

Groupon, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 662,893	\$ 880,129
Accounts receivable, net	76,302	98,294
Prepaid expenses and other current assets (including \$8,517 and \$0 at June 30, 2018 and December 31, 2017, respectively, at fair value)	104,524	94,025
Total current assets	843,719	1,072,448
Property, equipment and software, net	148,450	151,145
Goodwill	328,799	286,989
Intangible assets, net	37,075	19,196
Investments (including \$86,578 and \$109,751 at June 30, 2018 and December 31, 2017, respectively, at fair value)	109,606	135,189
Other non-current assets	21,051	12,538
Total Assets	\$ 1,488,700	\$ 1,677,505
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 23,026	\$ 31,968
Accrued merchant and supplier payables	528,224	770,335
Accrued expenses and other current liabilities	367,519	331,196
Total current liabilities	918,769	1,133,499
Convertible senior notes, net	195,559	189,753
Other non-current liabilities	103,235	102,408
Total Liabilities	1,217,563	1,425,660
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 755,806,627 shares issued and 567,204,385 shares outstanding at June 30, 2018; 748,541,862 shares issued and 559,939,620 shares outstanding at December 31, 2017	76	75
Additional paid-in capital	2,206,741	2,174,708
Treasury stock, at cost, 188,602,242 shares at June 30, 2018 and December 31, 2017	(867,450)	(867,450)
Accumulated deficit	(1,101,342)	(1,088,204)
Accumulated other comprehensive income (loss)	32,307	31,844
Total Groupon, Inc. Stockholders' Equity	270,332	250,973
Noncontrolling interests	805	872
Total Equity	271,137	251,845
Total Liabilities and Equity	\$ 1,488,700	\$ 1,677,505

Groupon, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Service	\$ 295,652	\$ 315,854	\$ 597,449	\$ 617,426
Product	321,744	346,765	646,487	718,819
Total revenue	617,396	662,619	1,243,936	1,336,245
Cost of revenue:				
Service	30,230	38,478	61,375	81,351
Product	263,508	296,074	534,018	617,376
Total cost of revenue	293,738	334,552	595,393	698,727
Gross profit	323,658	328,067	648,543	637,518
Operating expenses:				
Marketing	94,178	100,658	193,334	187,000
Selling, general and administrative	294,124	230,223	516,185	462,281
Restructuring charges	(399)	4,584	(116)	7,315
Total operating expenses	387,903	335,465	709,403	656,596
Income (loss) from operations	(64,245)	(7,398)	(60,860)	(19,078)
Other income (expense), net	(26,457)	5,878	(34,972)	1,276
Income (loss) from continuing operations before provision (benefit) for income taxes	(90,702)	(1,520)	(95,832)	(17,802)
Provision (benefit) for income taxes	1,552	3,883	(783)	8,470
Income (loss) from continuing operations	(92,254)	(5,403)	(95,049)	(26,272)
Income (loss) from discontinued operations, net of tax	—	(1,376)	—	(889)
Net income (loss)	(92,254)	(6,779)	(95,049)	(27,161)
Net income attributable to noncontrolling interests	(2,780)	(2,547)	(6,873)	(6,579)
Net income (loss) attributable to Groupon, Inc.	<u>\$ (95,034)</u>	<u>\$ (9,326)</u>	<u>\$ (101,922)</u>	<u>\$ (33,740)</u>
Basic and diluted net income (loss) per share:				
Continuing operations	\$ (0.17)	\$ (0.01)	\$ (0.18)	\$ (0.06)
Discontinued operations	0.00	(0.01)	0.00	0.00
Basic and diluted net income (loss) per share	<u>\$ (0.17)</u>	<u>\$ (0.02)</u>	<u>\$ (0.18)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding				
Basic	565,284,705	559,762,180	563,502,954	560,978,712
Diluted	565,284,705	559,762,180	563,502,954	560,978,712

Groupon, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating activities				
Net income (loss)	\$ (92,254)	\$ (6,779)	\$ (95,049)	\$ (27,161)
Less: Income (loss) from discontinued operations, net of tax	—	(1,376)	—	(889)
Income (loss) from continuing operations	(92,254)	(5,403)	(95,049)	(26,272)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, equipment and software	25,428	28,496	52,149	57,163
Amortization of acquired intangible assets	3,526	6,183	6,466	11,583
Stock-based compensation	16,318	21,440	35,644	41,141
Impairments of investments	9,189	—	10,044	—
Deferred income taxes	—	833	(6,575)	759
(Gain) loss from changes in fair value of investments	3,035	1,448	8,068	1,145
Amortization of debt discount on convertible senior notes	2,940	2,655	5,806	5,242
Change in assets and liabilities, net of acquisitions and dispositions:				
Accounts receivable	9,673	5,635	27,296	16,229
Prepaid expenses and other current assets	(8,112)	(16,519)	1,489	(11,139)
Accounts payable	(999)	2,461	(9,340)	(10,723)
Accrued merchant and supplier payables	(29,652)	(44,716)	(172,982)	(182,954)
Accrued expenses and other current liabilities	92,704	(5,451)	51,140	(41,491)
Other, net	12,379	(16,452)	10,272	(18,159)
Net cash provided by (used in) operating activities from continuing operations	44,175	(19,390)	(75,572)	(157,476)
Net cash provided by (used in) operating activities from discontinued operations	—	(1,097)	—	(2,195)
Net cash provided by (used in) operating activities	44,175	(20,487)	(75,572)	(159,671)
Investing activities				
Purchases of property and equipment and capitalized software	(17,373)	(15,385)	(37,517)	(29,461)
Proceeds from maturity of investment	—	1,843	—	1,843
Acquisition of business, net of acquired cash	(57,821)	—	(57,821)	—
Acquisitions of intangible assets and other investing activities	(520)	(240)	(758)	(184)
Net cash provided by (used in) investing activities from continuing operations	(75,714)	(13,782)	(96,096)	(27,802)
Net cash provided by (used in) investing activities from discontinued operations	—	(2,001)	—	(9,548)
Net cash provided by (used in) investing activities	(75,714)	(15,783)	(96,096)	(37,350)
Financing activities				
Payments for purchases of treasury stock	—	(24,279)	—	(51,513)
Taxes paid related to net share settlements of stock-based compensation awards	(6,959)	(6,386)	(16,138)	(15,356)
Proceeds from stock option exercises and employee stock purchase plan	70	9	2,504	2,477
Distributions to noncontrolling interest holders	(3,625)	(2,976)	(6,940)	(6,426)
Payments of capital lease obligations	(8,215)	(8,603)	(17,239)	(16,670)
Payments of contingent consideration related to acquisitions	—	(5,689)	(1,815)	(5,689)
Other financing activities	—	—	—	(473)
Net cash provided by (used in) financing activities	(18,729)	(47,924)	(39,628)	(93,650)
Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	(12,835)	13,324	(6,644)	17,297
Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	(63,103)	(70,870)	(217,940)	(273,374)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	—	—	(28,866)
Net increase (decrease) in cash, cash equivalents and restricted cash	(63,103)	(70,870)	(217,940)	(244,508)
Cash, cash equivalents and restricted cash, beginning of period	730,644	701,268	885,481	874,906
Cash, cash equivalents and restricted cash, end of period	<u>\$ 667,541</u>	<u>\$ 630,398</u>	<u>\$ 667,541</u>	<u>\$ 630,398</u>

Groupon, Inc.
Supplemental Financial and Operating Metrics
(dollars in thousands; active customers in millions)
(unaudited)

