Groupon Announces Fourth Quarter and Fiscal Year 2014 Results

- **Fourth quarter gross billings of $2.1 billion, $7.6 billion for the full year**
- **Fourth quarter revenue of $925.4 million, $3.2 billion for the full year**
- **Fourth quarter Adjusted EBITDA of $87.0 million, $253.4 million for the full year**
- **Fourth quarter GAAP earnings per share of $0.01; non-GAAP earnings per share of $0.06**

CHICAGO — (BUSINESS WIRE) — February 12, 2015 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter and fiscal year ended December 31, 2014.

"2014 was a transformational year for Groupon, as we made significant progress in our strategy to become the world's leading local commerce destination," said Eric Lefkofsky, CEO of Groupon. "Global billings hit their highest level ever in the quarter, growing more than 30%, driven in part by our reignited North America Local business. We now turn our attention to further building out our marketplace to ensure that our more than 260 million subscribers have an amazing experience every time they use Groupon."

Fourth Quarter 2014 Summary

- Gross billings, which reflect the total dollar value of customer purchases of goods and services, increased 31% globally to $2.1 billion in the fourth quarter 2014, compared with $1.6 billion in the fourth quarter 2013. Excluding the $82.2 million unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter, billings increased 36% compared with fourth quarter 2013. On this F/X neutral basis, North America billings increased 20%, EMEA increased 8% and Rest of World increased 154%, driven by the first-quarter acquisition of Ticket Monster.

- Revenue increased 20%, to $925.4 million in the fourth quarter 2014, compared with $768.4 million in the fourth quarter 2013. Excluding the $32.5 million unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter, revenue increased 25% compared with fourth quarter 2013. On this F/X neutral basis, North America revenue increased 24%, EMEA increased 18% and Rest of World increased 50%.

- Gross profit was $393.5 million in the fourth quarter 2014, compared with $378.2 million in the fourth quarter 2013.

- Adjusted EBITDA, a non-GAAP financial measure, was $87.0 million in the fourth quarter 2014, compared with $72.0 million in the fourth quarter 2013, as higher gross profit was partially offset by increased investment related to the Ticket Monster and ideel acquisitions, as well as an unfavorable impact from year-over-year changes in foreign exchange rates.

- Net income attributable to common stockholders was $8.8 million, or $0.01 per share. Non-GAAP earnings per share was $0.06.

- Fourth quarter 2014 results included $11.4 million of pre-tax non-operating foreign currency losses and a $16.7 million decrease to income tax expense from a reduction in liabilities for uncertain tax positions.

- Operating cash flow for the trailing twelve months ended December 31, 2014 was $288.8 million. Free cash flow, a non-GAAP financial measure, was $266.0 million in the fourth quarter 2014, bringing free cash flow for the trailing twelve months ended December 31, 2014 to $200.5 million.

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

Full Year 2014 Summary

- Gross billings increased 32% globally to $7.6 billion in 2014, compared with $5.8 billion in 2013. Excluding the $39.9 million unfavorable impact from year-over-year changes in foreign exchange rates throughout the year, billings increased 32% compared with 2013. On this F/X neutral basis, North America billings increased 16%, EMEA increased 4% and Rest of World increased 144%, driven by the first-quarter acquisition of Ticket Monster.

- Revenue increased 24%, to $3.2 billion in 2014, compared with $2.6 billion in 2013. Excluding the $26.1 million unfavorable impact from year-over-year changes in foreign exchange rates throughout the year, revenue increased 25% compared with 2013. On this F/X neutral basis, North America revenue increased 20%, EMEA increased 30% and Rest of World increased 38%.

- Gross profit was $1.55 billion in 2014, compared with $1.50 billion in 2013.

- Adjusted EBITDA was $253.4 million in 2014, compared with $286.7 million in 2013, reflecting SG&A expense related to the Ticket Monster and ideel acquisitions, as well as an increase in overall marketing expense.

- Net loss attributable to common stockholders was $73.1 million, or $0.11 per share. Non-GAAP earnings per share was $0.08.

- 2014 results included $31.5 million of pre-tax non-operating foreign currency losses and $24.4 million of decreases to income tax expense from reductions in liabilities for uncertain tax positions.

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.

