

Groupon Announces Third Quarter 2013 Results and Agreement to Acquire Ticket Monster

- **Gross billings of \$1.34 billion**
- **Revenue of \$595.1 million**
- **GAAP operating income of \$13.8 million; \$39.2 million excluding stock compensation costs**
- **GAAP loss per share of \$0.00; earnings per share of \$0.02 excluding stock compensation costs**

CHICAGO — (BUSINESS WIRE) — November 7, 2013 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended September 30, 2013.

"Our Local business showed continued strength in the quarter, particularly in North America," said Eric Lefkofsky, CEO of Groupon. "Mobile adoption continued to increase in Q3, reflected in our record 9 million app downloads. We're pleased with our progress, but we still have work to do as we transform the business from our daily deal email roots to a full ecommerce marketplace."

"We're also excited to announce today that we've signed an agreement to acquire Ticket Monster, one of the leading ecommerce companies in Korea," added Lefkofsky. "Ticket Monster has been successful building a mobile commerce business in one of the largest markets in the world. It will serve as the cornerstone of our Asian business, bringing scale and ecommerce expertise to that region."

Third Quarter 2013 Summary

Gross billings, which reflect the total dollar value of customer purchases of goods and services, excluding any applicable taxes and net of estimated refunds, increased 10% globally to \$1.34 billion in the third quarter 2013, compared with \$1.22 billion in the third quarter 2012. North America growth of 20% and EMEA growth of 12% was offset by a 13% decline in Rest of World.

Revenue increased 5% to \$595.1 million in the third quarter 2013, compared with \$568.6 million in the third quarter 2012. North America revenue growth of 24% was offset by a 21% decline in EMEA and a 4% decline in Rest of World.

Gross profit was \$359.6 million in the third quarter 2013, compared with \$386.8 million in the third quarter 2012.

Operating income was \$13.8 million in the third quarter 2013, compared with \$25.4 million in the third quarter 2012. Operating income decreased \$13.6 million compared with the second quarter 2013.

Operating income excluding stock compensation and acquisition-related costs, net, a non-GAAP financial measure, was \$39.2 million in the third quarter 2013, compared with \$50.5 million in the third quarter 2012. Operating income excluding stock compensation and acquisition-related costs, net, decreased \$19.9 million compared with the second quarter 2013.

Revenue and operating profit in the third quarter 2012 included a one-time increase of \$18.5 million related to breakage, or income related to unredeemed Groupons internationally, resulting from a tax ruling in Germany.

Adjusted EBITDA, a non-GAAP financial measure, was \$62.3 million in the third quarter 2013, compared with \$65.8 million in the third quarter 2012.

Third quarter 2013 net loss attributable to common stockholders was \$2.6 million, or \$0.00 per share, including stock compensation and acquisition-related costs, net, of \$25.3 million (\$17.0 million net of tax). Earnings per share excluding stock compensation and acquisition-related costs, net of tax, a non-GAAP financial measure, was \$0.02 per share.

Operating cash flow for the trailing twelve months ended September 30, 2013 was \$105.9 million. Free cash flow, a non-GAAP financial measure, was negative \$27.0 million in the third quarter 2013, bringing free cash flow for the trailing twelve months ended September 30, 2013 to \$22.3 million.

At the end of the quarter, Groupon had \$1.1 billion in cash and cash equivalents.

Definitions and reconciliations of all non-GAAP financial measures are included below in the section titled “Non-GAAP Financial Measures” and in the accompanying tables.

Third Quarter Operating Highlights

- **Global units:** Consolidated units, defined as vouchers and products sold before cancellations and refunds, increased 9% year-over-year to 46 million. North America units increased 19%, EMEA units increased 1%, and Rest of World units were flat year-over-year.
- **Active deals:** At the end of the third quarter 2013, active deals in North America were estimated to be more than 65,000 on average, compared with more than 54,000 at the end of the second quarter 2013.
- **Active customers:** Active customers, or customers that have purchased a Groupon within the last twelve months, grew 10% year-over-year, to 43.5 million as of September 30, 2013, comprising 19.9 million in North America, 14.0 million in EMEA, and 9.6 million in Rest of World.
- **Customer spend:** Third quarter 2013 trailing twelve month billings per average active customer was \$137, compared with \$138 in the second quarter 2013.
- **Mobile:** In September 2013, North America achieved a milestone, with more than half of transactions completed on mobile devices. This contributed to the more than 40% of transactions completed on mobile devices in the month globally. More than 60 million people have now downloaded Groupon mobile apps worldwide, with more than 9 million people downloading them in the third quarter alone.
- **Marketplace:** The rollout of Groupon’s marketplace (“Pull”) continues to gain traction. In September 2013, approximately 6% of total traffic in North America was related to search activity, with customers that search spending over 25% more than those that do not.

