Groupon Announces First Quarter 2016 Results

Adds nearly 1 million new customers, boosts AEBITDA Guidance

- **Gross billings of $1.47 billion**
- **Revenue of $732.0 million**
- **Adjusted EBITDA of $31.3 million**
- **GAAP loss per share of $0.08; non-GAAP loss per share of $0.01**
- **Operating Cash Flow of $179.4 million for the trailing twelve month period; Free Cash Flow of $93.8 million for the trailing twelve month period**
- **Affirming fiscal year 2016 revenue guidance of $2.75 billion to $3.05 billion and increased 2016 expected Adjusted EBITDA range to $85 million to $135 million**

CHICAGO — (BUSINESS WIRE) — April 28, 2016 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended March 31, 2016.

“We started the year making continued strides toward becoming a daily habit in local commerce,” said CEO Rich Williams. “We sold the billionth Groupon in the first quarter and gained momentum on each of our strategic priorities, with customer growth and gross profit margin improvements highlighting our progress. Our business fundamentals and operational efficiency keep improving as our marketplace matures to become the largest and most effective of its kind.”

First Quarter 2016 Summary

- Gross Billings were $1.47 billion in the first quarter, down 5% from $1.55 billion in the first quarter of 2015, or 3% excluding the unfavorable impact of year-over-year changes in foreign exchange rates. The reduction in Gross Billings includes our continued restructuring efforts, country closures, and our initiative to de-emphasize low margin Shopping offerings. North America gross billings increased 5%, EMEA declined by 12%, and Rest of World declined by 17% on the same F/X neutral basis. Gross billings reflect the total dollar value of customer purchases of goods and services.

- Revenue was $732.0 million in the first quarter 2016, compared with $750.4 million in the first quarter 2015. Revenue decreased 2% globally, or less than 1% excluding the unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter. On this F/X neutral basis, North America revenue increased 4%, EMEA declined 10% and Rest of World declined 8%.

- Gross profit was $339.3 million in the first quarter 2016, compared with $347.4 million in the first quarter 2015. Gross profit declined 2% globally, but was flat excluding the unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter.

- Adjusted EBITDA, a non-GAAP financial measure, was $31.3 million in the first quarter 2016, compared with $72.4 million in the first quarter 2015.

- Net loss attributable to common stockholders was $49.1 million, or $0.08 per share. Non-GAAP net loss attributable to common stockholders was $4.6 million, or $0.01 per share.

- Global units declined 3% year-over-year to 52 million consistent with restructuring efforts in international segments. Units in North America increased 6%, EMEA units declined 7%, and Rest of World units declined 25%. Units are defined as vouchers and products sold before cancellations and refunds.

- Operating cash flow for the trailing twelve months ended March 31, 2016 was $179.4 million. Free cash flow, a non-GAAP financial measure, was negative $96.7 million in the first quarter 2016, bringing free cash flow for the trailing twelve months ended March 31, 2016 to $93.8 million.

- Cash and cash equivalents as of March 31, 2016 was $688.5 million, and we had no outstanding borrowings under our revolving credit facility. On April 4, the company issued $250 million in aggregate principal amount of senior convertible notes, the proceeds of which are not reflected in our cash balance as of March 31.

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

- **Groupon sold its one billionth unit in Q1.** Groupon crossed the one billion-sold milestone with units sold of 52 million in the quarter and 6% unit growth in North America.

- **North America Gross Profit grew 11% year-over-year**. North America gross profit grew 11% year-over-year to $215.9 million and gross margin increased to 23% of gross billings, a two-year high.

- **Shopping Gross Margins increased year-over-year in all segments for a second consecutive quarter.** Shopping gross margins of 13.7% increased 310 basis points year-over-year with increases of 390 basis points in North America, 200 basis points in EMEA and 320 basis points in Rest of World. All segments recorded a second consecutive quarter of year-over-year increases as we made progress on our initiatives to de-emphasize low margin Shopping offerings and drive more efficiency from our logistics network.

- **North America added nearly 1 million active customers in the quarter**. Marketing investments in customer acquisition resulted in an incremental 955,000 active customers in North America, as compared to the prior quarter, which is the highest quarterly increase in two years. North America reported 26.9 million active customers at March 31. Active customers are customers that have purchased a voucher or product within the last twelve months.

- **North America more than doubled active deals year-over-year.** At the end of the first quarter 2016, on average, active deals were more than 700,000 globally and more than 425,000 in North America, an increase of over two-fold.

- **Global SG&A declined by $9m year-over-year on solid execution on our operational streamlining initiatives.** SG&A in International markets declined by $18 million year-over-year as we exited 17 countries under our restructuring plan and consolidated key shared service functions into regional centers to improve customer service while gaining operating leverage.

Share Repurchase

During the first quarter 2016, Groupon repurchased 18,820,000 shares of its Class A common stock for an aggregate purchase price of $63.4 million. Up to $93.6 million of Class A common stock was available for repurchase under Groupon's share repurchase program as of March 31, 2016. In connection with the Company's $250 million senior convertible notes issuance in April 2016, the Board of Directors approved a $200 million increase to its share repurchase program and extended the program through April 2018. The timing and amount of any share repurchases are determined based on market conditions, share price and other factors, and the programs may be discontinued or suspended at any time.

