

2Q18 EARNINGS

August 2018

GROUPON

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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, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations. The words "may," will," should," "could," "expect," anticipate," "believe," "estimate," intend," "continue" and other similar expressions are intended to identify forward-looking statements. We have based these forward looking statements largely on current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. 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, risk related to volatility in our operating results; execution of our business and marketing strategies; retaining existing customers and adding new customers; challenges arising from our international operations, including fluctuations in currency exchange rates, legal and regulatory developments and any potential adverse impact from the United Kingdom's likely exit from the European Union; retaining and adding high quality merchants; our voucherless offerings; cybersecurity breaches; competing successfully in our industry; changes to merchant payment terms; providing a strong mobile experience for our customers; maintaining our information technology infrastructure; delivery and routing of our emails; claims related to product and service offerings; managing inventory and order fulfillment risks; litigation; managing refund risks; retaining and attracting members of our executive team; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR and regulation of the Internet and ecommerce; classification of our independent contractors; protecting our intellectual property; maintaining a strong brand; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; our common stock, including volatility in our stock price; our convertible senior 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, 2017, as amended, 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 the date of this presentation unless otherwise expressly stated. 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.

Additional information relating to certain of our financial measures contained herein is available in our most recent earnings release and at our website at investor.groupon.com.

Groupon Is a Clear Leader in Local E-commerce

SUBSTANTIAL SCALE IN UNDER-PENETRATED LOCAL MARKET



Top 5

E-commerce Brand[1]



>70%

Of Transactions On Mobile[2]



5-star

App with 183 Million Downloads



Top 10

U.S. App[3]

- Strong brand and improving awareness through offline advertising campaigns
- Mobile-first platform well-positioned for continued offline-to-online shift
- Advanced analytics allow us to leverage our substantial Local transactional and consumer purchase data to connect users with great Local deals at scale
- Product innovation, customer growth, and cost efficiencies driving potential for shareholder returns through sustainable Adjusted EBITDA growth

(1) Verto Analytics, "E-commerce Properties, November 2017," U.S. Adults, ages 18+
(2) For the quarter ended June 30, 2018
(3) Ages 25-54; comScore 2017 U.S. Mobile App Report, "Mobile Metrix, U.S., 18+, June 2017"

Focusing on Our Key Priorities for 2018



Enhance the customer experience with a mobile-first strategy, through innovative, frictionless products, differentiated local supply, coupled with strong national brands



Establish Groupon as a true platform by aggregating third-party and Groupon-sourced supply and increasing distribution of Groupon content



Continue to unlock International potential by applying our North America playbook



Maintain culture of operational efficiency

Enhancing our Financial Profile

Gross Profit	**Focus on driving long-term gross profit dollar growth** • Continued focus on core North America Local business; emerging products such as Groupon+™, Bookability, and Marketplace • Unlock International potential by executing on North America playbook
Marketing	**Plan to maintain 12-18 month payback of incremental spend** • Integrated offline campaign featuring Tiffany Haddish in product and merchant-focused ads • Continued ramp in International markets in line with improving returns
SG&A	**Maintain leverageable cost structure** • Expect 2018 SG&A be roughly flat compared with 2017 (excluding charges for IBM patent litigation)
Adjusted EBITDA	**Target multi-year Adjusted EBITDA growth** • Facilitate flow through from gross profit • Expect gross profit dollar growth to exceed marketing dollar growth
Free Cash Flow	**Target multi-year Free Cash Flow growth** • Expect to generate free cash flow of approximately $200 million for the full year 2018, excluding any amounts that might be paid related to the IBM litigation • Expect long-term free cash flow growth to trend with Adjusted EBITDA growth
Balance Sheet	**Strong balance sheet provides strategic flexibility[1]** • $663 million cash balance, $250 million undrawn revolver[2] • $300 million share repurchase authorization

(1) As of June 30, 2018
(2) Excluding the impact of outstanding letters of credit

2018 Adjusted EBITDA Guidance Targeting Double-Digit Growth

2018 Guidance

Adjusted EBITDA[1]

(USD millions)