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018						
North America Segment:						Q2 2018					
Gross Billings ⁽¹⁾ :						Y/Y Growth					
Local	\$ 615,833	\$ 606,184	\$ 605,460	\$ 543,021	548,056	(11.0)	%				
Travel	112,670	93,186	84,504	102,499	93,809	(16.7)					
Goods	245,924	229,479	369,973	209,476	196,501	(20.1)					
Total Gross Billings	<u>\$ 974,427</u>	<u>\$ 928,849</u>	<u>\$ 1,059,937</u>	<u>\$ 854,996</u>	<u>\$ 838,366</u>	(14.0)	%				
Revenue:											
Local	\$ 207,534	\$ 194,090	\$ 223,410	\$ 187,411	\$ 185,870	(10.4)	%				
Travel	22,320	18,300	17,413	20,084	19,888	(10.9)					
Goods	222,058	201,824	333,862	185,761	174,506	(21.4)					
Total Revenue	<u>\$ 451,912</u>	<u>\$ 414,214</u>	<u>\$ 574,685</u>	<u>\$ 393,256</u>	<u>\$ 380,264</u>	(15.9)	%				
Gross Profit:											
Local	\$ 179,609	\$ 162,914	\$ 196,708	\$ 166,756	\$ 165,285	(8.0)	%				
Travel	17,755	14,060	13,614	16,002	16,303	(8.2)					
Goods	36,496	30,934	54,651	36,922	37,783	3.5					
Total Gross Profit	<u>\$ 233,860</u>	<u>\$ 207,908</u>	<u>\$ 264,973</u>	<u>\$ 219,680</u>	<u>\$ 219,371</u>	(6.2)	%				
Operating income (loss)	\$ (12,033)	\$ (6,995)	\$ 33,766	\$ (1,860)	\$ (68,524)	(469.5)	%				
International Segment:						Q2 2018					
Gross Billings:						Y/Y Growth		FX Effect ⁽²⁾		Y/Y Growth excluding FX	
Local	\$ 189,408	\$ 202,991	\$ 229,167	\$ 217,307	\$ 203,248	7.3	%	(6.2)	1.1		%
Travel	45,981	49,837	59,666	57,522	48,766	6.1		(6.9)	(0.8)		
Goods	154,417	159,820	233,422	163,439	173,883	12.6		(8.4)	4.2		
Total Gross Billings	<u>\$ 389,806</u>	<u>\$ 412,648</u>	<u>\$ 522,255</u>	<u>\$ 438,268</u>	<u>\$ 425,897</u>	9.3	%	(7.2)	2.1		%
Revenue:											
Local	\$ 66,108	\$ 71,574	\$ 80,209	\$ 74,578	\$ 71,425	8.0	%	(6.5)	1.5		%
Travel	10,796	9,801	12,187	11,436	9,706	(10.1)		(5.9)	(16.0)		
Goods	133,803	138,877	206,085	147,270	156,001	16.6		(9.1)	7.5		
Total Revenue	<u>\$ 210,707</u>	<u>\$ 220,252</u>	<u>\$ 298,481</u>	<u>\$ 233,284</u>	<u>\$ 237,132</u>	12.5	%	(8.0)	4.5		%
Gross Profit:											
Local	\$ 62,303	\$ 67,860	\$ 75,991	\$ 70,215	\$ 67,360	8.1	%	(6.5)	1.6		%
Travel	9,996	8,922	11,334	10,651	8,919	(10.8)		(5.9)	(16.7)		
Goods	21,908	24,735	34,620	24,339	28,008	27.8		(9.3)	18.5		
Total Gross Profit	<u>\$ 94,207</u>	<u>\$ 101,517</u>	<u>\$ 121,945</u>	<u>\$ 105,205</u>	<u>\$ 104,287</u>	10.7	%	(7.1)	3.6		%
Operating income (loss)											
	\$ 4,635	\$ 5,782	\$ 15,960	\$ 5,245	\$ 4,279	(7.7)	%				
Consolidated Results of Operations:											
Gross Billings:											
Local	\$ 805,241	\$ 809,175	\$ 834,627	\$ 760,328	\$ 751,304	(6.7)	%	(1.5)	(8.2)		%
Travel	158,651	143,023	144,170	160,021	142,575	(10.1)		(2.0)	(12.1)		
Goods	400,341	389,299	603,395	372,915	370,384	(7.5)		(3.2)	(10.7)		
Total Gross Billings	<u>\$ 1,364,233</u>	<u>\$ 1,341,497</u>	<u>\$ 1,582,192</u>	<u>\$ 1,293,264</u>	<u>\$ 1,264,263</u>	(7.3)	%	(2.1)	(9.4)		%
Revenue:											
Local	\$ 273,642	\$ 265,664	\$ 303,619	\$ 261,989	\$ 257,295	(6.0)	%	(1.6)	(7.6)		%
Travel	33,116	28,101	29,600	31,520	29,594	(10.6)		(2.0)	(12.6)		
Goods	355,861	340,701	539,947	333,031	330,507	(7.1)		(3.4)	(10.5)		
Total Revenue	<u>\$ 662,619</u>	<u>\$ 634,466</u>	<u>\$ 873,166</u>	<u>\$ 626,540</u>	<u>\$ 617,396</u>	(6.8)	%	(2.6)	(9.4)		%
Gross Profit:											
Local	\$ 241,912	\$ 230,774	\$ 272,699	\$ 236,971	\$ 232,645	(3.8)	%	(1.7)	(5.5)		%
Travel	27,751	22,982	24,948	26,653	25,222	(9.1)		(2.2)	(11.3)		
Goods	58,404	55,669	89,271	61,261	65,791	12.6		(3.6)	9.0		
Total Gross Profit	<u>\$ 328,067</u>	<u>\$ 309,425</u>	<u>\$ 386,918</u>	<u>\$ 324,885</u>	<u>\$ 323,658</u>	(1.3)	%	(2.1)	(3.4)		%
Operating income (loss)	\$ (7,398)	\$ (1,213)	\$ 49,726	\$ 3,385	\$ (64,245)	(768.4)	%				
Net cash provided by (used in) operating activities from continuing operations											
	\$ (19,390)	\$ 21,772	\$ 266,249	\$ (119,747)	\$ 44,175	327.8	%				
Free Cash Flow	\$ (34,775)	\$ 7,517	\$ 250,807	\$ (139,891)	\$ 26,802	177.1	%				

