Groupon Announces Fourth Quarter and Fiscal Year 2016 Results

Added 5.2 million net new customers and achieved double digit Gross Profit growth in North America for 2016

- **Fourth quarter revenue of $934.9 million, $3.1 billion for the full year**
- **Fourth quarter gross billings of $1.7 billion, $6.1 billion for the full year**
- **Fourth quarter net loss of $50.2 million, $183.3 million for the full year**
- **Fourth quarter Adjusted EBITDA of $80.6 million, $178.1 million for the full year**
- **Fourth quarter loss per share of $0.09; non-GAAP earnings per share of $0.07**
- **Operating cash flow of $117.1 million for the full year; free cash flow of $48.2 million for the full year**
- **Added 5.2 million net new customers in North America, bringing North America active customers to 31.1 million; global active customers reached 52.7 million**
- **2017 gross profit guidance of $1.30 billion to $1.35 billion, an increase of $40 to $90 million compared to 2016 results for the countries in our go-forward footprint on an FX-neutral basis**
- **2017 Adjusted EBITDA guidance of $200 million to $240 million, an increase of $16 to $56 million compared to 2016 results for our go-forward footprint on an FX-neutral basis**

CHICAGO — (BUSINESS WIRE) — February 15, 2017 — Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter and fiscal year ended December 31, 2016.

"In 2016, our concentrated focus on key strategic initiatives provided a strong foundation for Groupon going forward and resulted in a streamlined global operation, a healthier Goods business, improved customer service and strong customer acquisitions after a successful online and offline marketing strategy," said CEO Rich Williams. "We look forward to continuing to invest in the Groupon brand and unlocking the true potential of our business as we make Groupon the daily habit in local commerce."

Groupon's fourth quarter and full year 2016 consolidated financial results include the results of LivingSocial's operations for the partial period from the acquisition date of October 31, 2016 to December 31, 2016.

Fourth Quarter 2016 Summary

- Gross Billings were $1.70 billion in the fourth quarter 2016, down slightly from $1.71 billion in the fourth quarter 2015. Gross billings were impacted by dispositions and country exits in connection with Groupon's restructuring efforts, partially offset by the addition of LivingSocial. On a same-country, FX-neutral basis, gross billings grew 2% year-over-year. North America gross billings increased 6%, reflecting growth of new customers as well as the acquisition of LivingSocial, while EMEA declined by 9% (5% FX-neutral) and Rest of World declined by 15% (15% FX-neutral). Gross billings reflect the total dollar value of customer purchases of goods and services.

- Revenue was $934.9 million in the fourth quarter 2016, compared with $917.2 million in the fourth quarter 2015. Revenue increased 2% globally, or 4% on a same-country, FX-neutral basis. North America revenue increased 5%, EMEA declined 2% (increased 1% FX-neutral) and Rest of World declined 12% (8% FX-neutral).

- Gross profit was $369.9 million in the fourth quarter 2016, compared with $371.7 million in the fourth quarter 2015. North America gross profit increased 14%, EMEA declined 25% and Rest of World declined 10%.

- Net loss from continuing operations was $50.2 million in the fourth quarter 2016, compared with $32.6 million in the fourth quarter 2015. Net loss attributable to common stockholders was $52.6 million, or $0.09 per share. Net loss was negatively impacted by non-operating losses of $40.8 million in the fourth quarter 2016 from declines in the fair value of investments, primarily attributable to Ticket Monster.

- Non-GAAP net income attributable to common stockholders was $42.5 million, or $0.07 per share.

- Adjusted EBITDA, a non-GAAP performance measure, was $80.6 million in the fourth quarter 2016, compared with $67.0 million in the fourth quarter 2015, reflecting execution of our streamlining initiatives.

- Global units sold declined 0.4% year-over-year to 62.0 million, primarily driven by country exits and our restructuring efforts in international segments. Units in North America increased 3%, EMEA grew 6%, and Rest of World declined 29%. Units are defined as purchases made through our online marketplaces, before refunds and cancellations.

- Operating cash flow was $288.7 million in the fourth quarter 2016. Free cash flow, a non-GAAP financial measure, was $269.0 million in the fourth quarter 2016.

- Cash and cash equivalents as of December 31, 2016 were $891.8 million, and we had no outstanding borrowings under our $250.0 million revolving credit facility.

Full Year 2016 Summary

- Gross Billings were $6.1 billion in 2016, compared with $6.3 billion in 2015. On a same-country, FX-neutral basis, gross billings grew 2% year-over-year. North America gross billings increased 6%, reflecting the contribution of new active customer cohorts, while

EMEA declined by 11% (9% FX-neutral) and Rest of World declined by 24% (19% FX-neutral).

- Revenue was $3.14 billion in 2016, compared with $3.12 billion in 2015. Revenue grew 1% globally, or 4% on a same-country, FX-neutral basis. North America revenue increased 5%, EMEA declined 5% (3% FX-neutral) and Rest of World declined 19% (11% FX-neutral).

- Gross profit was $1.36 billion in 2016, compared with $1.39 billion in 2015. North America gross profit increased 10%, EMEA declined 19% and Rest of World declined 21%.

- Net loss from continuing operations was $183.3 million in 2016, compared with $89.2 million in 2015. Net loss attributable to common stockholders was $194.6 million, or $0.34 per share. Net loss was negatively impacted by non-operating losses of $48.1 million in the full year from declines in the fair value of investments, primarily attributable to Ticket Monster.

- Non-GAAP net income attributable to common stockholders was $23.0 million, or $0.04 per share.

- Adjusted EBITDA was $178.1 million in 2016, compared with $256.8 million in 2015 and ahead of our guidance range of $150 million to $165 million, reflecting our increased marketing investments in customer acquisition.

- Global units sold declined 3% year-over-year to 214.3 million in 2016. Units in North America increased 5%, EMEA declined 4%, and Rest of World declined 29%.

- Operating cash flow for 2016 was $117.1 million. Free cash flow, a non-GAAP financial measure, was $48.2 million in 2016, which reflects the adverse cash flow impact of restructuring charges, country exits, and the funding of our securities litigation settlement.

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.

Fourth Quarter and Full Year 2016 Highlights

- **North America Local Billings grew 11% year-over-year in the fourth quarter 2016.** North America Local Billings growth accelerated throughout 2016 reaching 11% year-over-year growth in the fourth quarter 2016. LivingSocial contributed 4 percentage points to fourth quarter 2016 year-over-year growth.

- **North America customer additions accelerated to 2.0 million in the fourth quarter 2016.** North America active customers reached 31.1 million as of December 31, 2016, adding 5.2 million for 2016, which marks the highest acquisition in four years. Fourth quarter net additions were 2.0 million, with 1.0 million unique customers added from LivingSocial. Active customers represent unique user accounts that have made a purchase through one of our online marketplaces during the trailing twelve months.

- **North America gross profit increased $31.5 million year-over-year in the fourth quarter 2016.** North America gross profit growth accelerated to 14% year-over-year in the fourth quarter 2016 driven by 16% growth in Local and 14% growth in Shopping. For 2016, North America gross profit increased $84.0 million to $885.5 million.

- **SG&A declined $33.5 million year-over-year in the fourth quarter 2016, on solid execution of operational streamlining initiatives.** SG&A in all markets declined year-over-year in the fourth quarter 2016 as we continue to drive operational efficiency through regional shared service centers and automated processes, which we expect to not only improve our customer service but also create greater operating leverage over time. SG&A declined $126.6 million year-over-year in 2016, or $89.1 million excluding the impact of a litigation reserve recorded in 2015.

Share Repurchase

During the fourth quarter 2016, Groupon repurchased 12,397,795 shares of its common stock for an aggregate purchase price of $49.9 million. During the full year 2016, Groupon repurchased 43,227,743 shares of its common stock for an aggregate purchase price of $162.4 million. Up to $195.0 million of common stock was available for repurchase under Groupon's share repurchase program as of December 31, 2016. The timing and amount of any share repurchases are determined based on market conditions, share price and other factors, and the program may be discontinued or suspended at any time.

Outlook

Groupon is providing its outlook for 2017, which reflects current foreign exchange rates, as well as expected marketing investments, the acquisition of LivingSocial, potential disruptions related to country exits, and cost benefits associated with our streamlining initiatives. As previously announced, Groupon expects to exit 11 countries as part of its streamline and simplify initiative, and the company expects to report these countries as discontinued operations beginning in first quarter 2017. The basis for our full year 2017 guidance is continuing operations.

- For the full year 2017, Groupon expects gross profit to be in the range of $1.30 billion and $1.35 billion, an increase of $40 to $90 million compared to full year 2016 results for the 15 countries in our go-forward footprint on an FX-neutral basis.

- Groupon also expects Adjusted EBITDA to be in the range of $200 million and $240 million, an increase of $16 to $56 million compared to full year 2016 results for the 15 countries in our go-forward footprint on an FX-neutral basis.

Conference Call

A conference call will be webcast live today at 9:00 a.m. CST / 10:00 a.m. EST 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 Regulation FD.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. GAAP, we have provided the following non-GAAP financial measures: Adjusted EBITDA, non-GAAP net income (loss) attributable to common stockholders, non-GAAP earnings (loss) per share, free cash flow and foreign currency exchange rate neutral operating results. These non-GAAP financial measures, which are presented on a continuing operations basis, are intended to aid investors in better understanding our current financial performance and 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, these 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: gains and losses related to minority investments, foreign currency gains and losses, interest income and interest expense, including non-cash interest expense from our convertible senior notes. 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.

Special Charges and Credits. For the years ended December 31, 2016 and 2015, special charges and credits included gains from business dispositions and charges related to our restructuring plan. For the year ended December 31, 2015, special charges and credits also included the write-off of a prepaid asset related to a marketing program that was discontinued because the counterparty ceased operations and the expense related to a significant increase in the contingent liability for our securities litigation matter. We exclude special charges and credits from Adjusted EBITDA because we believe that excluding those items provides meaningful supplemental information about our core operating performance and facilitates comparisons with our historical results.

Income Tax Effect of Items Excluded from Non-GAAP Financial Measures. We determine the income tax effect of items excluded from our measures of non-GAAP net income (loss) attributable to common stockholders and non-GAAP earnings (loss) per share by performing a tax provision calculation using pre-tax income (loss) amounts that have been adjusted to exclude those items in the respective jurisdictions to which they relate. The difference between the income tax expense (benefit) determined on that basis and our reported income tax expense (benefit) represents the income tax effect of the excluded items.

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 performance 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 other special charges and credits. 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 performance 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* are non-GAAP performance measures that 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,
- restructuring charges,
- gains on business dispositions,
- non-cash interest expense on convertible senior notes,
- special charges and credits,
- 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 the above 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.

Same country operating results are non-GAAP performance measures that reflect the results of the countries in which we maintained continuous business operations throughout the comparative periods presented. We use same country operating results, including same country operating results presented on a foreign exchange rate neutral basis, to better understand the performance of our ongoing business operations and to facilitate comparisons to our historical operating results.

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. 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, 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; effectively dealing with challenges arising from our international operations, including fluctuations in currency exchange rates and any potential adverse impact from the United Kingdom’s likely exit from the European Union; retaining existing customers and adding new customers; 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 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, 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 February 15, 2017. 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, eat, see 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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Contacts:

Investor Relations	Public Relations
Deb Schwartz	Bill Roberts
312-999-3098	312-459-5191
ir@groupon.com	