2017 Actual	2018 Guidance
$250	$280-290 (12-16% y/y growth)

Key Themes

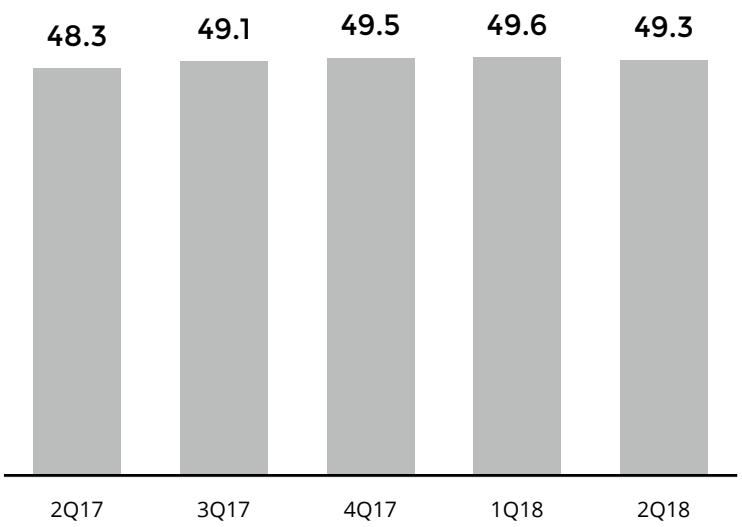
- Investing in marketing and scaling our key initiatives to increase gross profit per customer (including Groupon+, bookability, and third-party supply)
- Anticipate these initiatives will result in a headwind to billings and revenue
- Expect gross profit and Adjusted EBITDA to ramp over the course of the year
- Targeting gross profit dollar growth that exceeds marketing dollar growth
- Excluding any amounts that might be paid related to the IBM litigation, anticipate generating free cash flow[2] of approximately $200 million and CapEx in the range of $60 to $70 million for FY18

(1) Adjusted EBITDA (AEBITDA) is a non-GAAP performance measure. See the appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."
(2) Free cash flow is a non-GAAP liquidity measure. See the appendix for a reconciliation to the most comparable U.S. GAAP liquidity measure, "Net cash provided by (used in) operating activities from continuing operations."

FINANCIAL INFORMATION AND OPERATING METRICS

Large Customer Base with Solid Gross Profit per Customer

Global Active Customers[1] (millions)



Global TTM Gross Profit / Active Customer[1, 2]