Highlights

- **Units:** Global units, defined as vouchers and products sold before cancellations and refunds, exceeded 100 million for the first quarter ever, increasing 81% year-over-year to 101 million in the fourth quarter 2014. North America units increased 11%, EMEA units increased 20% and Rest of World units increased 340%, driven by the first-quarter acquisition of Ticket Monster.
- **Active deals:** At the end of the fourth quarter 2014, on average, active deals were approximately 370,000 globally, compared with approximately 300,000 at the end of the third quarter 2014. North American active deals increased to over 135,000.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 23% year-over-year, to 53.9 million as of December 31, 2014, comprising 24.1 million in North America, 15.2 million in EMEA, and 14.6 million in Rest of World.
- **Customer spend:** Fourth quarter 2014 trailing twelve month billings per average active customer was $155, compared with $149 in the third quarter 2014.
- **Traffic:** Almost 110 million people have now downloaded Groupon mobile apps worldwide. In addition, monthly unique visitors, or the count of users accessing Groupon on both web and mobile devices, was over 160 million globally at the end of the fourth quarter 2014.
- **Search:** In the fourth quarter 2014, approximately 26% of total transactions in North America were related to search, compared with 19% in the fourth quarter 2013.
- **Rest of World:** Rest of World generated billings growth of 141% and a segment operating loss of $16.2 million in the fourth quarter 2014, $13.1 million of which was related to Ticket Monster, reflecting continued investment in that business. The company announced last quarter that it is exploring a range of financing and strategic alternatives for its Asian businesses, including Ticket Monster. As part of that process, multiple parties have expressed preliminary interest in Ticket Monster, although it is too early to comment on structure, pricing or the likelihood of a transaction, as the process is still underway. Excluding Ticket Monster, Rest of World was near break even in the quarter, compared with a $14.7 million segment operating loss in the fourth quarter 2013.

Share Repurchase Program

During the fourth quarter 2014, Groupon repurchased 1,152,100 shares of its Class A common stock at an average price of $7.04 per share, for an aggregate purchase price of $8.1 million. Under the existing authorization, Groupon has repurchased a total of 27,239,104 shares at an average price of $7.29 per share, for an aggregate purchase price of $198.5 million. Groupon is authorized to repurchase up to an additional $101.5 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.

Outlook

For the first quarter 2015, reflecting current foreign exchange rates, Groupon expects revenue of between $790 million and $840 million. This guidance anticipates approximately 500 basis points of unfavorable impact on the year-over-year growth rate from changes in foreign exchange rates.

In addition, based on current foreign exchange rates, and $15 million of continued investment in Tmon, Groupon expects Adjusted EBITDA for the first quarter 2015 of between $45 million and $65 million, and non-GAAP earnings per share of between $0.00 and $0.02.

For the full year 2015, Groupon is reiterating the target shared at its November 2014 Investor Day of at least 25% year-over-year growth in Adjusted EBITDA, or slightly higher on an F/X neutral basis. As such, Groupon expects Adjusted EBITDA for the full year of greater than $315 million.

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, adjusted EBITDA, free cash flow and non-GAAP earnings (loss) per share. 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 external transaction costs related to business combinations, primarily consisting of legal and advisory fees. 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 expenses because they are 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 prior-year period.

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. 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.

Non-GAAP earnings (loss) per share adjusts our earnings (loss) per share to exclude the impact of stock-based compensation expense, amortization of acquired intangible assets, and acquisition-related expense (benefit), net, 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.

We previously updated our non-GAAP earnings (loss) per share measure, effective beginning with the first quarter 2014, to exclude amortization of acquired intangible assets, net of tax, in addition to stock compensation and acquisition-related expenses, which we excluded historically. Due to our significant acquisition activity in January 2014 and potential acquisition activity in the future, we believe that excluding the impact of this item from our non-GAAP earnings (loss) per share measure enables more meaningful comparisons with our historical results. Beginning in the first quarter 2015, we will be updating our non-GAAP earnings per share measure to also exclude non-operating foreign currency gains and losses on intercompany balances. We believe that excluding this item will enable more meaningful comparisons with our historical results.

Free cash flow is a non-GAAP financial measure that comprises net cash provided by (used in) 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, the full year 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 including our marketing strategy and spend; effectively dealing with challenges arising from our international operations; retaining existing customers and adding new customers; retaining and adding new and high quality merchants; cyber security breaches; incurring expenses as we expand our business; competing successfully in our industry; maintaining favorable payment terms with our business partners; providing a strong mobile experience for our customers; delivery and routing of our emails; maintaining a strong brand; managing inventory and order fulfillment risks; integrating our technology platforms; managing refund risks; retaining our executive team; litigation; compliance with domestic and foreign laws and regulations, including the CARD Act and regulation of the Internet and e-commerce; tax liabilities; tax legislation; maintaining our information technology infrastructure; protecting our intellectual property; handling acquisitions, joint ventures and strategic investments effectively; seasonality; payment-related risks; customer and merchant fraud; global economic uncertainty; 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 February 12, 2015. 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 top-rated 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

Contacts:

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

Public Relations
Bill Roberts
312-459-5191