and 2022 restructuring plans, and for the nine months ended September 30, 2022, special charges and credits included impairments of goodwill and long-lived assets. 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 and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	$ (55,543)	$ 78,701	$ (180,145)	$ 90,020
Adjustments:				
Stock-based compensation	8,116	8,204	24,194	25,121
Depreciation and amortization	14,706	17,617	48,569	53,607
Goodwill impairment	—	—	35,424	—
Long-lived asset impairment	—	—	8,811	—
Restructuring and related charges (1)	4,912	12,483	8,163	34,150
Other (income) expense, net (2)	23,541	(82,533)	49,761	(97,729)
Provision (benefit) for income taxes	(4,328)	135	(4,605)	773
Total adjustments	46,947	(44,094)	170,317	15,922
Adjusted EBITDA	$ (8,596)	$ 34,607	$ (9,828)	$ 105,942

(1) Includes right-of-use assets - operating leases impairment of $1.8 million and $2.9 million during the three and nine months ended September 30, 2022 and right-of-use assets - operating leases and leasehold improvement impairments of $7.7 million for the three and nine months ended September 30, 2021. See Note 9, *Restructuring and Related Charges*, for more information.

(2) Includes a $32.3 million cumulative foreign currency translation adjustment gain that was reclassified into earnings for the nine months ended September 30, 2021 as a result of the substantial liquidation of our subsidiary in Japan as part of our restructuring actions and an $89.1 million unrealized gain due to an upward adjustment for an observable price change of an other equity investment for the three and nine months ended September 30, 2021. Refer to Item 1, Note 9, *Restructuring and Related Charges* and Note 3, *Investments*, for additional information..

Free cash flow. Free cash flow is a non-GAAP liquidity measure that comprises net cash provided by operating activities less purchases of property and equipment and capitalized software. We use free cash flow to conduct and evaluate our business because 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 tables represent the effect on our Condensed Consolidated Statements of Operations from changes in exchange rates versus the U.S. dollar for the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022		
	At Avg. Q3 2021 Rates [1]	**Exchange Rate Effect [2]**	**As Reported**
Gross billings	$ 455,252	$ (21,396)	$ 433,856
Revenue	150,222	(5,832)	144,390
Cost of revenue	19,155	(487)	18,668
Gross profit	131,067	(5,345)	125,722
Marketing	39,870	(1,973)	37,897
Selling, general and administrative	125,817	(6,574)	119,243
Restructuring and related charges	5,185	(273)	4,912
Income (loss) from operations	(39,805)	3,475	(36,330)

	Nine Months Ended September 30, 2022		
	At Avg. Q3 2021 Rates [1]	**Exchange Rate Effect [2]**	**As Reported**
Gross billings	$ 1,402,361	$ (47,656)	$ 1,354,705
Revenue	464,300	(13,374)	450,926
Cost of revenue	58,285	(1,054)	57,231
Gross profit	406,015	(12,320)	393,695
Marketing	110,684	(3,999)	106,685
Selling, general and administrative	383,944	(14,343)	369,601
Goodwill impairment	39,518	(4,094)	35,424
Long-lived asset impairment	10,074	(1,263)	8,811
Restructuring and related charges	8,685	(522)	8,163
Income (loss) from operations	(146,890)	11,901	(134,989)

(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 includes outstanding borrowings under the Amended Credit Agreement, totaling $308.0 million as of September 30, 2022.

Our net cash flows from operating, investing and financing activities for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities	$ (43,494)	$ (74,176)	$ (151,850)	$ (154,946)
Investing activities	(8,877)	(11,530)	(32,572)	(33,497)
Financing activities	48,811	(2,047)	2,508	(180,468)

Our free cash flow for the three and nine months ended September 30, 2022 and 2021 and a reconciliation to the most comparable U.S. GAAP financial measure, Net cash provided by (used in) operating activities, for those periods were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by (used in) operating activities	$ (43,494)	$ (74,176)	$ (151,850)	$ (154,946)
Purchases of property and equipment and capitalized software	(8,346)	(13,405)	(30,495)	(37,865)
Free cash flow	$ (51,840)	$ (87,581)	$ (182,345)	$ (192,811)

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 nine months ended September 30, 2022, our net cash used in operating activities was $151.9 million, as compared with $180.1 million net loss. That difference is primarily attributable non-cash items of $119.9 million, including goodwill and long-lived asset impairment, depreciation and amortization and stock-based compensation partially offset by a $91.7 million net decrease from changes in working capital and other non-current assets and liabilities. We have a cyclical business where, typically, the Accrued merchant and supplier payables balance is highest in the fourth quarter of the year and lowest in the third quarter of the year which results in the highest merchant cash outflows during the first nine months of the year. The cyclical nature of the balances of our merchant payables, in addition to reduced cash inflows from lower bookings during the nine months ended September 30, 2022, resulted in an $80.4 million cash outflow within changes in working capital for the nine months ended September 30, 2022.

For the nine months ended September 30, 2021, our net cash used in operating activities was $154.9 million, as compared with $90.0 million net income. That difference is primarily due to a $204.8 million net decrease from changes in working capital and other non-current assets and liabilities. The working capital impact was related to seasonal timing of payments to inventory suppliers, mid-year bonus payments and a shortening of the purchase to redemption cycle relative to the year-end 2020 when redemption patterns were more heavily impacted by COVID-19, resulting in higher merchant payment outflows for the year-to-date period. The difference between our net cash used in operating activities and our net income was also due to $40.2 million of non-cash items, including $95.5 million of changes in fair value of our investments and a $32.3 million foreign currency translation adjustment gain that was reclassified into earnings as a result of the 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 nine months ended September 30, 2022, our net cash used in investing activities was $32.6 million, which included purchases of property and equipment and capitalized software of $30.5 million.

For the nine months ended September 30, 2021, our net cash used in investing activities was $33.5 million, which included purchases of property and equipment and capitalized software of $37.9 million, partially offset by proceeds from the sale of other equity investments of $6.9 million.

Net cash provided by (used in) financing activities

For the nine months ended September 30, 2022, our net cash provided by financing activities was $2.5 million, which included $50.0 million in proceeds under our revolving credit agreement, $40.0 million in payments under our revolving credit agreement and $5.6 million in taxes paid related to net share settlements of stock-based compensation awards.

For the nine months ended September 30, 2021, our net cash used in financing activities was $180.5 million. Our net cash used in financing activities included payments of $254.0 million for the repurchase of the Atairos Notes, $100.0 million of repayments of borrowings under our revolving credit facility, $27.4 million related to the purchase of capped call transactions, $17.6 million in taxes paid related to net share settlements of stock based compensation awards and $7.7 million in cash paid for issuance costs for the 2026 Notes and the Amended Credit Agreement, partially offset by $230.0 million of proceeds received from the issuance of the 2026 Notes.

In July 2020, we entered into an amendment to the revolving credit agreement (the "First Amendment") which permanently reduced 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") to, among other things, permit the issuance of the 2026 Notes and related capped call transactions. In September 2022, we entered into a third amendment to the Prior Credit Agreement (the "Third Amendment" and the Prior Credit Agreement as amended, the "Amended Credit Agreement") which reduces borrowing capacity under our senior secured revolving credit facility from $225.0 million to $150.0 million. We remained in compliance with the applicable covenants as of September 30, 2022 under our Amended Credit Agreement. 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. Primarily as a result of net losses, we have experienced net cash outflows from operating activities for each annual and interim period since March 31, 2020 other than the quarters ended December 31, 2020 and 2021. 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. We have historically seen cash inflow from operating activities in the fourth quarter from seasonally higher volume and we expect that pattern to continue in 2022. Additionally, we initiated our actions on the 2022 Cost Savings Plan in the third quarter 2022 which we expect will reduce operating expenses and cash outflow from operating activities in future periods. See the *Overview* section for further discussion on the 2022 Cost Savings Plan.