Share Repurchase Program

During the third quarter of 2013, Groupon repurchased 770,900 shares of Class A common stock under its share repurchase authorization at an average price of \$11.67 per share, for an aggregate purchase price of \$9.0 million. Up to approximately \$291 million of Class A common stock remains available for repurchase under the August 2013 share repurchase authorization. The program, which is intended to offset dilution from employee stock grants, terminates in August 2015.

Acquisition of Ticket Monster

Groupon also announced today that it has entered into an agreement to acquire Ticket Monster, a Korean ecommerce company, for aggregate consideration of \$260 million, including at least \$100 million in cash, and up to \$160 million in Groupon Class A common stock, with the final cash and stock allocation to be determined upon close.

Ticket Monster is a leading ecommerce company in South Korea, and a subsidiary of LivingSocial, Inc. Founded in 2010, the Company serves millions of customers with a broad range of product, local and travel offers, and is one of the fastest growing ecommerce companies in the region. Ticket Monster has more than \$800 million of annualized billings.

“Ticket Monster is a great fit for Groupon. The team shares our vision, already leveraging a truly mobile marketplace as well as one that has little reliance on email,” said Lefkofsky. “Ticket Monster is one of Korea’s most recognized and trusted brands, and we’re thrilled to have them join the family.”

The transaction is currently expected to close in the first half of 2014, subject to regulatory approval by the Korean Fair Trade Commission and the satisfaction of other customary closing conditions.

Outlook

In the fourth quarter 2013, Groupon anticipates normal seasonal strength and strong holiday sales interest, in addition to email headwinds and further investment in marketing initiatives to drive adoption of the Pull marketplace. As a result, for the fourth quarter 2013, the Company expects revenue of between \$690 million and \$740 million, operating income excluding stock compensation and acquisition-related expenses of between \$40 million and \$60 million, and earnings per share excluding stock compensation and acquisition-related expenses, net of tax, of between \$0.00 and \$0.02. Stock compensation is expected to be approximately \$30 million, or approximately \$20 million net of tax.

As a result, Groupon now expects full year 2013 GAAP operating income of between \$72 million and \$92 million.

This outlook includes costs related to the acquisition of Ticket Monster. It does not assume any additional impact of this or other acquisitions or investments, or material changes in foreign exchange rates.

Conference Call

A conference call will be webcast live today at 4:00 p.m. CT / 5:00 p.m. ET, and will be available on Groupon’s investor relations website at <http://investor.groupon.com>. This call will contain forward-

looking statements and other material information regarding the Company's financial and operating results.

Groupon encourages investors to use its investor relations website as a way of easily finding information about the company. Groupon promptly makes available on this website, free of charge, the reports that the company files or furnishes with the SEC, corporate governance information (including Groupon's Global Code of Conduct), and select press releases and social media postings.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP), we have provided the following non-GAAP financial measures in this release and the accompanying tables: foreign exchange rate neutral operating results, operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net, Adjusted EBITDA, earnings per share excluding stock-based compensation and acquisition-related expense (benefit), net, and free cash flow. These non-GAAP financial measures are presented to aid investors in better understanding Groupon's performance and to facilitate comparisons to many of our peers who present similar measures. However, these measures are not intended to be a substitute for those reported in accordance with U.S. GAAP. These measures may be different from non-GAAP financial measures used by other companies, even when similar terms are used to identify such measures. For reconciliations of these measures to the most applicable financial measures under U.S. GAAP, see "Non-GAAP Reconciliation Schedules" and "Supplemental Financial Information and Business Metrics" included in the tables accompanying this release.

We exclude the following items from one or more of our non-GAAP financial measures:

Stock-based compensation. We exclude stock-based compensation because it is primarily non-cash in nature and we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and liquidity.

Acquisition-related expense (benefit), net. Acquisition-related expense (benefit), net represents the change in the fair value of contingent consideration arrangements related to business combinations. The composition of our contingent consideration arrangements and the impact of those arrangements on our operating results vary over time based on a number of factors, including the terms of our business combinations and the timing of those transactions. We exclude acquisition-related expense (benefit), net because we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and facilitate comparisons to our historical operating results.

