



Groupon 2nd Quarter Earnings

August 9th, 2023

GROUPON



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 Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 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 August 9, 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 2Q 2023 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

Agenda

Dušan Šenkypl
Interim CEO

Jiří Ponrt
CFO

Rana Kashyap
SVP, Corp Dev & IR

- CEO Commentary
- Financial Overview
- Updated Outlook
- Q&A



CEO Commentary

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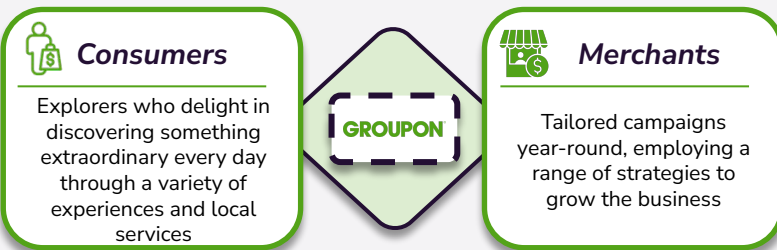


Groupon Snapshot

Our Mission

Our Mission is to Become The Ultimate Destination For Local Experiences and Services

Who We Serve




Value Creation Plan

Current Equity Market Valuation + Attractive business model + Improving financial performance + Non-core Assets

By the Numbers


\$1.7B
 Q2 2023 TTM Billings



\$543M
 Q2 2023 TTM Revenue



~80M
 Visitor Sessions / Month⁽²⁾



~17M
 Global Active Customers⁽¹⁾


1M+
 Merchant Partnerships⁽³⁾


400,000+
 Active Live Deals⁽²⁾


32%
 Q2 2023 TTM Gross Margin⁽⁴⁾


87%
 Q2 2023 TTM Gross Profit / TTM Revenue


63%
 Q2 2023 TTM Contribution Margin

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) As of June 30, 2023
 3) Life-to-date through December 31, 2022
 4) Represents the percentage of gross billings that we retained after deducting the merchant's share from revenue

Second Quarter Update

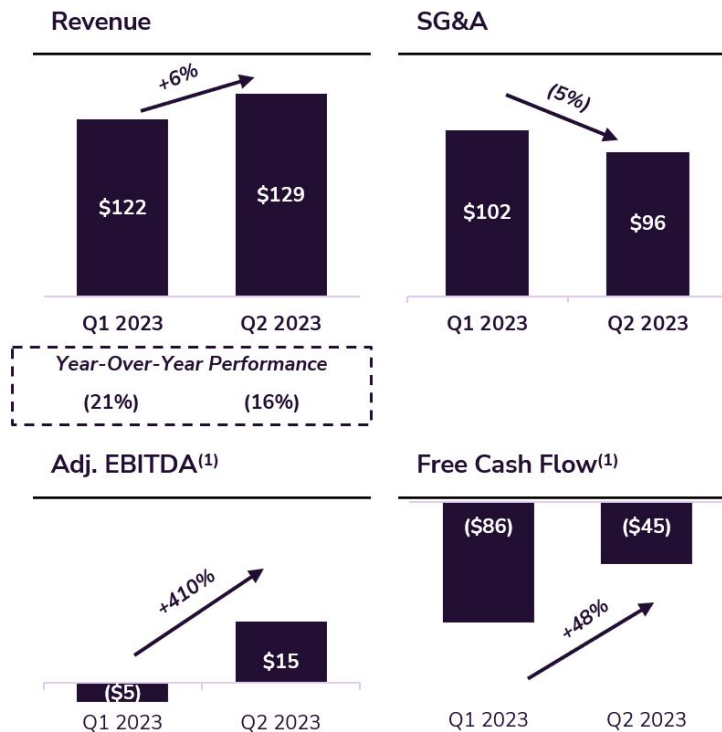
Positive Signals

- Revamped Team
- Revenue Management
- Performance Marketing
- Significant Cost Savings Realized