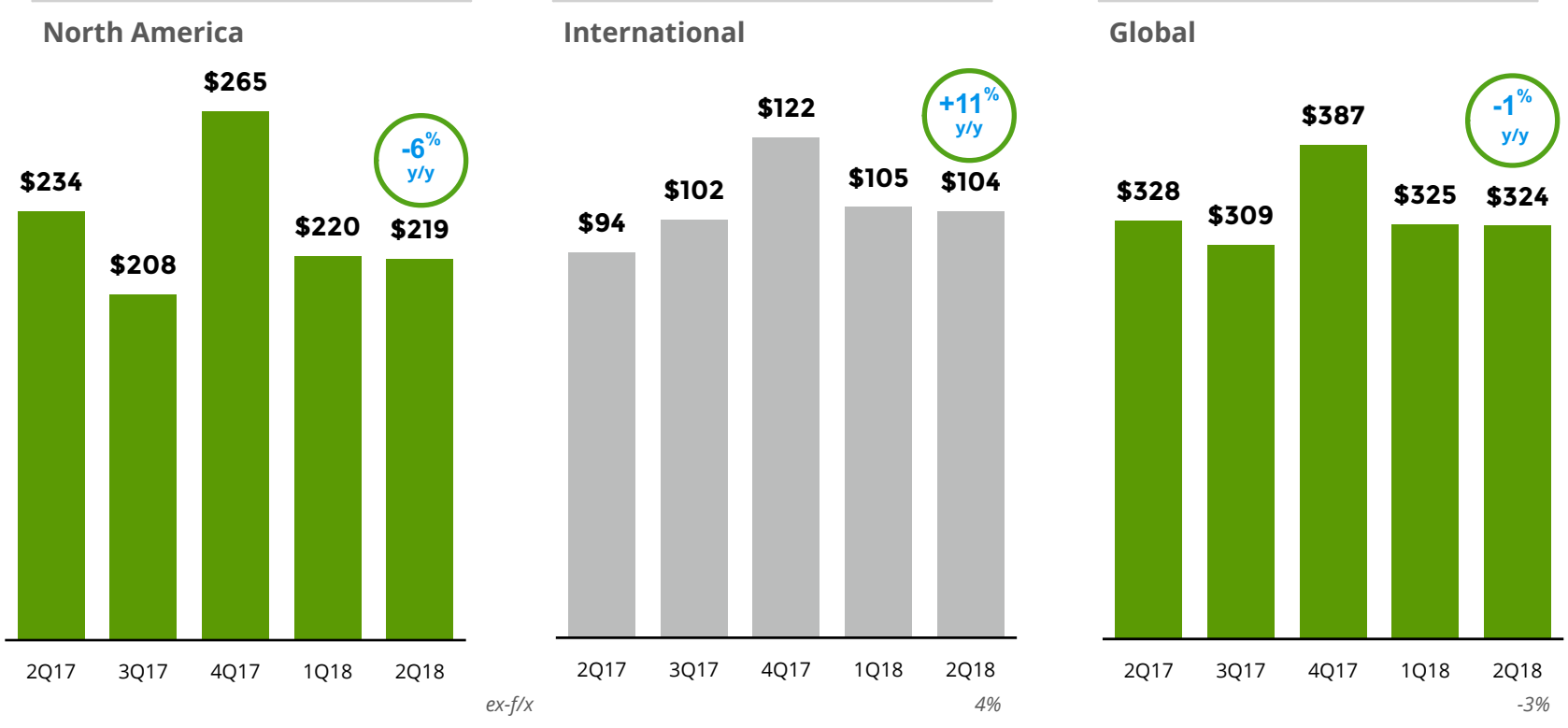


Maintained gross profit per customer of $27 in Q2

(1) Active customers represent unique user accounts that have made a purchase during the trailing twelve months either through one of our online marketplaces or directly with a merchant for which we earned a commission.
(2) During the first quarter 2018, we updated the calculation of this metric 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 calculations. 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.

Gross Profit - Focus On Dollar Growth

(USD millions)

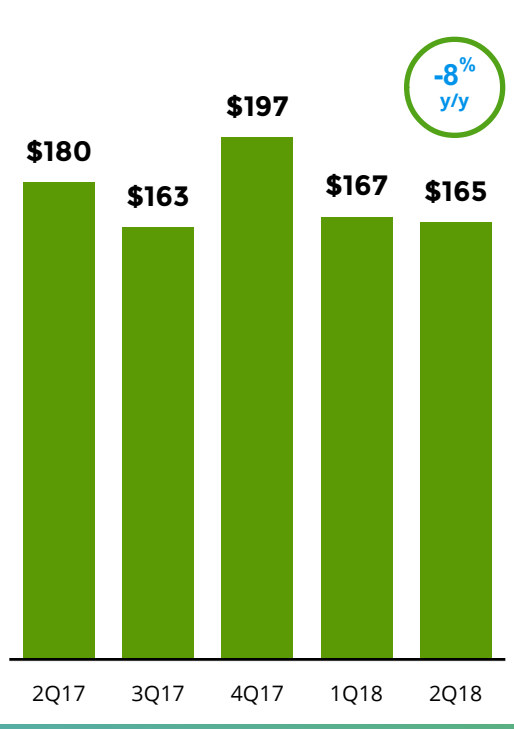


Global gross profit of $324 million in Q2

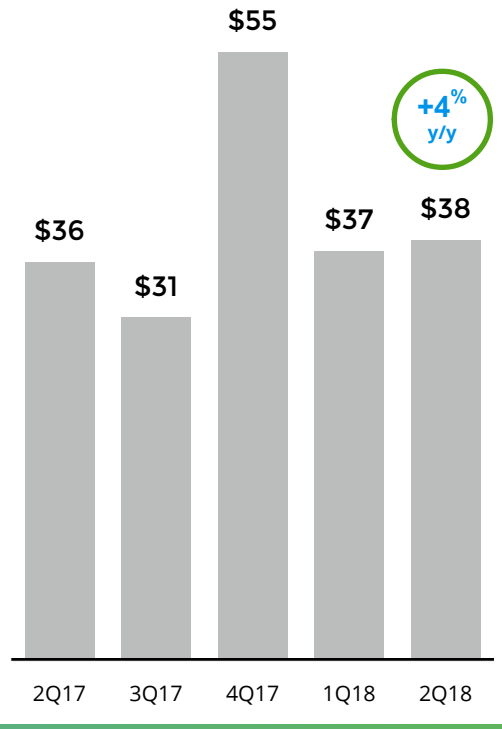
North America Gross Profit

(USD millions)

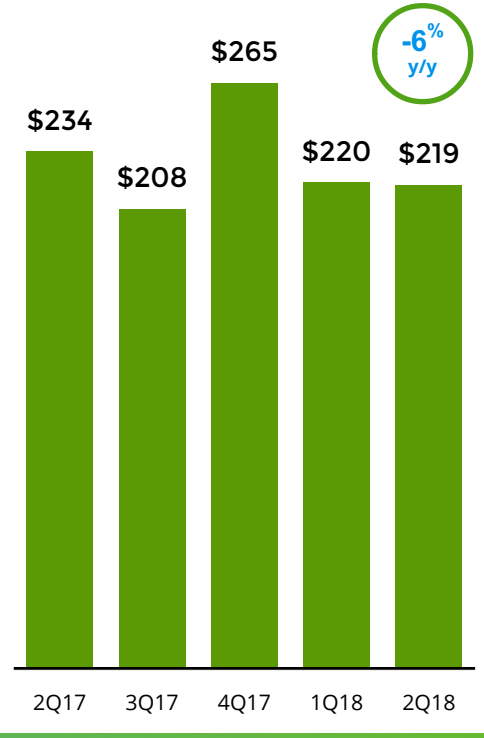
NA Local Gross Profit



NA Goods Gross Profit



NA Gross Profit

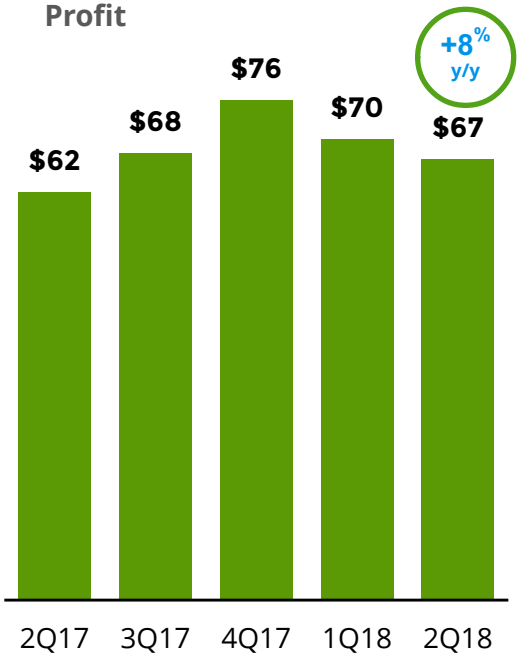


North America Goods gross profit increased 4% year-over-year in Q2

International Gross Profit

(USD millions)

International Local Gross Profit



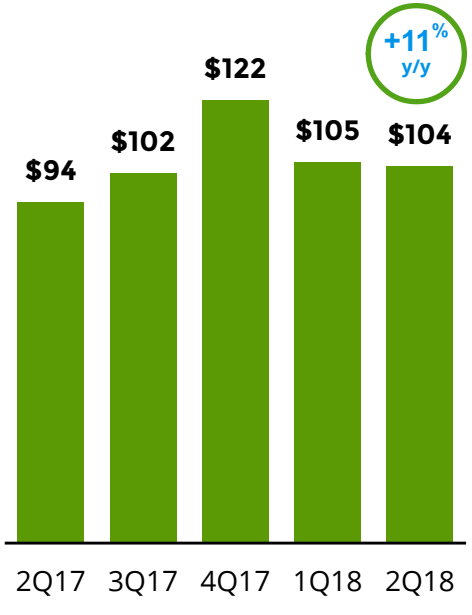
ex-f/x *2%*

International Goods Gross Profit



19%

International Gross Profit

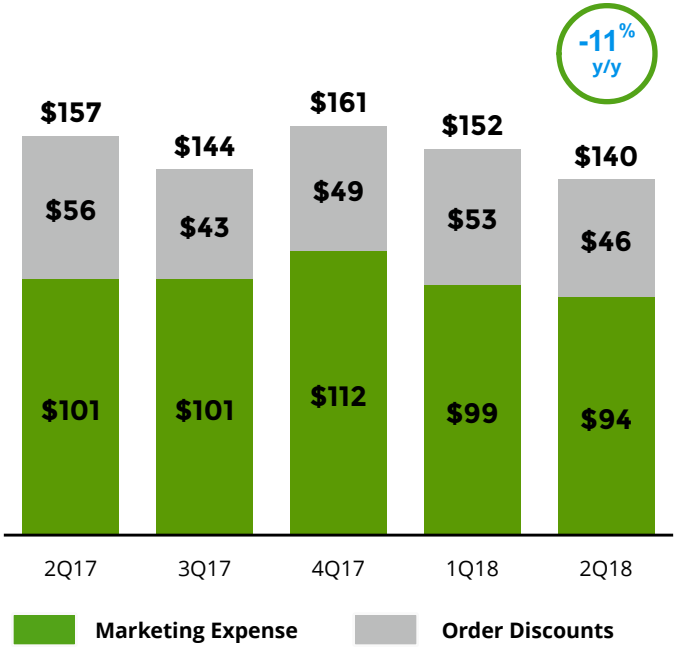


4%

International gross profit grew 11% year-over-year in Q2

Marketing - Invest At 12-18 Month Payback

Marketing + Order Discounts (USD millions)



Marketing ROI = $\frac{\text{Incremental Gross Profit}}{\text{Incremental Marketing Spend}}$ = **100%**

Time to Payback **12 to 18 months**

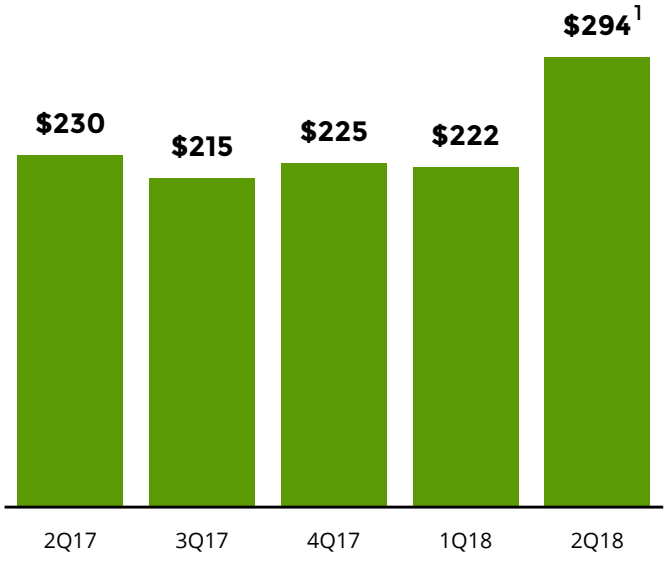
- ROI tracking across marketing channels, platforms, and categories
- Supporting International in target cities leveraging deepened marketing analytics
- Continuing to refine customer analytics to enhance efficiency

Marketing (including order discounts) decreased $17 million in Q2

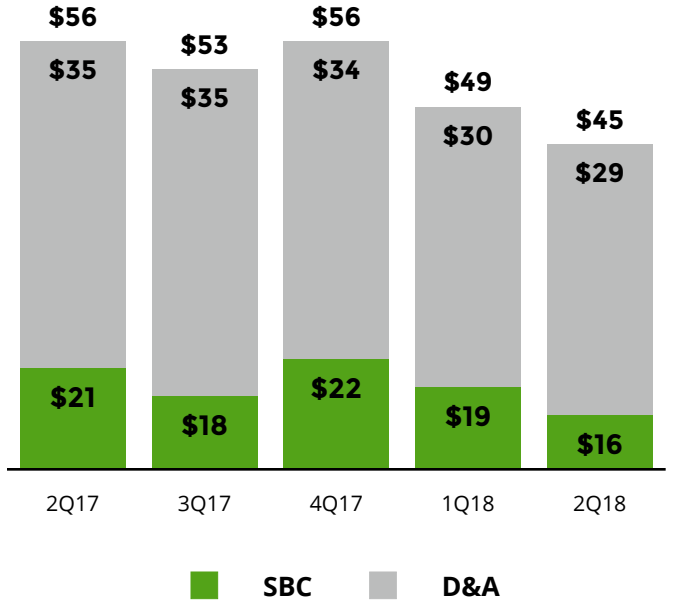
SG&A – Benefiting From Operational Efficiency

(USD millions)

SG&A



SBC[2] and D&A



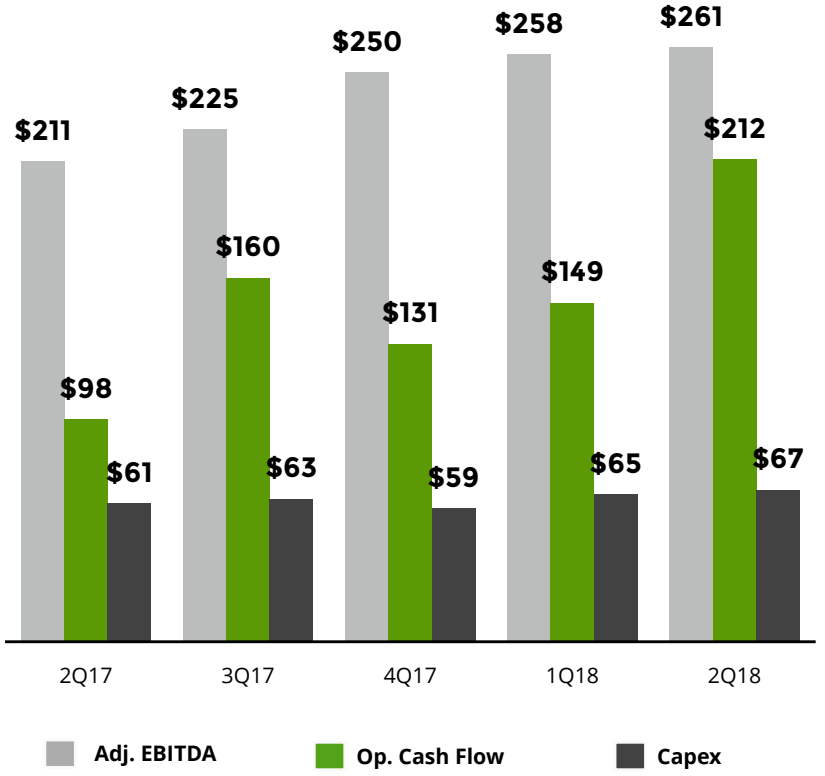
Excluding the charge related to the IBM matter, Global SG&A declined by $11 million or 5% year-over-year in Q2

(1) Includes a $75.0 million charge in the second quarter 2018 related to a patent litigation case with IBM as a result of an adverse jury verdict in July 2018
(2) SBC includes components from Cost of Revenue, Marketing, SG&A, and Restructuring charges

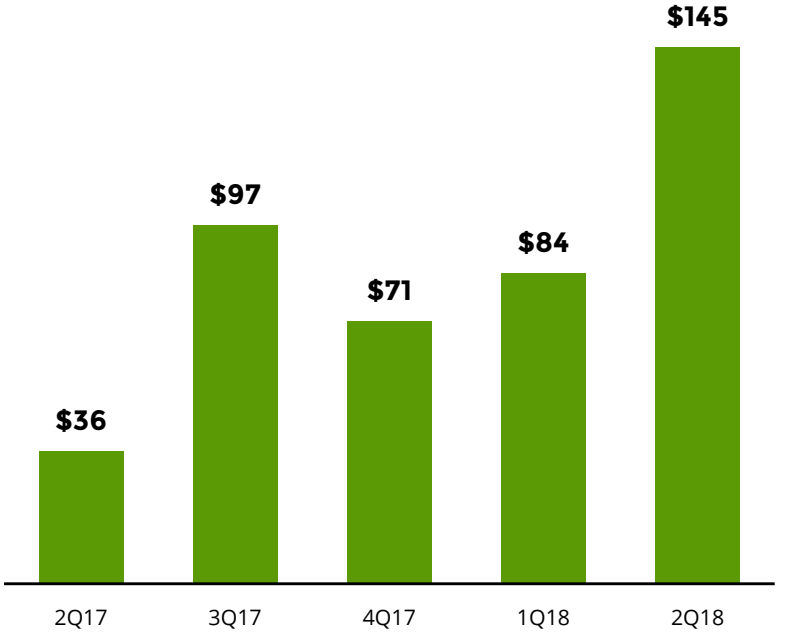
Focus On Improving Conversion From Adjusted EBITDA To Free Cash Flow

(TTM, USD millions)

Adjusted EBITDA[1], Operating Cash Flow[3], and Capital Expenditures



Free Cash Flow[2, 3]



(1) Adjusted EBITDA is a non-GAAP performance measure. See the appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."

(2) Free Cash Flow is a non-GAAP liquidity measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net cash provided by (used in) operating activities from continuing operations."

(3) Prior period cash flows from operating activities of continuing operations has been updated from $97.8 million, $161.5 million and $137.5 million for TTM ended June 30, 2017, September 30, 2017 and December 31, 2017, respectively, and prior period free cash flows have been updated from $36.4 million, $98.6 million and $78.3 million for TTM 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 our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.

APPENDIX

Non-GAAP Reconciliations[1]

ADJUSTED EBITDA - QUARTERLY

THE FOLLOWING IS A RECONCILIATION OF ADJUSTED EBITDA TO THE MOST COMPARABLE U.S. GAAP PERFORMANCE MEASURE, "INCOME (LOSS) FROM CONTINUING OPERATIONS":

(in thousands)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Income (loss) from continuing operations	$ (34,447)	$ (39,455)	$ (20,869)	$ (5,403)	$ 3,802	$ 51,071	$ (2,795)	$ (92,254)
Adjustments:								
Stock-based compensation [2]	25,457	22,563	19,650	21,392	18,235	21,673	19,278	16,266
Depreciation and amortization	32,897	34,681	34,067	34,679	35,231	33,850	29,661	28,954
Acquisition-related expense (benefit), net	(9)	1,345	12	36	—	—	—	655
Restructuring charges	1,163	12,060	2,731	4,584	11,503	10	283	(399)
Gain on sale of intangible assets	—	—	—	—	(17,149)	—	—	—
Gains on business dispositions	(2,060)	—	—	—	—	—	—	—
IBM patent litigation	—	—	—	—	—	—	—	75,000
Other (income) expense, net	7,917	54,737	4,602	(5,878)	(7,546)	2,112	8,515	26,457
Provision (benefit) for income taxes	1,690	(5,779)	4,587	3,883	2,531	(3,457)	(2,335)	1,552
Total adjustments	67,055	119,607	65,649	58,696	42,805	54,188	55,402	148,485
Adjusted EBITDA	$ 32,608	$ 80,152	$ 44,780	$ 53,293	$ 46,607	$ 105,259	$ 52,607	$ 56,231

(1) See Q2 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.
(2) Represents stock-based compensation recorded within cost of revenue, marketing expense, and selling, general and administrative expense. Other (income) expense (income), net, includes $0.27 million $0.18 million, $0.05 million, $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 September 30, 2016, December 31, 2016, March 31, 2017, 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.

Non-GAAP Reconciliations Cont'd

EXPECTED ADJUSTED EBITDA RANGE

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":

(in thousands)		Year Ending December 31, 2018
Expected income (loss) from continuing operations range[1]	$	(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

(1) The expected income (loss) from continuing operations range 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.

Non-GAAP Reconciliations Cont'd

NON-GAAP EARNINGS PER SHARE AND NON-GAAP EARNINGS

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:

(in thousands, except share and per share amounts)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Net income (loss) attributable to common stockholders	$ (9,326)	$ (95,034)
Less: Net income attributable to noncontrolling interest	(2,547)	(2,780)
Net income (loss)	(6,779)	(92,254)
Less: Income (loss) from discontinued operations, net of tax	(1,376)	—
Income (loss) from continuing operations	(5,403)	(92,254)
Less: Provision (benefit) for income taxes	3,883	1,552
Income (loss) from continuing operations before provision (benefit) for income taxes	(1,520)	(90,702)
Stock-based compensation	21,440	16,318
Amortization of acquired intangible assets	6,183	3,526
Acquisition-related expense (benefit), net	36	655
Restructuring charges	4,584	(399)
IBM patent litigation	—	75,000
Losses (gains), net from changes in fair value of investments	1,448	3,035
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	(10,112)	11,047
Non-cash interest expense on convertible senior notes	2,655	2,940
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	24,714	21,420
Non-GAAP provision (benefit) for income taxes	10,212	7,925
Non-GAAP net income (loss)	14,502	13,495
Net income attributable to noncontrolling interest	(2,547)	(2,780)
Non-GAAP net income (loss) attributable to common stockholders	$ 11,955	$ 10,715
Weighted-average shares of common stock - diluted	559,762,180	565,284,705
Incremental dilutive securities	6,821,361	8,982,700
Weighted-average shares of common stock - non-GAAP	566,583,541	574,267,405
Diluted net loss per share	$ (0.02)	$ (0.17)
Impact of non-GAAP adjustments and related tax effects	0.04	0.19
Non-GAAP net income per share	$ 0.02	$ 0.02

Non-GAAP Reconciliations Cont'd

FREE CASH FLOW

THE FOLLOWING IS A RECONCILIATION OF FREE CASH FLOW TO THE MOST COMPARABLE U.S. GAAP FINANCIAL MEASURE, "NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES FROM CONTINUING OPERATIONS":

(in thousands)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Net cash provided by (used in) operating activities from continuing operations [1]	$ (40,242)	$ 295,578	$ (138,086)	$ (19,390)	$ 21,772	$ 266,249	$ (119,747)	$ 44,175
Purchases of property and equipment and capitalized software from continuing operations	(12,682)	(19,254)	(14,076)	(15,385)	(14,255)	(15,442)	(20,144)	(17,373)
Free Cash Flow [1]	$ (52,924)	$ 276,324	$ (152,162)	$ (34,775)	$ 7,517	$ 250,807	$ (139,891)	$ 26,802
Net cash provided by (used in) investing activities from continuing operations	$ (11,902)	$ (4,049)	$ (14,020)	$ (13,782)	$ 18,230	$ (15,751)	$ (20,382)	$ (75,714)
Net cash provided by (used in) financing activities	$ (38,342)	$ (67,533)	$ (45,726)	$ (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 $39.9 million, $294.6 million, negative $136.2 million, negative $20.7 million, $23.9 million and $270.6 million previously reported for the three months ended September 30, 2016, December 31, 2016, March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, respectively, and prior period free cash flow has been updated from negative $52.6 million, $275.3 million, negative $150.3 million, negative $36.1 million, $9.6 million and $255.1 million previously reported for the three months ended September 30, 2016, December 31, 2017, March 31, 2017, 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 our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.

Non-GAAP Reconciliations Cont'd

EXPECTED FREE CASH FLOW

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":

(in thousands)	Year Ending December 31, 2018
Expected net cash provided by (used in) operating activities from continuing operations[1]	**$ 270,000**
Expected purchases of property and equipment and capitalized software from continuing operations	**(70,000)**
Expected free cash flow[1]	**$ 200,000**

(1) 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.


GROUPON