Groupon Announces Fourth Quarter and Fiscal Year 2013 Results

- **Fourth quarter gross billings of $1.6 billion, $5.8 billion for the full year**
- **Fourth quarter revenue of $768.4 million, $2.6 billion for the full year**
- **Fourth quarter Adjusted EBITDA of $72.0 million, $286.7 million for the full year**
- **Operating income excluding stock compensation and acquisition costs of $47.9 million, $197.2 million for the full year**
- **Fourth quarter GAAP loss per share of $0.12; earnings per share of positive $0.04 excluding stock compensation, acquisition costs and the impairment of a minority investment in China**

CHICAGO — (BUSINESS WIRE) — February 20, 2014 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter and fiscal year ended December 31, 2013.

"Our record performance in the quarter was led by strength in Goods, as shoppers increasingly looked to Groupon to fill their holiday needs," said Eric Lefkofsky, CEO of Groupon. "Our mobile business continued to gain momentum as our worldwide mobile transaction mix increased more than 10% in the quarter, to nearly 50% in December. With another 9 million downloads this quarter, we now have nearly 70 million app downloads to date."

"We're also excited to welcome Ticket Monster and ideeli to the Groupon family. The acquisitions bring scale, relationships, and category expertise, making Groupon an even better place to start when you want to do or buy just about anything, anytime, anywhere."

Fourth Quarter 2013 Summary

Gross billings, which reflect the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds, increased 5% globally to $1.6 billion in the fourth quarter 2013, compared with $1.5 billion in the fourth quarter 2012. North America growth of 10% and EMEA growth of 6% was offset by an 11% decline in Rest of World.

Revenue increased 20% to $768.4 million in the fourth quarter 2013, compared with $638.3 million in the fourth quarter 2012. North America revenue growth of 18% and EMEA growth of 43% was offset by a 15% decline in Rest of World.

Gross profit increased 6%, to $378.2 million in the fourth quarter 2013, compared with $355.8 million in the fourth quarter 2012.

Adjusted EBITDA, a non-GAAP financial measure, was $72.0 million in the fourth quarter 2013, compared with $29.7 million in the fourth quarter 2012.

Operating income was $13.4 million in the fourth quarter 2013, compared with an operating loss of $12.9 million in the fourth quarter 2012.

Operating income excluding stock compensation and acquisition-related costs, net, a non-GAAP financial measure, was $47.9 million in the fourth quarter 2013, compared with $13.7 million in the fourth quarter 2012.

Fourth quarter 2013 net loss attributable to common stockholders was $81.2 million, or $0.12 per share, including stock compensation and acquisition-related costs, net, of $34.5 million ($31.0 million net of tax). Fourth quarter 2013 results include a pre-tax non-operating loss of $85.5 million ($77.8 million net of tax) related to the impairment of a minority investment in China. Earnings per share excluding this impairment charge, stock compensation and acquisition-related costs, net of tax, a non-GAAP financial measure, was $0.04 per share.

Operating cash flow for the trailing twelve months ended December 31, 2013 was $218.4 million. Free cash flow, a non-GAAP financial measure, was $158.3 million in the fourth quarter 2013, bringing free cash flow for the trailing twelve months ended December 31, 2013 to $154.9 million.

At the end of the quarter, Groupon had $1.2 billion in cash and cash equivalents.

Full Year 2013 Summary

Gross billings increased 7% globally to $5.8 billion in 2013, compared with $5.4 billion in 2012. North America growth of 20% and EMEA growth of 3% was offset by a 14% decline in Rest of World.

Revenue increased 10% to $2.6 billion in 2013, compared with $2.3 billion in 2012. North America revenue growth of 31% was offset by an 8% decline in EMEA and a 15% decline in Rest of World.

Gross profit decreased 7%, to $1.5 billion in 2013, compared with $1.6 billion in 2012.

Adjusted EBITDA, a non-GAAP financial measure, was $286.7 million in 2013, compared with $259.5 million in 2012.

Operating income was $75.8 million in 2013, compared with $98.7 million in 2012.

Operating income excluding stock compensation and acquisition-related costs, net, a non-GAAP financial measure, was $197.2 million in 2013, compared with $203.7 million in 2012.

Full year 2013 net loss attributable to common stockholders was $95.4 million, or $0.14 per share, including stock compensation and acquisition-related costs, net, of $121.5 million ($90.7 million net of tax). 2013 results include a pre-tax non-operating loss of $85.5 million ($77.8 million net of tax) related to the impairment of a minority investment in China in the fourth quarter. Earnings per share excluding this impairment charge, stock compensation and acquisition-related costs, net of tax, a non-GAAP financial measure, was $0.11 per share.

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.

Operating Highlights

- **Units:** Global units, defined as vouchers and products sold before cancellations and refunds, increased 11% year-over-year to 56 million in the fourth quarter 2013. North America units increased 17%, EMEA units increased 9%, and Rest of World units decreased 1% year-over-year.
- **Active deals:** At the end of the fourth quarter 2013, on average, active deals in North America were approximately 80,000, compared with more than 65,000 at the end of the third quarter 2013. Globally, active deals exceeded 140,000 at the end of the fourth quarter 2013.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 9% year-over-year, to 44.9 million as of December 31, 2013, comprising 20.8 million in North America, 14.2 million in EMEA, and 9.9 million in Rest of World.
- **Customer spend:** Fourth quarter 2013 trailing twelve month billings per average active customer was $134, compared with $137 in the third quarter 2013.
- **Mobile:** In December 2013, nearly 50% of global transactions were completed on mobile devices. Nearly 70 million people have now downloaded Groupon mobile apps worldwide, with approximately 9 million people downloading them in the fourth quarter alone.
- **Marketplace:** The rollout of Groupon's marketplace ("Pull") continued to gain traction. In December 2013, approximately 8% of total traffic in North America searched, with customers that searched spending over 50% more than those that did not.

Share Repurchase Program

During the fourth quarter 2013, Groupon repurchased 3,661,900 shares of Class A common stock under its share repurchase authorization at an average price of $10.26 per share, for an aggregate purchase price of $37.6 million. During the full year 2013, Groupon repurchased 4,432,800 shares at an average price of $10.51 per share, for an aggregate purchase price of $46.6 million. Groupon is authorized to repurchase up to approximately $253.4 million of Class A common stock under the August 2013 share repurchase authorization. The program, which is intended to partially offset dilution from employee stock grants, terminates in August 2015.

Subsequent Events

On January 2, 2014, Groupon completed the acquisition of LivingSocial Korea, Inc., the holding company that owns Ticket Monster, for $100 million in cash and $163 million in Groupon Class A common stock. Ticket Monster is a leading Korean ecommerce company, with a broad range of local, travel, and product offers, and is one of the fastest growing ecommerce companies in the region.

On January 13, 2014, Groupon completed the acquisition of Ideeli, Inc. for $43 million in cash. Ideeli is a leading online flash fashion retailer, further extending Groupon's presence in fashion apparel.

Outlook

In the first quarter 2014, Groupon expects one-time costs related to the integration of its recent acquisitions, specifically as it consolidates Ticket Monster with its Korean business, and makes investments to drive ideeli growth and profitability. Together, in the first quarter, they are expected to contribute approximately $50 million to revenue, and have an approximately $20 million negative impact on Adjusted EBITDA. In addition, Groupon anticipates approximately $25 million of additional investment in marketing and other growth initiatives to drive adoption of the marketplace. As a result, for the first quarter 2014, the Company expects revenue of between $710 million and $760 million, Adjusted EBITDA of between $20 million and $40 million, and earnings per share excluding stock compensation, amortization of acquired intangibles, and acquisition-related expenses, net of tax, of between negative $0.04 and negative $0.02.

As a result of growth investments anticipated in 2014, Groupon expects Adjusted EBITDA for the full year to be slightly above 2013 levels.

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, free cash flow and earnings per share excluding stock-based compensation, acquisition-related expense (benefit), net, and the impairment of a minority investment in China. 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 is comprised of the change in the fair value of contingent consideration arrangements and, beginning in 2013, also includes external transaction costs related to business combinations, primarily consisting of legal and advisory fees. External transaction costs were not material for the prior periods presented in this release and the accompanying tables. 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.

Impairment of a minority investment in China. For the three months ended December 31, 2013, we recognized an $85.5 million other-than-temporary impairment of our minority investment in Life Media Limited ("F-tuan"), an entity with operations in China. This impairment reduced the carrying value of the investment to zero as of December 31, 2013. We have excluded this impairment from our non-GAAP earnings per share measure, described below, because we believe that excluding this item provides meaningful supplemental information about our core operating performance on a per share basis and facilitates comparisons to our historical operating results.

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 have used consolidated operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net to allocate resources and evaluate performance internally. However, in recent periods, our management and Board of Directors have increasingly focused on Adjusted EBITDA, described below, as the primary non-GAAP measure for evaluating our consolidated operating results. Accordingly, we do not expect to continue to report Operating income (loss) excluding stock-based compensation and acquisition-related expense (benefit), net on a consolidated basis in future periods.

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. Adjusted EBITDA is a key measure used by our management and Board of Directors to evaluate operating performance, generate future plans and make strategic decisions regarding 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.

Earnings per share excluding stock-based compensation, acquisition-related expense (benefit), net and the impairment of a minority investment in China 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 impairment of a minority investment in China, and the income tax effect of those items. We believe that this non-GAAP financial measure provides useful supplemental information for evaluating our operating performance.

Beginning in the first quarter 2014, we will be changing our non-GAAP earnings per share measure to exclude amortization of acquired intangible assets, net of tax, in addition to stock compensation and acquisition-related expenses, which we have excluded historically. Given the significant acquisition activity in January 2014 and potential acquisition activity in the future, we believe that excluding non-cash amortization of acquired intangible assets from our non-GAAP earnings per share measure in future periods will enable more meaningful comparisons with our historical results.

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 most recent 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 February 20, 2014. 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 of local commerce and the place you start when you want to buy just about anything, anytime, anywhere. By leveraging the company’s global relationships and scale, Groupon offers consumers a vast marketplace of unbeatable deals all over the world. Shoppers discover the best a city has to offer on the web or on mobile with Groupon Local, enjoy vacations with Groupon Getaways, and find a curated selection of electronics, fashion, home furnishings and more with Groupon Goods.

Groupon is redefining how traditional small businesses attract, retain and interact with customers by providing merchants with a suite of products and services, including customizable deal campaigns, credit card payment processing capabilities, and point-of-sale solutions that help businesses grow and operate more effectively.To search for great deals or subscribe to Groupon emails, visit www.Groupon.com. To download Groupon's five-star mobile apps, visit www.groupon.com/mobile. To learn more about the company’s merchant solutions and how to work with Groupon, visit www.GrouponWorks.com

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