As of September 30, 2022, we had $55.0 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 September 30, 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, 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 September 30, 2022 did not materially change from the amounts set forth in our 2021 Annual Report on Form 10-K, except as disclosed in Item 1, Note 6, *Commitments and Contingencies*.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 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 and nine months ended September 30, 2022, we derived approximately 25.3% and 26.8% 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 September 30, 2022 and December 31, 2021.

As of September 30, 2022, our net working capital deficit (defined as current assets less current liabilities) from subsidiaries that are subject to foreign currency translation risk was $26.3 million. The potential increase in this working capital deficit from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be $2.6 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 September 30, 2022 consists of bank deposits 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 $150.0 million. As of September 30, 2022, we had $110.0 million of borrowings outstanding and $24.5 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 $53.4 million of lease obligations as of September 30, 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 changes to our merchants' and customers' discretionary spend. We expect such discretionary spend limitations to continue, and if we do not see increased overall demand for discounted goods and services to help offset these limitations on individual merchants and customers, our business, financial condition and results of operations could be adversely impacted. Additionally, increased inflation could negatively impact our business by driving up our operating costs. Our costs are subject to inflationary pressures, 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 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 September 30, 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 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 September 30, 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, and Part II, Item 1A, Risk Factors of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022, except as supplemented below:

Our access to capital and ability to raise capital in the future may be limited, which could prevent us from growing, and our existing credit agreement could restrict our business activities.

We may need additional capital in the future and to seek additional financing or covenant relief. Any such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. We have outstanding $230.0 million in aggregate principal amount of 1.125% convertible senior notes (the "2026 Notes") due March 2026. In addition, we are party to a $150.0 million amended and restated credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, dated as of May 14, 2019, as amended by the First Amendment to the Second Amended and Restated Credit Agreement, dated as of July 17, 2020 (the "First Amendment"), as further amended by the Second Amendment to the Second Amended and Restated Credit Agreement, dated as of March 22, 2021 (the "Second Amendment"), and as further amended by the Third Amendment to the Second Amended and Restated Credit Agreement, dated as of September 28, 2022 (the "Third Amendment" and the revolving credit agreement, as amended the "Amended Credit Agreement"), which matures in May 2024.

The Amended Credit Agreement contains financial and other covenants that may restrict our business activities or our ability to execute our strategic objectives. Due to the impact of COVID-19 on our business, we entered into the First Amendment and Second Amendment to provide, among other things, covenant relief through the fourth quarter of 2021. We voluntarily elected to early terminate this covenant relief period as of the third quarter of 2021 and became subject to the ordinary course covenants under the Amended Credit Agreement (beginning in the third quarter of 2021). On September 28, 2022 we entered into the Third Amendment to modify certain financial covenants and provide for additional flexibility in our operations. In the future, these covenants could restrict our ability to access the full capacity of our credit facility or require us to repay amounts borrowed. In addition, if we are not able to comply with these covenants, we may need to seek additional covenant relief or modifications in the future. Failure to comply with the covenants contained in our Amended Credit Agreement (if not waived or further amended) could give rise to an event of default and, if not cured, entitle the lenders to accelerate the indebtedness outstanding thereunder and terminate our ability to borrow in the future under the Amended Credit Agreement. Further, acceleration of indebtedness under the Amended Credit Agreement could result in an event of default under the indenture (the "Indenture") governing our 2026 Notes. Any termination of our ability to borrow or event of default under our Amended Credit Agreement would have a material adverse impact on our liquidity.

Additionally, other general economic conditions and our future operating performance, could ultimately limit our access to funding under our Amended Credit Agreement. Furthermore, additional equity financing may dilute the interests of our common stockholders, and debt financing, if available, may involve restrictive covenants that could further restrict our business activities or our ability to execute our strategic objectives and could reduce our profitability. If we cannot access the full capacity of our credit facility or raise or borrow funds on acceptable terms or at all, it could adversely affect our liquidity, and we may not be able to grow our business or respond to competitive pressures.

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

Recent Sales of Unregistered Securities

During the three months ended September 30, 2022, we did not issue any unregistered equity securities.

Issuer Purchases of Equity Securities

As of September 30, 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 September 30, 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
July 1-31, 2022	18,384	$ 11.59	—	—
August 1-31, 2022	18,717	11.43	—	—
September 1-30, 2022	35,912	11.22	—	—
Total	73,013	$ 11.37	—	—

(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 Director

On November 7, 2022, the Board of the Company announced that it has decreased the size of the Board to eight directors, effective immediately, and pursuant to the Cooperation Agreement, dated June 13, 2022, by and among the Company, Pale Fire Capital SE, Dusan Senkypl and Jan Barta (the "Cooperation Agreement"), appointed Jan Barta to the Board, effective November 7, 2022.

Other than the Cooperation Agreement, there are no arrangements or understandings between Mr. Barta or any other persons pursuant to which Mr. Barta was named a director of the Company. Neither Mr. Barta nor his immediate family members have any direct or indirect material interest in any transaction or proposed transaction required to be reported under Item 404(a) of Regulation S-K.

Mr. Barta has elected to forego any compensation for serving as a director of the Board.

Appointment of Chief Financial Officer

On November 7, 2022, the Company announced that Damien Schmitz has been appointed as the Company's Chief Financial Officer, effective immediately.

Mr. Schmitz, age 45, has served as the Company's Interim Chief Financial Officer since October 2021. Mr. Schmitz previously led the Company's global commercial finance function as Senior Vice President, Finance since October 2021, and Vice President, Finance since January 2019. Prior to that he served as Vice President, Finance and Chief Financial Officer, International from January 2018 to January 2019 and in various finance leadership roles at the Company since October 2012, including Senior Director, Global Financial Planning and Analysis since September 2016. Prior to joining the Company, Mr. Schmitz held consulting roles with PwC and 3M.

On November 3, 2022, the Compensation Committee of the Board approved compensation in connection with Mr. Schmitz appointment as Chief Financial Officer. Mr. Schmitz will receive an annual base salary of $550,000 and he will be eligible for an annual performance bonus with a target amount of $550,000 and will otherwise be entitled to the same benefits, including severance benefits, as previously disclosed in connection with his appointment as Interim Chief Financial Officer. Mr. Schmitz will no longer receive the separate monthly stipend amount that was initially awarded in connection with his appointment as Interim Chief Financial Officer.

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

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Third Amendment, dated as of September 28, 2022, among the Company, the subsidiaries of the Company party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, to the Second Amended and Restated Credit Agreement, dated as of May 14, 2019 (and as amended by the First Amendment, dated as of July 17, 2020 and the Second Amendment, dated as of March 22, 2021), among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on September 29, 2022).
10.2*	Non-Employee Directors' Compensation Plan.
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

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* Management contract of compensatory plan or arrangement.

** 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 7th day of November 2022.

GROUPON, INC.

By: /s/ Damien Schmitz

Name: Damien Schmitz

Title: Chief Financial Officer

GROUPON, INC.

NON-EMPLOYEE DIRECTORS' COMPENSATION PLAN

Amended and Restated as of January 1, 2022

The Company hereby establishes this Plan to assist the Company in attracting and retaining persons of competence and stature who are not employees to serve as Directors by providing them with competitive retainers, an ownership interest in the Company, and the opportunity to defer Retainers.

1. Effective Date. The Plan was initially effective as of December 13, 2011 and was most recently amended and restated effective January 1, 2022.

2. Definitions. Where used in the Plan, the following capitalized words and terms shall have the meanings specified below, unless the context clearly indicates to the contrary:

(a) "Account" means the record keeping account established by the Committee for each Participant to which DSUs, and earnings thereon, are credited in accordance with Section 10 of the Plan.

(b) "Beneficiary" means such person(s) or legal entity that is designated by a Participant under Section 14 to receive benefits hereunder after such Participant's death.

(c) "Board" means the Company's Board of Directors.

(d) "Cash Retainer" means the portion of a Retainer which is payable in cash.

(e) "Change in Control" means such term as defined in the Incentive Plan. Notwithstanding the foregoing, if an amount payable under the Plan is "deferred compensation" for purposes of Code Section 409A, and if a payment of such amount would be accelerated or otherwise triggered upon a Change in Control, then the foregoing definition is modified, to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to mean a "change in control event" as such term is defined for purposes of Code Section 409A. For purposes of clarity, if an amount would, for example, vest and be paid on a Change in Control as defined herein but payment of such amount would violate the provisions of Code Section 409A, then the amount shall vest but will be paid only in compliance with its terms and Code Section 409A (*i.e.,* upon a permissible payment event).

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Code Section 409A" means Section 409A of the Code and all interpretive guidance issued thereunder by the U.S. Internal Revenue Service.

(h) "Committee" means a committee appointed to administer the Plan by the Board, or the properly designated delegate of such committee.

(i) "Company" means Groupon, Inc., a Delaware corporation.

(j) "Director" means each director who has been duly appointed to the Board.

(k) "Disability" means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(l) "DSU" means a deferred share unit issued under and pursuant to the terms and conditions of the Incentive Plan.

(m) "Election Form" means such document(s) or form(s), which may be electronic, as prescribed and made available from time to time by the Committee, whereby a Participant elects to exchange all of his or her Cash Retainer and/or all of his or her RSUs for an award of DSUs.

(n) "Exchange Act" means the Securities Exchange Act of 1934.

(o) "Fair Market Value" as of a particular date shall mean the fair market value of a Share as determined in accordance with the Incentive Plan.

(p) "Incentive Plan" means the Groupon, Inc. 2011 Incentive Plan, as amended and restated.

(q) "Participant" means each Director who is not an employee of the Company.

(r) "Plan" means this Groupon, Inc. Non-Employee Directors' Compensation Plan.

(s) "Retainer" means the annual fee payable by the Company to a Participant with respect to his or her service on the Board, including both fees payable in cash and fees payable in Shares.

(t) "Retirement" means a Separation upon or after attaining seventy (70) years of age.

(u) "RSU" means a restricted share unit issued under and pursuant to the terms and conditions of the Incentive Plan.

(v) "RSU Retainer" means the portion of a Retainer which is payable in the form of RSUs.

(w) "Separation" means a Participant's ceasing to be a Director on account of a voluntary or involuntary separation from service, within the meaning of Code Section 409A, with the Board, for any reason.

(x) "Share" means a share of the Company's common stock.

(y) "Specified Employee" means a Participant who is determined by the Company to be a "specified employee" within the meaning of Code Section 409A with respect to a Separation occurring in any twelve (12) month period commencing on each April 1 based on the Participant's compensation with the Company, as defined in Code Section 416(i)(1)(D), and his or her status at the end of the immediately preceding calendar year.

3. Eligibility and Participation. Each Director who is not an employee of the Company and who is selected by the Committee for participation in the Plan shall be a Participant

in the Plan. A Participant will cease to be a Participant in the Plan on the earlier to occur of (a) his or her Separation or (b) the date on which the Committee determines that he or she is no longer eligible to participate in the Plan.

4. Retainer. Each Participant shall be paid an annual Retainer in the amount of $250,000 in exchange for his or her service as a Director. In addition, the annual Retainer for (a) the non-executive chair of the Board will be increased by $50,000, (b) the chair of (i) the Compensation Committee will be increased by $20,000, (ii) the Nominating and Corporate Governance Committee will be increased by $15,000, and (iii) the Audit Committee will be increased by $40,000 and (c) each other member of (i) the Compensation Committee will be increased by $5,000, (ii) the Nominating and Corporate Governance Committee will be increased by $5,000, and (iii) the Audit Committee will be increased by $10,000. The Retainer shall be paid as follows: (a) 30% in the form of a Cash Retainer and (b) 70% in the form of an RSU Retainer. Any additional amount due to a Participant who serves as non-executive chair of the Board or the chair of one of the aforementioned committees shall be paid as follows: (a) 1/3 (one-third) in the form of a Cash Retainer and (b) 2/3 (two-thirds) in the form of an RSU Retainer. Any additional amount due to a Participant who serves as a non-chair member of one of the aforementioned committees shall be paid in the form of a Cash Retainer. The Cash Retainer shall be paid to the Participant on a quarterly basis as soon as practicable, but in any event within thirty (30) days, following the end of a calendar quarter, for the future quarter's service. Each Director who becomes a Participant during a calendar quarter will be entitled to receive a quarterly Cash Retainer payment for such quarter, unless, immediately before becoming a Participant, he or she was an employee of the Company. The RSU Retainer shall be awarded to the Participant on an annual basis on the date of the Company's annual meeting of stockholders, with the number of RSUs to be granted determined by dividing the amount (in dollars) of the RSU Retainer by the Fair Market Value of a Share on such date. In the event that a Director becomes a Participant following the date of the annual meeting of stockholders but during the same calendar year as the annual meeting of the stockholders, the Board may, in its sole discretion, pay such Participant a pro-rated RSU Retainer with respect to his or her service during such year.

5. Vesting of RSUs. 100% of the RSUs awarded pursuant to an RSU Retainer shall vest and become non-forfeitable on the first anniversary of the date on which the applicable RSU Retainer was granted. Notwithstanding the foregoing, the following provisions shall apply in the circumstances described below:

(a) Death; Disability; Retirement. In the event of a Participant's Separation due to his or her death, Disability, or Retirement, vesting of the unvested portion of an RSU Retainer shall be accelerated upon the date of Separation.

(b) All Other Separations. In the event of a Participant's Separation for any reason other than his or her death, Disability, or Retirement, any unvested portion of an RSU Retainer shall immediately be cancelled and forfeited on the date of Separation.

(c) Change in Control. In the event of a Change in Control, vesting of the unvested portion of an RSU Retainer shall be accelerated upon the date of the Change in Control unless the RSU Retainer has been deferred.

6. Distribution of RSUs. RSUs shall be distributed as soon as administratively practicable, but in any event within sixty (60) days, following the date on which the RSUs vest in accordance with Section 5. In the event of a Participant's death, distribution will be made to the Participant's Beneficiary.

7. Deferral of Cash Retainer and RSU Retainer. Notwithstanding any provision of Sections 4, 5 or 6 hereof, a Participant may elect to exchange (i) all of his or her Cash Retainer and/or (ii) all of his or her RSU Retainer for an award of DSUs in the manner described in this Section 7. For purposes of clause (i) above, the number of DSUs to be awarded will be determined by dividing the amount of the Cash Retainer to be exchanged by the Fair Market Value of a Share as of the date(s) on which the Cash Retainer would otherwise have been paid, and DSUs will be credited to the Participant's Account effective as of the date on which the Cash Retainer would otherwise have been paid. For purposes of clause (ii) above, the DSUs will be awarded at a rate of one DSU for each RSU and shall be issued and credited to the Participant's Account effective as of the date that the RSUs would otherwise have settled in Shares. The Committee may establish procedures for deferral elections as it deems necessary to comply with the requirements of the Plan and Code Section 409A.

(a) Election. A Participant can make an election to receive DSUs by completing and executing an Election Form and filing the completed Election Form with the Committee. A Participant's Election Form shall remain in effect under the Plan until it is terminated by operation of the Plan or changed by the Participant in accordance with this Section. A Participant's Election Form must be filed with the Committee before expiration of the election period established by the Committee, which period shall end no later than December 31 of the immediately preceding calendar year. Notwithstanding the foregoing, a Participant may file an Election Form within the thirty (30) day period immediately following the date he or she first becomes a Participant, provided that the Cash Retainer or RSU Retainer being exchanged for DSUs relates to services performed after the date of such election.

(b) Revoking an Election. A Participant may elect to suspend or revoke a prior filed Election Form for services performed during a subsequent calendar year by filing a new Election Form before expiration of the election period established by the Committee, which period shall end no later than December 31 of the calendar year immediately preceding such year.

8. Distribution of DSUs. A Participant's Account shall be distributed to the Participant as soon as administratively possible, but in any event within thirty (30) days, following the Participant's Separation. In the event the Participant's Separation is due to the Participant's death, distribution will be made to the Participant's Beneficiary.

(a) Form of Payment. A Participant's Account shall be distributed in a single distribution in the form of Shares.

(b) Income Inclusion under Code Section 409A. Notwithstanding any provision of the Plan to the contrary, in the event that the Plan fails to meet the requirements of Code Section 409A, the Committee may distribute to Participants the portion of their Accounts that is required to be included in income as a result of such failure.

9. Source of Shares. The RSUs and DSUs that may be paid pursuant to the Plan shall be issued under the Incentive Plan subject to all of the terms and conditions of the Incentive Plan, and only to the extent that Shares remain available for issuance under the Incentive Plan. The terms and conditions of the Incentive Plan are incorporated into and made a part of this Plan with respect to any RSUs and DSUs paid pursuant to this Plan, and any awards of RSUs or DSUs shall

be governed by and construed in accordance with the provisions of the Incentive Plan. In the event of any inconsistency between the Incentive Plan and this Plan with respect to RSUs or DSUs, the terms of the Incentive Plan shall control. The Plan does not constitute a separate source of Shares for the grant of the RSUs and DSUs described herein.

10. Accounts. The Committee shall establish and maintain, or cause to be established and maintained, a separate Account for each Participant hereunder who executes and files an Election Form pursuant to Section 7. Each such Participant's DSUs shall be separately accounted for and credited with earnings, to the extent applicable, for recordkeeping purposes only, to his or her Account. A Participant's Account shall be solely for the purposes of measuring the amounts to be paid under the Plan. The Company shall not be required to fund or secure a Participant's Account in any way, the Company's obligation to Participants hereunder being purely contractual.

11. Administration. The Plan shall be administered by the Committee. So long as the Company is subject to Section 16 of the Exchange Act, the Committee will consist of not fewer than two (2) members of the Board or such greater number as may be required for compliance with Rule 16b-3 issued under the Exchange Act and will be comprised of persons who are independent for purposes of applicable stock exchange listing requirements.

(a) Committee's Authority. The Committee shall have full discretionary authority to construe and interpret the terms and provisions of the Plan; to adopt, alter and repeal administrative rules, guidelines and practices governing the Plan; to perform all acts, including the delegation of its administrative responsibilities to advisors or other persons; and to rely upon the information or opinions of legal counselor experts selected to render advice with respect to the Plan, as it shall deem advisable, with respect to the administration of the Plan. The Committee may take any action, correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any election hereunder, in the manner and to the extent it shall deem necessary to carry the Plan into effect or to carry out the Company's purposes in adopting the Plan.

(b) Final Determinations. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company or the Committee arising out of or in connection with the Plan, shall be within the absolute discretion of each of them, and shall be final, binding and conclusive on the Company, and all Participants and Beneficiaries and their respective heirs, executors, administrators, successors and assigns. The Committee's determinations hereunder need not be uniform, and may be made selectively among Participants, whether or not they are similarly situated.

(c) Delegation of Authority. The Committee may, to the extent permitted by law, delegate some or all of its authority under the Plan to such officers of the Company as it deems appropriate. Unless the Committee otherwise specifies, any delegate will have the authority and right to exercise (within the scope of such person's delegated authority) all of the same powers and discretion that would otherwise be available to the Committee pursuant to the terms hereof. The Committee may also employ or appoint agents (who may be officers or employees of the Company) to assist in the administration of the Plan and to take such actions under the Plan on its behalf as the Committee deems appropriate.

(d) Indemnification. The Company shall indemnify the Committee and any individuals to whom administrative duties have been properly delegated under this Plan, against any and all claims, losses, damages, expenses and liabilities arising from their responsibilities in connection with this Plan, unless the same is determined to be due to gross negligence or willful misconduct.

(e) Plan Expenses. The expense of administering the Plan shall be borne by the Company.

12. Amendment or Termination. The Board may amend this Plan at any time and from time to time. The Board may terminate this Plan, to the extent such termination is permissible according to Treasury Regulations or other published guidance issued by the U.S. Department of Treasury or the Internal Revenue Service. Any amendment or termination of this Plan will not materially adversely affect the rights of a Participant accrued prior thereto without that Participant's written consent, except to the extent required by law or to conform the operation of the Plan to the requirements of Code Section 409A.

13. Taxes. The Company is not responsible for the tax consequences under federal, state or local law of any election made by any Participant under the Plan. All payments under the Plan are subject to withholding and reporting requirements to the extent required by applicable law. To the extent required by law in effect at the time a distribution is made from the Plan, the Company or its agents shall have the right to withhold or deduct from any distributions or payments any taxes required to be withheld by federal, state or local governments.

14. Participant and Beneficiary Information. Each Participant shall keep the Committee informed of his or her current address and the current address of his or her designated Beneficiary or Beneficiaries. A Participant may from time to time change his or her designated Beneficiary without the consent of such Beneficiary by filing a new designation in writing with the Committee. If no Beneficiary designation is in effect at the time of the Participant's death, or if the designated Beneficiary is missing or has predeceased the Participant, distribution shall be made to the Participant's surviving spouse, or if none, to his or her surviving children per stirpes, and if none, to his or her estate. The Committee shall not be obligated to search for any person. If such person is not located within one (1) year after the date on which a payment or distribution is payable under the Plan, payment shall be made to the Participant's estate.

15. Right of Company to Take Actions. The adoption and maintenance of this Plan shall not be deemed to constitute a contract between the Company and a Director, or to be a consideration for, nor an inducement or condition of, the employment of any person. Nothing herein contained, or any action taken hereunder, shall be deemed to give a Director the right to be retained in the service of the Board or to interfere with the right of the Board to discharge the Director at any time for any reason, nor shall it be deemed to give to the Board the right to require the Director to remain in its employ, nor shall it interfere with the Director's right to terminate his or her service at any time. Nothing in this Plan shall prevent the Company from amending, modifying, or terminating any other benefit plan.

16. Headings. The headings of the sections and subsections of this Plan are for reference only. In the event of a conflict between a heading and the contents of a section or subsection, the contents of the section or subsection shall control.

17. Number and Gender. Whenever any words used herein are in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply, and references to the male gender shall be construed as applicable to the female gender where applicable, and vice versa.

18. Code Section 409A. Amounts payable under this Plan are intended to be exempt from or otherwise comply with the requirements of Code Section 409A. With respect to amounts payable under this Plan that constitute nonqualified deferred compensation within the meaning of Code Section 409A, the Plan is intended to be an unfunded nonqualified deferred compensation plan, and to the extent that the Plan is inconsistent with Code Section 409A, the applicable provisions of Code Section 409A shall be deemed to automatically supersede such inconsistent provisions. No amount under this Plan that constitutes nonqualified deferred compensation and is payable upon a Specified Employee's Separation shall be paid to such Specified Employee before the date that is at least six (6) months after the date of such Specified Employee's Separation (or, if earlier, the date of the Specified Employee's death).

19. Applicable Law. To the extent not preempted by federal law, this Plan shall be construed, administered and governed in all respects under and by the laws of the State of Delaware, without giving effect to its conflict of laws principles. The jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Plan shall be exclusively in the courts in the State of Illinois, County of Cook, including the Federal Courts located therein (should Federal jurisdiction exist).

20. Alienation or Assignment of Benefits. Except as otherwise provided under the Plan, a Participant's rights and interest under the Plan shall not be assigned or transferred except as otherwise provided herein, and the Participant's rights to benefit payments under the Plan shall not be subject to alienation, pledge or garnishment by or on behalf of creditors (including heirs, beneficiaries, or dependents) of the Participant or of a Beneficiary.

21. Company's Protection. By execution of an Election Form, each Participant shall be deemed to have agreed to cooperate with the Company by furnishing any and all information reasonably requested by the Committee in order to facilitate the payment of benefits hereunder.

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: November 7, 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: November 7, 2022

/s/ Damien Schmitz
Damien Schmitz
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 September 30, 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, 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
Chief Financial Officer
(Principal Financial Officer)

Date: November 7, 2022