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Active Customers ⁽³⁾					
North America	31.9	32.5	32.7	32.6	32.2
International	16.4	16.6	16.8	17.0	17.1
Total Active Customers	48.3	49.1	49.5	49.6	49.3
TTM Gross Profit / Active Customer ⁽⁴⁾					
North America	\$ 28.41	\$ 28.09	\$ 28.35	\$ 28.38	\$ 28.36
International	22.88	23.19	24.16	24.83	25.24
Consolidated	26.53	26.43	26.93	27.16	27.27
Consolidated Units	44.5	44.1	54.6	42.4	40.0
<i>Year-over-year unit growth:</i>					
North America	(1.9) %	(0.1) %	(6.6) %	(11.3) %	(14.3) %
International	(7.8)	(1.5)	(3.9)	2.0	(0.6)
Consolidated	(3.8)	(0.5)	(5.7)	(7.2)	(10.1)
Headcount					
Sales ⁽⁵⁾	2,485	2,457	2,407	2,404	2,373
Other	4,176	4,159	4,265	4,235	4,262
Total Headcount	6,661	6,616	6,672	6,639	6,635

(1) Represents the total dollar value of customer purchases of goods and services.

(2) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year periods.

(3) Reflects the total number of unique user accounts that have made a purchase during the TTM either through one of our online marketplaces or directly with a merchant for which we earned a commission.

(4) During the first quarter 2018, we updated the calculation of TTM Gross Profit / Active Customer to reflect active customers as of the end of the period, rather than the average of active customers as of the beginning and end of period, in the denominator of the calculation. Because our active customer metrics are based on purchases over a TTM period, we believe that this change improves the usefulness of this metric. The prior period amounts have been updated to reflect this change.

(5) Includes merchant sales representatives, as well as sales support personnel.

Groupon, Inc.
Non-GAAP Reconciliation Schedules
(in thousands, except share and per share amounts)
(unaudited)

Adjusted EBITDA, non-GAAP earnings attributable to common stockholders and non-GAAP earnings per share are non-GAAP performance measures. The Company reconciles Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Net income (loss) from continuing operations for the periods presented and the Company reconciles non-GAAP earnings per share to the most comparable U.S. GAAP performance measure, Diluted net income (loss) per share, for the periods presented.

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Income (loss) from continuing operations.

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Income (loss) from continuing operations	\$ (5,403)	\$ 3,802	\$ 51,071	\$ (2,795)	\$ (92,254)
Adjustments:					
Stock-based compensation ⁽¹⁾	21,392	18,235	21,673	19,278	16,266
Depreciation and amortization	34,679	35,231	33,850	29,661	28,954
Acquisition-related expense (benefit), net	36	—	—	—	655
Restructuring charges	4,584	11,503	10	283	(399)
Gain on sale of intangible assets	—	(17,149)	—	—	—
IBM patent litigation	—	—	—	—	75,000
Other (income) expense, net	(5,878)	(7,546)	2,112	8,515	26,457
Provision (benefit) for income taxes	3,883	2,531	(3,457)	(2,335)	1,552
Total adjustments	58,696	42,805	54,188	55,402	148,485
Adjusted EBITDA	\$ 53,293	\$ 46,607	\$ 105,259	\$ 52,607	\$ 56,231

- (1) Represents stock-based compensation recorded within Selling, general and administrative, Cost of revenue and Marketing. Other (income) expense, net, includes \$0.05 million, \$0.07 million, \$0.06 million, \$0.05 million and \$0.05 million of additional stock-based compensation for the three months ended June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018 and June 30, 2018, respectively. Restructuring charges include \$0.8 million of additional stock-based compensation for the three months ended September 30, 2017.

The following is a reconciliation of the Company's annual outlook for Adjusted EBITDA to the Company's outlook for the most comparable U.S. GAAP performance measure, Income (loss) from continuing operations.

	Year Ending December 31, 2018
Expected income (loss) from continuing operations range	\$ (45,000) to (35,000)
Expected adjustments:	
Stock-based compensation	80,000
Depreciation and amortization	120,000
IBM patent litigation	75,000
Other (income) expense, net	43,000
Provision (benefit) for income taxes	7,000
Total expected adjustments	325,000
Expected Adjusted EBITDA range	\$ 280,000 to 290,000

The outlook provided above does not reflect the potential impact of any business or asset acquisitions or dispositions, changes in the fair values of investments, foreign currency gains or losses, adjustments to our accrual for IBM patent litigation or unusual or infrequently occurring items that may occur during the remainder of 2018.

The following is a reconciliation of net income (loss) attributable to common stockholders to non-GAAP net income (loss) attributable to common stockholders and a reconciliation of diluted net income (loss) per share to non-GAAP net income (loss) per share for the three months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss) attributable to common stockholders	\$ (95,034)	\$ (9,326)	\$ (101,922)	\$ (33,740)
Less: Net income attributable to noncontrolling interest	(2,780)	(2,547)	(6,873)	(6,579)
Net income (loss)	(92,254)	(6,779)	(95,049)	(27,161)
Less: Income (loss) from discontinued operations, net of tax	—	(1,376)	—	(889)
Income (loss) from continuing operations	(92,254)	(5,403)	(95,049)	(26,272)
Less: Provision (benefit) for income taxes	1,552	3,883	(783)	8,470
Income (loss) from continuing operations before provision (benefit) for income taxes	(90,702)	(1,520)	(95,832)	(17,802)
Stock-based compensation	16,318	21,440	35,644	41,141
Amortization of acquired intangible assets	3,526	6,183	6,466	11,583
Acquisition-related expense (benefit), net	655	36	655	48
Restructuring charges	(399)	4,584	(116)	7,315
IBM patent litigation	75,000	—	75,000	—
Losses (gains), net from changes in fair value of investments	3,035	1,448	8,068	1,145
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	11,047	(10,112)	7,620	(10,222)
Non-cash interest expense on convertible senior notes	2,940	2,655	5,806	5,242
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	21,420	24,714	43,311	38,450
Non-GAAP provision (benefit) for income taxes	7,925	10,212	9,486	14,744
Non-GAAP net income (loss)	13,495	14,502	33,825	23,706
Net income attributable to noncontrolling interest	(2,780)	(2,547)	(6,873)	(6,579)
Non-GAAP net income (loss) attributable to common stockholders	\$ 10,715	\$ 11,955	\$ 26,952	\$ 17,127
Weighted-average shares of common stock - diluted	565,284,705	559,762,180	563,502,954	560,978,712
Incremental dilutive securities	8,982,700	6,821,361	9,527,932	7,152,421
Weighted-average shares of common stock - non-GAAP	574,267,405	566,583,541	573,030,886	568,131,133
Diluted net loss per share	\$ (0.17)	\$ (0.02)	\$ (0.18)	\$ (0.06)
Impact of non-GAAP adjustments and related tax effects	0.19	0.04	0.23	0.09
Non-GAAP net income per share	\$ 0.02	\$ 0.02	\$ 0.05	\$ 0.03

Free cash flow is a non-GAAP liquidity measure. The following is a reconciliation of free cash flow to the most comparable U.S. GAAP liquidity measure, Net cash provided by (used in) operating activities from continuing operations.

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Net cash provided by (used in) operating activities from continuing operations ⁽¹⁾	\$ (19,390)	\$ 21,772	\$ 266,249	\$ (119,747)	\$ 44,175
Purchases of property and equipment and capitalized software from continuing operations	(15,385)	(14,255)	(15,442)	(20,144)	(17,373)
Free cash flow ⁽¹⁾	\$ (34,775)	\$ 7,517	\$ 250,807	\$ (139,891)	\$ 26,802
Net cash provided by (used in) investing activities from continuing operations	\$ (13,782)	\$ 18,230	\$ (15,751)	\$ (20,382)	\$ (75,714)
Net cash provided by (used in) financing activities	\$ (47,924)	\$ (27,972)	\$ (16,424)	\$ (20,899)	\$ (18,729)

- (1) Prior period cash flows from operating activities of continuing operations has been updated from negative \$20.7 million, \$23.9 million and \$270.6 million previously reported for the three months ended June 30, 2017, September 30, 2017 and December 31, 2017, respectively, and prior period free cash flow has been updated from negative \$36.1 million, \$9.6 million and \$255.1 million previously reported for the three months ended June 30, 2017, September 30, 2017 and December 31, 2017, respectively, to reflect the adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, on January 1, 2018. For additional information on the adoption of ASU 2016-18, refer to Note 2, *Adoption of New Accounting Standards*, in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.

The following is a reconciliation of the Company's annual outlook for free cash flow to the Company's outlook for the most comparable U.S. GAAP liquidity measure, Net cash provided by (used in) operating activities from continuing operations.

	Year Ending December 31, 2018
Expected net cash provided by (used in) operating activities from continuing operations	\$ 270,000
Expected purchases of property and equipment and capitalized software from continuing operations	(70,000)
Expected free cash flow	\$ 200,000

The outlook provided above does not reflect the potential impact of payments that could be disbursed during the remainder of 2018, if any, related to the IBM patent litigation matter.