Negative Signals

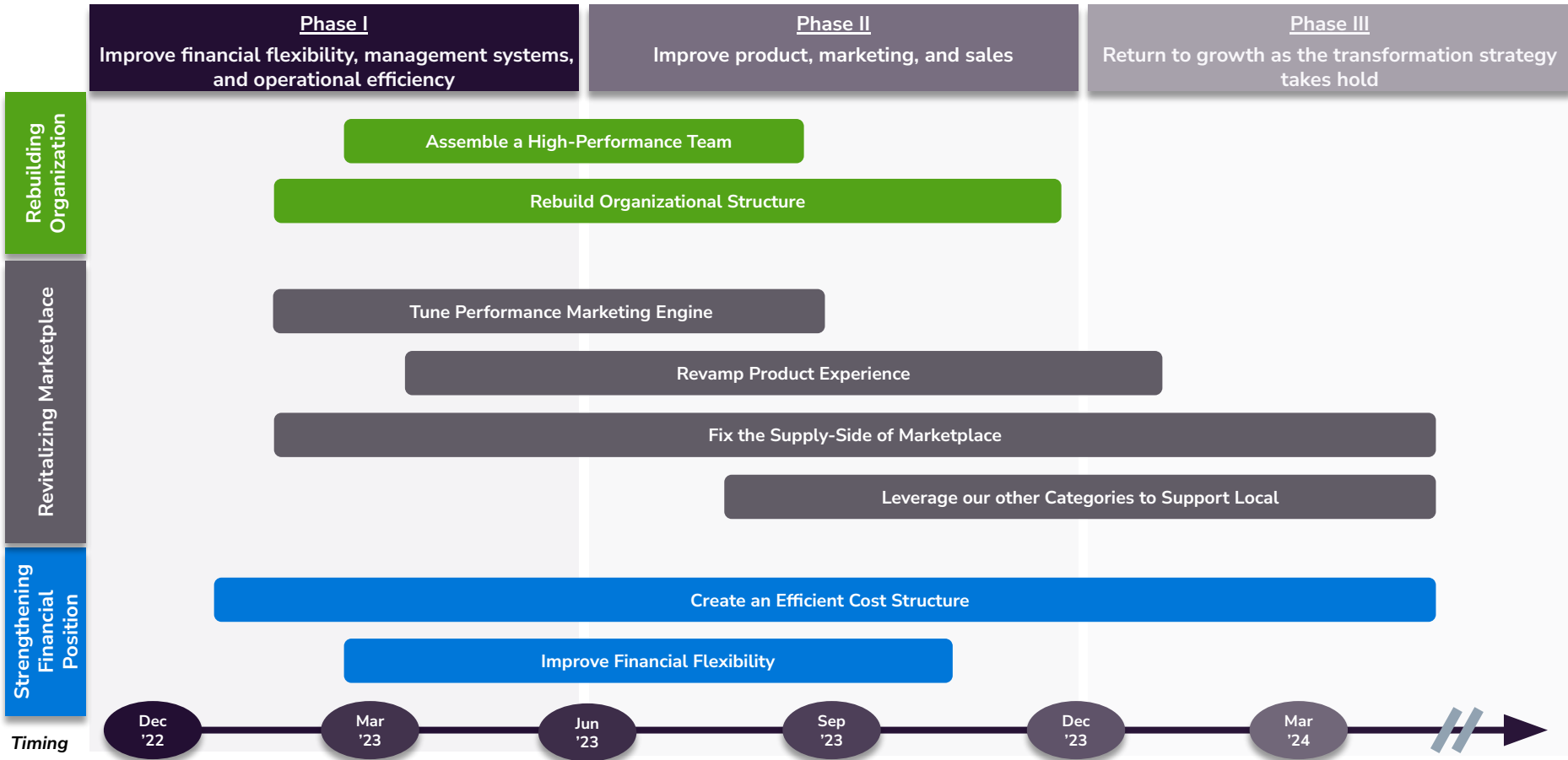
- Attrition
- Cash Flow

Q2 '23 Financial Snapshot (\$M)