Depreciation and amortization. We exclude depreciation and amortization because it is non-cash in nature and we believe that non-GAAP financial measures excluding these items provide meaningful supplemental information about our operating performance and liquidity.

Descriptions of the non-GAAP financial measures included in this release and the accompanying tables are as follows:

Foreign exchange rate neutral operating results show our current period operating results as if foreign currency exchange rates had remained the same as those in effect in the comparable period.

Operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net is a non-GAAP financial measure that comprises the consolidated total of the segment operating income (loss) of our three segments, North America, EMEA, and Rest of World. We use consolidated operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net to allocate resources and evaluate performance internally.

Adjusted EBITDA is a non-GAAP financial measure that we define as net income (loss) excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation, and acquisition-related expense (benefit), net. Adjusted EBITDA is similar to Operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net, except Adjusted EBITDA also excludes depreciation and amortization. Our definition of Adjusted EBITDA may differ from similar measures used by other companies, even when similar terms are used to identify such measures. We believe that Adjusted EBITDA is a meaningful measure for evaluating our operating performance.

Earnings per share excluding stock-based compensation and acquisition-related expense (benefit), net is a non-GAAP financial measure that adjusts our earnings (loss) per share to exclude the impact of stock-based compensation expense, acquisition-related expense (benefit), net and the income tax effect of those items. We believe that this non-GAAP financial measure provides meaningful supplemental information for evaluating our operating performance.

Free cash flow is a non-GAAP financial measure that comprises net cash provided by operating activities less purchases of property and equipment and capitalized software. We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe that it typically represents a more useful measure of cash flows because purchases of fixed assets, software developed for internal use and website development costs are necessary components of our ongoing operations. Free cash flow is not intended to represent the total increase or decrease in Groupon's cash balance for the applicable period.

Note on Forward-Looking Statements

The statements contained in this release that refer to plans and expectations for the next quarter or the future are forward-looking statements that involve a number of risks and uncertainties, and actual results could differ materially from those discussed. The risks and uncertainties that could cause our results to differ materially from those included in the forward-looking statements include, but are not limited to, volatility in our revenue and operating results; risks related to our business strategy; responding to changes in the market; effectively dealing with challenges arising from our international operations; retaining existing customers and adding new customers; retaining existing merchant partners and adding new merchant partners; incurring expenses as we expand our business; competing against competitors with more financial resources than us; maintaining favorable terms with our business partners; maintaining a strong brand; managing inventory and order fulfillment; integrating our technology platforms; managing refund risks; retaining our executive team; litigation; regulations, including the

CARD Act and regulation of the Internet; tax liabilities; tax legislation; maintaining our information technology infrastructure; security breaches; protecting our intellectual property; handling acquisitions, joint ventures and strategic investments effectively; seasonality; payment-related risks; customer and merchant partner fraud; global economic uncertainty; compliance with rules and regulations associated with being a public company; and our ability to raise capital if necessary. We urge you to refer to the factors included under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the company’s Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, copies of which may be obtained by visiting the company’s Investor Relations web site at <http://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 the company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements reflect Groupon’s expectations as of November 7, 2013. Groupon undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in its expectations.

About Groupon

[Groupon](#) (NASDAQ: GRPN) is a global leader in local commerce, making it easy for people around the world to search and discover great businesses at unbeatable prices. Groupon is reinventing the traditional small business world by providing merchants with a suite of products and services, including customizable deals, [payments processing](#) capabilities and [point-of-sale solutions](#) to help them attract more customers and run their operations more effectively. By leveraging the company's global relationships and scale, Groupon offers consumers incredible deals on the best stuff to eat, see, do, and buy in 48 countries. With Groupon, shoppers discover the best a city has to offer with [Groupon Local](#), enjoy vacations with [GrouponGetaways](#), and find a curated selection of electronics, fashion, home furnishings and more with [Groupon Goods](#). To subscribe to Groupon emails, visit www.Groupon.com. To learn more about the company's [merchant solutions](#) and how to [work with Groupon](#), visit www.GrouponWorks.com.

Contacts:

Investor Relations
Genny Konz
312-999-3098
ir@groupon.com

Public Relations
Paul Taaffe
312-999-3964