Outlook

Groupon's outlook for 2016 reflects current foreign exchange rates, as well as expected marketing investments, continued progress on increasing Shopping margins, and a reduction of our international footprint. We continue to expect revenue of between $2.75 and $3.05 billion for the full year, and we are increasing the company's expected 2016 adjusted EBITDA range to between $85 million and $135 million.

Groupon Names Michael Randolfi as Chief Financial Officer

In a separate release today, Groupon announced that it has named Michael Randolfi as its new Chief Financial Officer, succeeding interim CFO Brian Kayman.

Conference Call

A conference call will be webcast live today at 4:00 p.m. CDT / 5:00 p.m. EDT, 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. Groupon uses its investor relations site (investor.groupon.com) and its blog (https://www.groupon.com/blog) as a means of disclosing material non-public information and for complying with its disclosure obligations under Reguation FD.

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, non-GAAP net income attributable to common stockholders, non-GAAP earnings per share and free cash flow. These non-GAAP financial measures, which are presented on a continuing operations basis, are intended to aid investors in better understanding Groupon's current financial performance and its prospects for the future as seen through the eyes of management. We believe that these non-GAAP financial measures facilitate comparisons with our historical results and with the results of peer companies who present similar measures (although other companies may define non-GAAP measures differently than we define them, even when similar terms are used to identify such measures). However, non-GAAP financial measures are not intended to be a substitute for those reported in accordance with U.S. GAAP. 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.

Interest and Other Non-Operating Items. Interest and other non-operating items include: interest income, interest expense, gains and losses related to minority investments, and foreign currency gains and losses. We exclude interest and other non-operating items from certain of our non-GAAP financial measures because we believe that excluding these items provides meaningful supplemental information about our core operating performance and facilitates comparisons to our historical operating results.

Items That Are Unusual in Nature or Infrequently Occurring. During the three months ended March 31, 2016, items that we believe to be unusual in nature or infrequently occurring were charges related to our restructuring program. We exclude items that are unusual in nature or infrequently occurring because we believe that excluding those items provides meaningful supplemental information about our core operating performance and facilitates comparisons to our historical 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 prior-year period. We present foreign exchange rate neutral information to facilitate comparisons to our historical operating results.

Adjusted EBITDA is a non-GAAP financial measure that we define as net income (loss) from continuing operations excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation, acquisition-related expense (benefit), net and items that are unusual in nature or infrequently occurring. 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 operating 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 net income (loss) attributable to common stockholders and non-GAAP earnings (loss) per share adjust our net income (loss) attributable to common stockholders and earnings (loss) per share to exclude the impact of:

- stock-based compensation,
- amortization of acquired intangible assets,
- acquisition-related expense (benefit), net,
- items that are unusual in nature or infrequently occurring,
- non-operating foreign currency gains and losses related to intercompany balances and reclassifications of cumulative translation adjustments to earnings as a result of business dispositions or country exits,
- non-operating gains and losses from minority investments that we have elected to record at fair value with changes in fair value reported in earnings,
- income (loss) from discontinued operations and
- the income tax effect of those items.

We believe that excluding these items from our measures of non-GAAP net income (loss) attributable to common stockholders and non-GAAP earnings (loss) per share provides useful supplemental information for evaluating our operating performance and facilitates comparisons to our historical results by eliminating items that are non-cash in nature, relate to discrete events or are otherwise not indicative of the core operating performance of our ongoing business.

Free cash flow is a non-GAAP financial measure that comprises net cash provided by (used in) operating activities from continuing operations less purchases of property and equipment and capitalized software from continuing operations. We use free cash flow 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 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, that involve a number of risks and uncertainties, and actual results could differ materially from those discussed. The words "may," will," should," "could," "expect," anticipate," "believe," "estimate," intend," "continue" and other similar expressions are intended to identify forward-looking statements. 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 strategy to grow our local marketplaces, marketing strategy and spend and the productivity of those marketing investments and the impact of our shift away from lower margin products in our Goods category; effectively dealing with challenges arising from our international operations, including fluctuations in currency exchange rates; retaining existing customers and adding new customers, including as we increase our marketing spend and shift away from lower margin products in our Goods category; retaining and adding 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; product liability claims; managing inventory and order fulfillment risks; integrating our technology platforms; litigation; managing refund risks; retaining, attracting and integrating members of our executive team; 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; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act and regulation of the Internet and e-commerce; classification of our independent contractors; maintaining our information technology infrastructure; protecting our intellectual property; maintaining a strong brand; seasonality; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; the impact of our ongoing strategic review and any potential strategic alternatives we may choose to pursue; our senior convertible notes; and our ability to complete and realize the anticipated benefits from the hedge and warrant transactions. For additional information regarding these and other risks and uncertainties, 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 for the year ended December 31, 2015, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and our other filings with the Securities and Exchange Commission, 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 April 28, 2016. 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 building the daily habit in local commerce, offering a vast mobile and online marketplace where people discover and save on amazing things to do, see, eat and buy. By enabling real-time commerce across local businesses, travel destinations, consumer products and live events, shoppers can find the best a city has to offer.

Groupon is redefining how small businesses attract and retain customers by providing them with customizable and scalable marketing tools and services to profitably grow their businesses.

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