1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

Transformation Plan Update



Assemble a High-Performance Team with a Focus on Operational Excellence



Groupon Senior Leadership Team



- Joined 2023
- 25+ years of experience

Prior Experience
 

Dušan Šenkypl
 Interim Chief
 Executive Officer



- Joined 2023
- 25+ years of experience

Prior Experience
 

Jiří Ponrt
 Chief Financial Officer



- Joined 2022
- 21+ years of experience

Prior Experience
 

Vojtěch Ryšánek
 Interim Chief
 Technology Officer




- Joined 2010
- 23+ years of experience

Prior Experience


Barbara Weisz
 SVP, Sales



- Joined 2023
- 7+ years of experience

Prior Experience


Branislav Majorský
 SVP, Revenue
 Management



- Joined 2023
- 14+ years of experience

Prior Experience
 

Petra Vahalová
 Global Head of HR





- Joined 2023
- 13+ years of experience

Prior Experience
 

Filip Popovič
 SVP, Product &
 Transformation



- Joined 2014
- 30+ years of experience

Prior Experience
 

Dane Drobny
 Outside General
 Counsel




- Joined 2023
- 18+ years of experience

Prior Experience
 

Rana Kashyap
 SVP, Corp Dev & IR



- Joined 2023
- 10+ years of experience
- Former CEO: Slevomat

Prior Experience


Marie Havlíčková
 Strategy Execution



- Joined 2023
- 7+ years of experience

Prior Experience
 

Lucie Brešová
 Interim VP,
 Global Services
 Organization



- Joined 2012
- 18+ years of experience

Prior Experience


Emma Coleman
 Head of Global
 Communications



Reorganization

- Break down silos and connect business processes across functions
- Re-alignment of teams



Improve Our Management System

- Modern project management tools
- Launching new projects under Squads framework



Implement a Performance-Based Culture

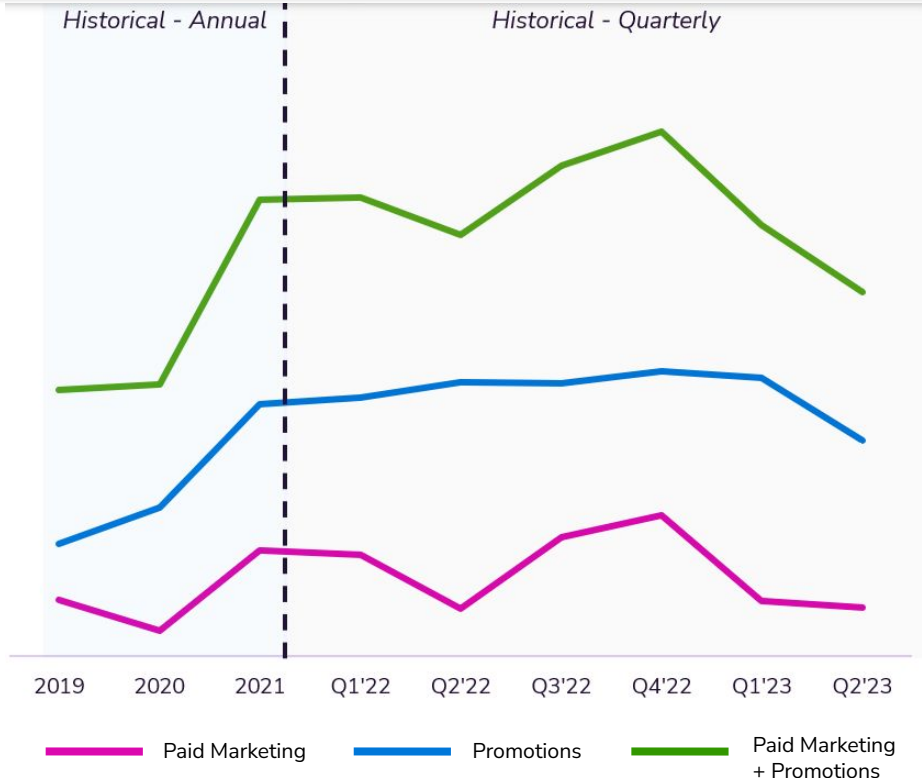
- New leadership habits
- Revised compensation system
- Establish metrics and KPIs for every team

Tune Marketing Engine Towards Lower-Funnel Performance Channels



Reducing reliance on promotions and rebuilding performance channels to position ourselves for growth

Illustrative Mix of Paid Marketing and Promotions



Paid Marketing Dashboard



Raise Groupon's Product Experience to Modern Marketplace Standards



CONSUMER

- ✓ Consumer web UX improvements
- ✓ Purple prices > personalized promotions initiative
- ✓ Gamification
- ✓ Gifting proposition

Improve Conversion And Redemption Rates



MERCHANT

- ✓ AI driven deal creation
- ✓ Improve convenience for merchants > easy redemption process via API

Improve merchant NPS, time to onboard merchant/launch deal, and lower cost to serve



INTERNAL TOOLS

- ✓ Deal Creation tool to unify work across departments
- ✓ MVP launched for Content Ops and Local Sales
- ✓ Simplification of legacy tools

Reduce internal tool complexity



Top Supply Acquisition and Retention

- Merchant value proposition
- Deal structure and ranking
- Increasing Geo Focus
- Bespoke account management

Top 5 Geos in North America outperformed rest of North America by **double digits**



Improve Sales force Efficiency

- Globalization and standardization
- Lead allocation
- Performance management
- Sales incentives

Performance per sales rep **grew double digits** YoY from Q2 22 to Q2 23



Evaluating Higher Investments Into Our Sales Network

- Building efficient foundation
- Sales compensation structures
- Talent acquisition

As long as ROI meets our **internal hurdle rate**, ready to increase spending on sales force



Financial Overview

GROUPON

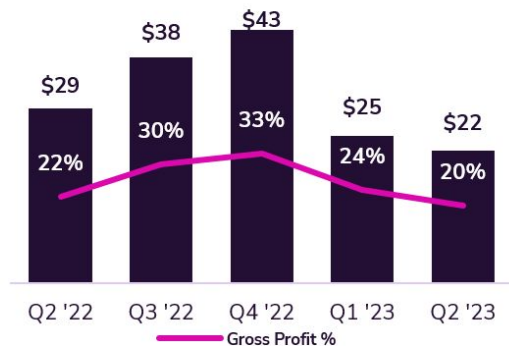


2Q23 Key Financial Results

Revenue (\$M)



Marketing (\$M)



Contribution Profit (\$M)



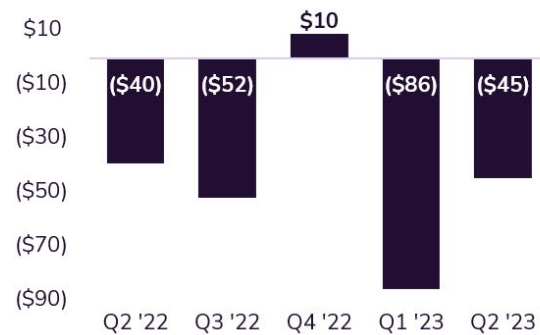
SG&A (\$M)



Adj. EBITDA⁽¹⁾ (\$M)



Free Cash Flow⁽¹⁾ (\$M)



1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

2Q23 Key Operating Metrics

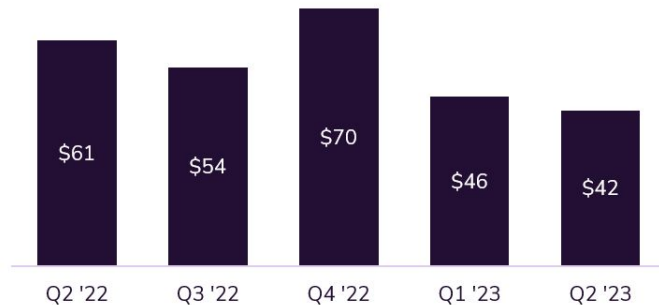
Active Local Customers⁽¹⁾ (M)



Local Gross Billings (\$M)



Goods Gross Billings (\$M)



Travel Gross Billings (\$M)



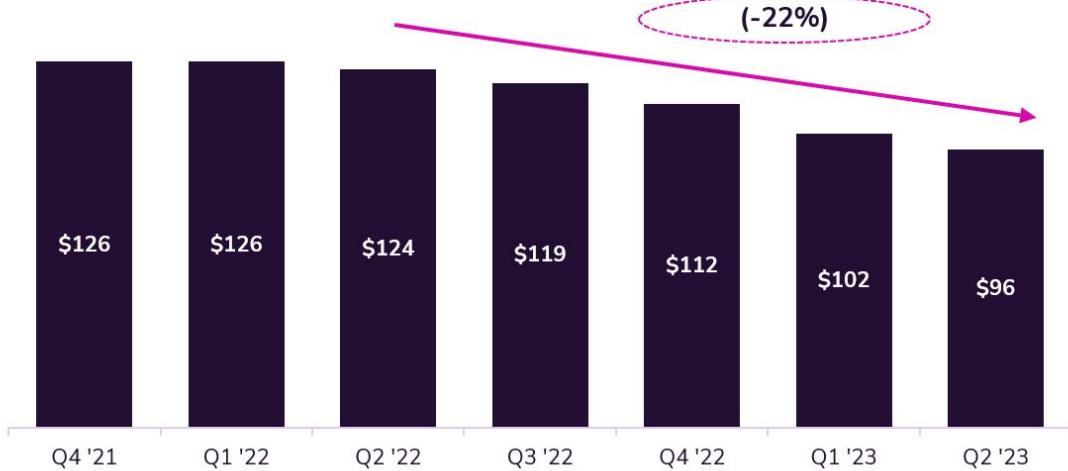
1. Active Local Customers are defined as unique user accounts that have made a Local purchase during the TTM either through one of our online marketplaces or directly with a merchant partner for which we earned a commission. Excludes cross shoppers.

Creating an Efficient Cost Structure



Significant Opportunity to Reduce Spend Across the Organization

SG&A (\$M)



New Mindset Of Frugality



Increasing Efficiency Through Automation Of Business Processes



Director-Level Headcount Reductions, Reducing Redundant Spend

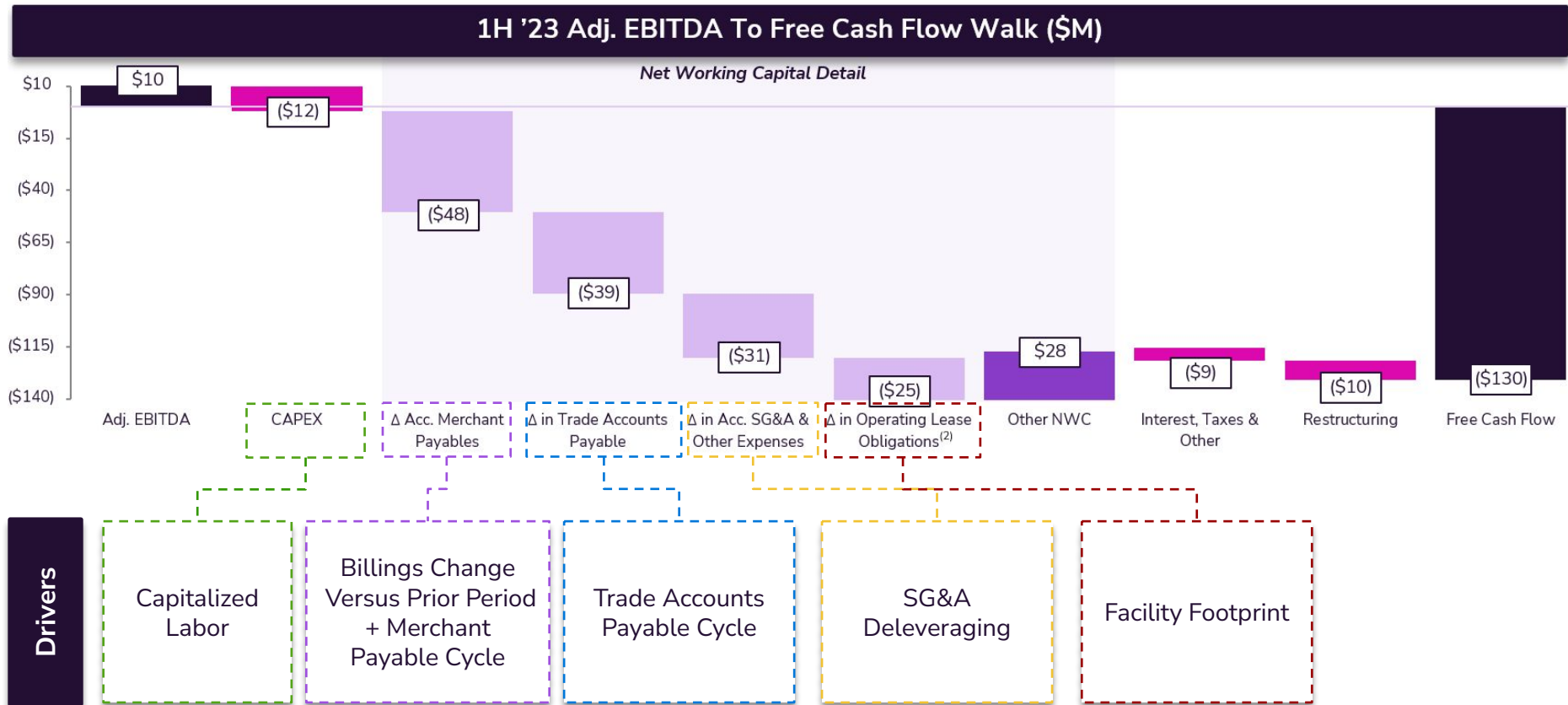


Decreasing Software / Cloud Spend



Reducing Facilities Footprint

First Half 2023 Adjusted EBITDA⁽¹⁾ to FCF⁽¹⁾ Reconciliation



1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"
 2) Includes \$9.6M early termination payment associated with our 600 W. Chicago lease

Improve Groupon's Financial Flexibility



Jan. 2023

Restructuring Phase 2
Announcement

Mar. 2023

Amendment to Credit
Facility

Ongoing

Multi-Phase Cost
Reductions

Potential

Debt / Equity
Financing

Potential

Monetization of
Non-Core Assets

Overview Of Non-Core Assets



- Offers end-to-end business gift cards and rewards programs
- GRPN currently owns 100% share⁽¹⁾



- Mobile POS device that pairs card readers to any mobile device or tablet to allow them to accept magstripe, chip, and contactless payments
- GRPN currently owns ~2.3% share



Patents

- Patent-specific intellectual property of Groupon
- GRPN currently owns 100% share

1) Groupon acquired GiftCloud in 2018 via its acquisition of Cloud Savings Company. Cloud Savings Company was the parent company of Giftcloud and Vouchercloud, which were collectively acquired for a \$74.6M million enterprise value.



- **2H23 Topline:** For our third and fourth quarter revenue expectations, we expect to see slight improvements in the rate of year-over-year declines each quarter.
 - As our transformation strategy takes hold, we expect to see an increase in year-over-year Local billings by early 2024, though our total revenue growth trends may diverge from our Local billings trends depending on the trajectory of our other categories and the timing of our transformation strategy.
- **Marketing spend:** As previously mentioned, we believe our performance marketing channels are ready to receive incremental investments and expect to increase our marketing spend as a % of gross profit.
- **Cost profile:** We expect our full-year 2023 non-GAAP SG&A* will be approximately \$320 million.
 - Beyond 2023, while it is too early to give a formal outlook for 2024, we do expect our annual non-GAAP SG&A for 2024 will be below our prior outlook of \$290 million. We are evaluating higher investments into our sales network, which may offset some of our expected savings in 2024.
- **Adjusted EBITDA*:** We expect to generate positive Adjusted EBITDA for the remainder of the year.
- **Free Cash Flow*:** Our ability to convert positive Adjusted EBITDA to positive Free Cash Flow will depend on the timing of our working capital cycle and other cash expenses.
 - For our third quarter, we expect our Free Cash Flow will still be negative, however we expect the outflow will be less than in the second quarter.
 - For our fourth quarter, we expect to generate positive Free Cash Flow.

* 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.



Appendix

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):

	<u>Q2 2022</u>	<u>Q3 2022</u>	<u>Q4 2022</u>	<u>Q1 2023</u>	<u>Q2 2023</u>
Net income (loss)	\$ (90,250)	\$ (55,543)	\$ (54,235)	\$ (28,613)	\$ (12,004)
Adjustments:					
Stock-based compensation	8,572	8,116	5,812	2,363	7,519
Depreciation and amortization	16,494	14,706	14,094	14,505	13,243
Goodwill impairment	35,424	—	—	—	—
Long-lived asset impairment	8,811	—	3,448	—	—
Restructuring and related charges ⁽¹⁾	2,939	4,912	4,187	8,794	(689)
Other (income) expense, net	21,340	23,541	(25,606)	(3,070)	4,805
Provision (benefit) for income taxes	2,398	(4,328)	47,015	1,118	2,323
Total adjustments	95,978	46,947	48,950	23,710	27,201
Adjusted EBITDA	<u>\$ 5,728</u>	<u>\$ (8,596)</u>	<u>\$ (5,285)</u>	<u>\$ (4,903)</u>	<u>\$ 15,197</u>

- (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.

*See Q2 2023 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures

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.

	<u>Q2 2022</u>	<u>Q3 2022</u>	<u>Q4 2022</u>	<u>Q1 2023</u>	<u>Q2 2023</u>
Net cash provided by (used in) operating activities	\$ (30,192)	\$ (43,494)	\$ 15,863	\$ (76,320)	\$ (42,310)
Purchases of property and equipment and capitalized software	(9,148)	(8,346)	(5,673)	(9,544)	(2,253)
Free cash flow	\$ (39,340)	\$ (51,840)	\$ 10,190	\$ (85,864)	\$ (44,563)
Net cash provided by (used in) investing activities	\$ (9,779)	\$ (8,877)	\$ (6,273)	\$ (9,013)	\$ (2,483)
Net cash provided by (used in) financing activities	\$ (43,340)	\$ 48,811	\$ (36,915)	\$ (29,197)	\$ (2,939)

*See Q2 2023 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures