



GRPN Investor Presentation 4Q22

March 16, 2023

Forward-looking statements and other information

The statements contained in this presentation that refer to plans and expectations for the next quarter, the full year or the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations and future liquidity. 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, 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 inflationary pressures, ongoing impacts from the COVID-19 pandemic and labor and supply chain challenges; 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 and management teams and other qualified employees and 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, CPRA, other privacy-related laws and regulation of the Internet and e-commerce; classification of our independent contractors, agency workers or employees; our ability to remediate our material weakness over internal control over financial reporting; 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 laws; our ability to use our tax attributes; 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; our ability to continue as a going concern; 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, 2022 and our other filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting the company's Investor Relations web site at investor.groupon.com or the SEC's web site at www.sec.gov. Groupon's actual results could differ materially from those predicted or implied and reported results should not be considered an indication of future performance.

You should not rely upon forward-looking statements as predictions of future events. Although Groupon believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither Groupon nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements reflect our expectations as of March 16, 2023. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations.

This presentation contains non-GAAP financial measures. See the appendix for reconciliations of non-GAAP financial measures to the most comparable U.S. GAAP measures and our Q4 2022 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

A romantic couple is shown in profile, kissing. The man is on the left, and the woman is on the right, smiling broadly. The scene is illuminated with a strong green light, creating a bokeh effect with out-of-focus lights in the background. The overall mood is intimate and joyful.

Trusted Local Marketplace.

Where customers go to buy services and experiences that make life less boring and deliver boundless value.

**Global, scaled,
two-sided
marketplace with
undervalued assets
and big potential**



Scaled local marketplace with room to grow

- Leading player in the large and growing addressable market for local services and experiences
- Two-sided marketplace with massive global scale
- Delivered \$1.8B+ in Local Billings in 2022
- Beloved brand: ~1.5B Groupons sold to date¹

Valuable, underutilized assets

- **Data** : Untapped data assets and feedback network in our current experience
- **Scale**: Over 14MM Active Local customers and nearly 100MM visitor sessions per month
- **Reach**: Scaled horizontal marketplace

Executing sales-led transformation strategy to unlock growth

- **Improving Marketplace Inventory**: Building a more inspiring inventory base that engages customers and drives purchase frequency
- **Reducing Marketing & Promotional Spend**: Focused on reducing our marketing and promotional spend while driving higher return on investment
- **Reducing our Cost Structure**: Estimate non-GAAP SG&A* exiting 2023 to be over \$350M lower than 2019 non-GAAP SG&A

Creating operating leverage that can allow us to deliver Adj. EBITDA even on lower revenue base

Balance sheet & financial model to support growth

- \$281 million in cash exiting 4Q22
- 2.29% ownership stake in SumUp

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1. As of December 31, 2022

A scaled local marketplace with room to grow

Connecting millions of local customers to our global marketplace



1 Million+
Merchant partners worked with to date



1.5 Billion+
Groupons sold to date



\$35 Billion+
Saved to date by NA consumers



\$25 Billion+
Pumped into local businesses to date

- Large and growing addressable market in local
- Groupon's two-sided marketplace has massive global scale
- Beloved brand



Our Sales-led Transformation Strategy to Unlock Growth and Profitability

Executing Sales-Led Transformation Strategy

Transforming Groupon into the go-to destination for local experiences and services

Our transformation strategy is focused on three core areas:



Improving Our Marketplace Inventory to Drive Consumer Demand

Ensure that we meet our customers needs every single time they come to our marketplace



Reducing Marketing and Promotional Spend, While Improving ROI

As we improve our inventory and our organic supply and demand fundamentals, we are focused on reducing our marketing and promotional spend, while driving higher return on investment



Reducing Cost Structure

Executing a multi-phased cost savings plan to align our fixed cost structure with where the business is today

Believe our turnaround strategy will allow us to fundamentally reposition our business to grow profitably in a variety of economic cycles and position us for long-term growth and value creation

Potential to unlock marketplace flywheel and significant shareholder value





Improving our Inventory to Drive Consumer Demand



Improving Our Inventory: Testing Initiatives

Gained valuable insight that is informing our sales-led transformation strategy



Tested initiatives to determine the best strategy

- Throughout 2022, tested various initiatives, including:
 - Groupon Incentives
 - Personalized Promotions & Cross-Promotion
 - Card-Linked Offerings
- Ran a number of our initiatives in Atlanta case study to see if we could to accelerate unit velocity



Key takeaways:

- These initiatives can be used to accelerate our progress, drive customer demand and repeat purchases
 - Improved purchase frequency by up to 14% with Atlanta customers who were offered incentives vs. customers who were not
 - Gained valuable insight and empirical internal and external data to power our sales-led transformation strategy
- Benefits of initiatives are limited without the right supply; tough to sustain improved purchase frequency if we don't have the right supply
- For these initiatives to work, we MUST build an inventory base with core experiences/services that consumers want ALL the time



Improving our Inventory: Onboard & Retain Better Inventory

If we win the right supply and expand our selection of fresh, new offerings, we believe demand will follow

Leveraging our sales force and refining our sales process for acquiring and retaining high-quality inventory

- **Acquisition:** Sales reps now have specific merchant acquisition targets - with vertical, geographic location, and deal structure requirements
- **Retention:** Sales comps plans now focused on retaining high-quality merchants **AND** deal structures, year-over-year
- **Curation:** Launched hand curation, where high-value merchants in top markets have their deals curated by our sales and editorial teams
 - This curation improves the deal structure, copy and our supply for both customers and merchants
 - These deals have already begun to outperform: early evidence of solid conversion rate increases, higher unit velocity and new customer acquisition

If we are successful in improving our inventory base, we can significantly improve performance of new merchants this year

- **2023 Goal:** Increase Billings & Gross Profit per new merchant by more than 20%

Aligning sales compensation to merchant and deal performance vs. the quantity of deals launched or merchants acquired

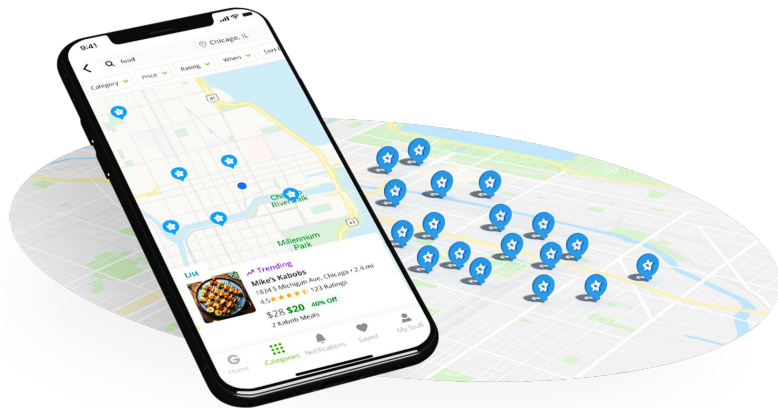


Improving our Inventory: Hyper-Local Merchant Acquisition Approach

Focused on acquiring the **right merchant** in the **right category**, the **right location** and with the **right deal structure**

📍 Taking a Hyper-Local Merchant Acquisition Approach

- Identifying and prioritizing **acquisition of high-quality merchants** in categories with unfulfilled customer intent in our **top 5 U.S. Markets**:
 - *New York, Chicago, Los Angeles, Washington D.C., and Phoenix*
- Plan to scale more broadly to other North American cities and European capitals once we have proof of concept
- Remain focused on **acquiring highly compelling, national deals** from well-known merchants to drive engagement on our platform
- 🌱 ● **2023 Goal:** Increase the share of new Local deals that sell 10+ vouchers per month in our top markets from current ~20% level





Improving our Inventory: To Drive Customer Demand

Build a more inspiring inventory base that engages customers and drives purchase frequency

- We will leverage an improved inventory base to power better search and relevance and recommendations
 - Focused on optimizing our search algorithms and better showcasing personalized deal recommendations throughout the customer journey
 - Seeing positive, early results and looking to roll out more broadly
- Continued focus on enhancing customer service interactions and reducing refunds to improve customer trust
 - Reduced refund rates in North America and International during 2022; committed to reducing even further
- **2023 Goal:** Return purchase frequency to above 3x per year

GROUPON Categories ▾ 🔍 restaurant

Explore the Near You

Hi there, here's what's trending

→ Lisbon with flights
Av. Alm. Reis 49,, Lisboa • 1638.9 km
From **€89/nt**
→Lisbon: 2-4 Nights at a Hotels with Flights*

For one: two-course dinner
Restaurant Six
4.7 ★★★★★ 37 Ratings
~~€41~~ From **€19.95** 51% OFF

For two: afternoon tea
Old Music Shop Restaurant
5 ★★★★★ 6 Ratings
~~€50~~ From **€25** 50% OFF

For two: Lamb cutlets with sides
O'Shea's Irish Restaurant
4.4 ★★★★★ 118 Ratings
~~€40~~ From **€19** 53% OFF

For one: two-course meal with a...
Hanoi Hanoi Restaurant
4.3 ★★★★★ 24 Ratings
~~€27.50~~ From **€22.95** 17% OFF

For two: sirloin steak dinner wit...
O'Shea's Irish Restaurant
4.4 ★★★★★ 118 Ratings

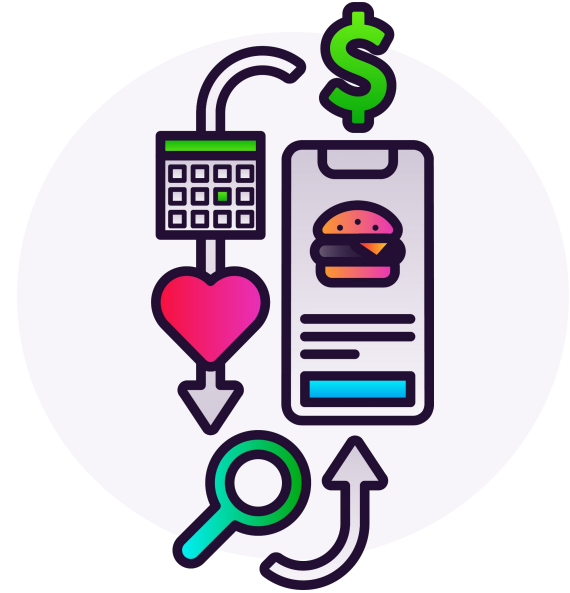


Reduce Marketing and Promotional Spend and Improve ROI



Reducing Marketing & Promotional Spend and Improve ROI

- With improved inventory and organic demand, we can reduce our marketing and promotional spend and increase ROI
- Transforming our inventory also means connecting it more directly to consumer demand
- We believe this will allow us to
 - Reduce marketing expense to less than 25% of gross profit in 2023
 - Opportunistically reallocate marketing budget to higher-return channels
 - Do a better job of personalizing promotions and pricing strategies - reduce spend and drive **incremental** consumer demand



2023 Goals Summary



Our 2023 goals aim to unlock the marketplace flywheel:

- Increase Billings and Gross Profit by more than 20% for new merchants
- Increase share of new Local deals that sell 10+ vouchers per month in our top U.S. markets from current level of ~20%
- Return overall customer purchase frequency to 3x+ per year
- Reduce marketing expense to less than 25% of gross profit in 2023



Reducing our Cost Structure

Executing a multi-phase cost savings plan to better align with where our business is today...

Transforming Groupon into the go-to destination for local experiences and services

Phase 1 Cost Actions:



- Achieved **\$150 million in cost savings** through our phase 1 actions, which were substantially complete in 2022
- **Reduced the size of our North America sales force** and began leveraging self-service more broadly
- Aggressively **right-sized our tech org**
- **Additional cost savings from combination of process improvements** and the right-sizing of our facilities footprint

Phase 2 Cost Actions:



- Increased the size of our phase 2 plan by \$50 million
- On track to **reduce our expense structure by \$100 million** in phase 2
 - **Expect to achieve \$70 million in annualized cost savings** through payroll reductions
 - Implementing **non-payroll actions**, including reducing technology, software and certain professional services costs, which are expected to create an **additional \$30 million** in annualized cost savings
- **Moving quickly to execute** phase 2, expect to complete actions **during the second quarter of 2023**

...creating expense leverage for profitable growth in the future

**Against a meaningfully streamlined cost structure,
we believe we can generate at least \$100M of Adjusted EBITDA
by sustaining Local recovery rates at 50% of 2019 levels**





Fourth Quarter Results

Key fourth quarter results

19M

Active
Customers¹

14M

Units
Sold

\$468M

Billings

\$148M

Revenue

\$129M

Gross Profit

\$(5)M

Adjusted
EBITDA²

\$281M

Cash
(as of 12/31)³



1. Active Customers are defined as unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission
2. Adjusted EBITDA (AEBITDA) is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)"
3. Includes \$75M of outstanding borrowings under our revolving credit facility

Additional insights on fourth quarter results



Q4 Global Local Billings - NA and International Local Billings at 51% and 49% of 2019 levels, respectively



Grew our high-value, active Local customer base year-over-year in International by 10%, improving the composition of our International customer base



Reducing fixed costs to ensure we have the financial flexibility needed to execute our sales-led transformation strategy

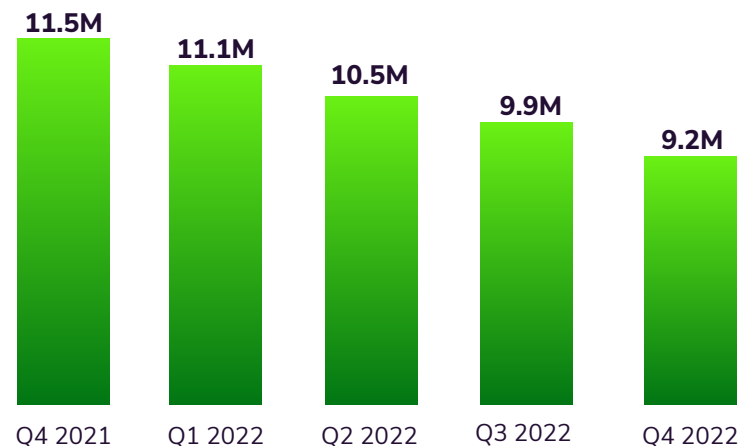


Ended fourth quarter with a **cash balance of \$281 million**, which includes \$75 million drawn on the revolver

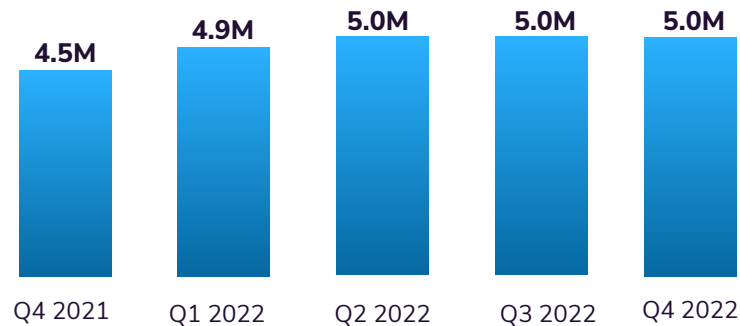
Scaled Customer Base, Room to Improve Retention and Growth

Focused on improving supply to align with intent of our high-value Local customer base and ultimately unlock purchase frequency and drive demand

NA Active Local Customers ¹



Intl Active Local Customers ¹



1. Active Local Customers are defined as unique user accounts that have made a Local purchase during the TTM either through one of our online marketplaces or directly with a merchant partner for which we earned a commission. Excludes cross shoppers. During the fourth quarter 2022, we updated our definition of Active Local Customers to include CLO customers. Prior period Active Local Customers have been retrospectively adjusted to reflect those changes.



1Q23 Perspective

1Q23 perspective

Factors to Consider

- **Preliminary January & February Local Billings Results (FXN) ⁽¹⁾:**
 - **North America:** Estimated to be ~44% of 2019, down 9% y/y
 - **International:** Estimated to be ~49% of 2019, down 1% y/y
 - **Consolidated:** Estimated to be ~46% of 2019, down 7% y/y
- **Marketing:** Expect to reallocate some marketing spend to lower funnel, performance marketing channels; We'll look to continue to invest in marketing overall if we see opportunities to drive attractive returns
- **Adjusted EBITDA⁽¹⁾:** Depending on the timing for some of our proposed restructuring activities, expect first quarter adjusted EBITDA to be between negative \$10 million and negative \$5 million
- **Cash Flow:** Anticipate significant cash outflows in the first quarter



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Appendix

Non-GAAP SG&A Implications for Expense Reductions

	<u>SG&A</u> ⁽¹⁾	<u>Walk to \$250M Savings</u>	
2021A SG&A ⁽¹⁾	\$440M	SG&A Savings ⁽¹⁾	\$200M
2022 Cloud costs, wage inflation, & other	+ \$50M	CapEx	\$35M
SG&A - adjusted baseline	<u>\$490M</u>	Other Cash Savings	<u>\$15M</u>
SG&A Cost Savings - Phase 1	- <u>\$(100)M</u>	Total Expected Gross Savings	\$250M
2023 SG&A ⁽²⁾ - Initial Estimate	\$390M		
SG&A Cost Savings - Phase 2 (In-Year Savings)	- <u>\$(70)M</u>		
2023 SG&A ⁽²⁾ - New Estimate	\$320M		
SG&A Cost Savings - Phase 2 (Remaining Annualized Savings)	- <u>\$(30)M</u>		
Estimated Baseline SG&A Run Rate (Exiting 2023)	<u>\$290M</u>		

(1) Excludes depreciation and amortization and stock-based compensation. See the appendix for a reconciliation of this non-U.S. GAAP measure to the most comparable U.S. GAAP financial measure, SG&A.

(2) Excludes depreciation and amortization and stock-based compensation. We do not provide a reconciliation for non-GAAP estimates on a forward-looking basis where we are unable to provide a meaningful calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that would impact the most directly comparable forward-looking U.S. GAAP financial measure that have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. Forward-looking non-GAAP financial measures provided without the most directly comparable U.S. GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.

Goods revenue presentation

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

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



- NA transition completed in 4Q 2020, INTL transition completed in 4Q 2021
- 3P revenue take rate is lower because it is presented on a net basis

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

Minority Investments Overview

- SumUp Holdings S.a.r.l. (“SumUp”)
 - Groupon has been a passive investor in SumUp, a privately-held, global payments service provider, since 2013 and currently holds a 2.29% non-controlling ownership interest
 - There is no public market for SumUp securities at this time.
- Other Minority Investments:
 - Groupon holds non-controlling minority investments in Monster Holdings LP and Nearbuy Pte Ltd. Both of these investments had a fair value of zero as of December 31, 2022.
 - Groupon also has non-controlling investments in various other entities.

Non-GAAP Reconciliations*

Adjusted EBITDA - Quarterly (in thousands)

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

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net income (loss)	\$ 30,328	\$ (34,352)	\$ (90,250)	\$ (55,543)	\$ (54,235)
Adjustments:					
Stock-based compensation	8,048	7,506	8,572	8,116	5,812
Depreciation and amortization	19,212	17,369	16,494	14,706	14,094
Goodwill impairment	—	—	35,424	—	—
Long-lived asset impairment	—	—	8,811	—	3,448
Restructuring and related charges ⁽¹⁾	7,745	312	2,939	4,912	4,187
Other (income) expense, net	5,049	4,880	21,340	23,541	(25,606)
Provision (benefit) for income taxes	(33,096)	(2,675)	2,398	(4,328)	47,015
Total adjustments	6,958	27,392	95,978	46,947	48,950
Adjusted EBITDA	\$ 37,286	\$ (6,960)	\$ 5,728	\$ (8,596)	\$ (5,285)

- (1) Restructuring and related charges includes \$1.2 million of long-lived asset impairment for the three months ended June 30, 2022 and \$1.8 million for the three months ended September 30, 2022.

Non-GAAP Reconciliations*

Free Cash Flow (in thousands)

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

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net cash provided by (used in) operating activities	\$ 30,988	\$ (78,164)	\$ (30,192)	\$ (43,494)	\$ 15,863
Purchases of property and equipment and capitalized software	(11,765)	(13,001)	(9,148)	(8,346)	(5,673)
Free cash flow	\$ 19,223	\$ (91,165)	\$ (39,340)	\$ (51,840)	\$ 10,190
Net cash provided by (used in) investing activities	\$ (12,314)	\$ (13,916)	\$ (9,779)	\$ (8,877)	\$ (6,273)
Net cash provided by (used in) financing activities	\$ (3,382)	\$ (2,964)	\$ (43,340)	\$ 48,811	\$ (36,915)

*See Q4 2022 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures

Non-GAAP Reconciliations*

Local gross billings as a percentage of 2019

The following table represents the effect from changes in exchange rates versus the U.S. dollar for the three months ended December 31, 2022:

	Three Months Ended December 31, 2022		
	At Avg. Q4 2019 Rates ⁽¹⁾	Exchange Rate Effect ⁽²⁾	As Reported
Consolidated Local Gross Billings as a % of 2019	51 %	(2)%	49 %

- (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 Q4 2019.
- (2) Represents the increase or decrease in the reported amount resulting from changes in exchange rates from those in effect in Q4 2019.

*See Q4 2022 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures

Non-GAAP Reconciliations*

Selling, general and administrative reconciliation

The following is a reconciliation of Non-GAAP selling, general and administrative to the most comparable U.S. GAAP measure, Selling, general and administrative:

	Year Ended December 31,		
	2019	2021	2022
Selling, general and administrative	\$ 806,945	\$ 511,096	\$ 481,375
Less: Stock-based compensation	(74,324)	(31,836)	(28,557)
Less: Depreciation and amortization	(70,370)	(40,081)	(30,109)
Non-GAAP selling, general and administrative	<u>\$ 662,251</u>	<u>\$ 439,179</u>	<u>\$ 422,709</u>

	Three Months Ended December 31, 2022	
Selling, general and administrative	\$ 111,774	
Less: Stock-based compensation	(5,648)	
Less: Depreciation and amortization	(6,423)	
Non-GAAP selling, general and administrative	<u>\$ 99,703</u>	

*See Q4 2022 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures