Groupon Announces Fourth Quarter and Fiscal Year 2017 Results

Delivers Record Quarterly Net Income and Adjusted EBITDA
Achieves 10% Gross Profit Growth in the Fourth Quarter

- **Fourth quarter gross profit of $386.9 million, $1.33 billion for the full year**
- **Fourth quarter net income from continuing operations of $51.1 million, $28.6 million for the full year**
- **Fourth quarter Adjusted EBITDA of $105.3 million, $249.9 million for the full year**
- **Fourth quarter GAAP earnings per diluted share from continuing operations of $0.08, non-GAAP earnings per diluted share of $0.07 for the fourth quarter**
- **Fourth quarter operating cash flow of $270.6 million, $137.5 million for the full year**
- **Fourth quarter free cash flow of $255.1 million, $78.3 million for the full year**
- **2018 Adjusted EBITDA guidance of $260 million to $270 million**

CHICAGO - (BUSINESS WIRE) - February 14, 2018 - Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter and fiscal year ended December 31, 2017.

"In 2017, we made progress in creating a better customer experience that removed friction for our customers while also maximizing gross profit," said CEO Rich Williams. "We are excited to build on this success in 2018, combining our growing mobile penetration and platform power to ultimately become the daily habit in local commerce for customers and merchants."

Fourth Quarter 2017 Summary

North America

- North America gross profit in the fourth quarter 2017 increased 6% to $265.0 million from $250.8 million in the fourth quarter 2016. In Local, gross profit increased 6% to $196.7 million driven by continued benefits from our marketing investment and larger customer base. Goods gross profit increased 8% to $54.7 million driven by solid performance during the holiday season. Gross Profit in Travel was $13.6 million versus $15.1 million in the fourth quarter 2016.
- During the quarter we continued to make improvements to the customer experience by investing in our voucherless initiatives. We now have approximately 2.7 million cards linked in Groupon+, one of our leading voucherless initiatives, and continue to deepen supply in our more than 25 Groupon+ markets.
- North America active customers reached 32.7 million as of December 31, 2017, reflecting the addition of 200 thousand net new active customers during the fourth quarter 2017. 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.

International

- International gross profit increased 21% (12% FX-neutral) in the fourth quarter 2017 to $121.9 million. Gross profit increased 19% (11% FX-neutral) in Local, 33% (22% FX-neutral) in Goods, and 2% (5% FX-neutral decline) in Travel. We continue to focus on execution of our product, supply, and marketing initiatives, and these initiatives contributed to our positive fourth quarter results in International.

- International active customers increased by 200 thousand net new active customers during the fourth quarter 2017 to 16.8 million as of December 31, 2017.

Consolidated

- Gross billings were $1.58 billion in the fourth quarter 2017, down 2% (4% FX-neutral) from $1.61 billion in the fourth quarter 2016. Gross billings reflect the total dollar value of customer purchases of goods and services.
- Revenue was $873.2 million in the fourth quarter 2017, down 4% (6% FX-neutral) from $904.9 million in the fourth quarter 2016 reflecting our continued focus on maximizing gross profit, including the shift toward offerings in our higher margin, more differentiated Local category, from our Goods category. These strategic actions are expected to continue to create a headwind for revenue.
- Gross profit was $386.9 million in the fourth quarter 2017, up 10% (8% FX-neutral) from $351.9 million in the fourth quarter 2016.
- SG&A declined 6% year-over-year to $224.7 million in the fourth quarter 2017 as we continue to realize operating leverage from our previously completed restructuring actions.
- Marketing expense was $112.5 million in the fourth quarter 2017, up 24% year-over-year. We generated strong results from our offline marketing including our campaigns focused on the holiday season and Groupon local merchants, which aired in the fourth quarter.
- Net income from continuing operations was $51.1 million in the fourth quarter 2017. This compares to a net loss of $39.5 million in the fourth quarter 2016.
- Net income attributable to common stockholders was $47.7 million, or $0.08 per diluted share. Non-GAAP net income attributable to common stockholders was $42.7 million, or $0.07 per diluted share.
- Adjusted EBITDA, a non-GAAP financial measure, was $105.3 million in the fourth quarter 2017, up 31% from $80.2 million in the fourth quarter 2016. This result is the highest quarterly Adjusted EBITDA in our history and was driven by our focus on optimizing gross profit combined with operating leverage from previously implemented streamlining initiatives.
- Global units sold declined 6% year-over-year to 54.6 million in the fourth quarter 2017, as we leveraged demand on our site and mobile app to maximize gross profit, which in some instances resulted in fewer units. Units in North America were down 7% with a significant portion of that decline due to the divestiture of certain OrderUp assets and investments in scaling Groupon+. Units are defined as purchases before refunds and cancellations made either through one of our online marketplaces or directly with a merchant for which we earned a commission.
- Operating cash flow was $270.6 million in the fourth quarter 2017. Free cash flow, a non-GAAP financial measure, was $255.1 million in the fourth quarter 2017.
- Cash and cash equivalents as of December 31, 2017 were $880.1 million, and we had no outstanding borrowings under our $250.0 million revolving credit facility.

Full Year 2017 Summary

- Gross Billings were $5.65 billion in 2017, down 1% compared with $5.69 billion in 2016.
- Revenue was $2.84 billion in 2017, down 6% compared with $3.01 billion in 2016.
- Gross profit was $1.33 billion in 2017, up 4% compared with $1.28 billion in 2016.
- Net income from continuing operations was $28.6 million in 2017, compared with a net loss of $166.2 million in 2016.
- Net income attributable to common stockholders was $14.0 million, or $0.02 per diluted share. Non-GAAP net income attributable to common stockholders was $70.0 million, or $0.11 per diluted share.
- Adjusted EBITDA was $249.9 million in 2017, up 39% compared with $179.9 million in 2016.
- Global units sold declined 3% year-over-year to 188.9 million in 2017.
- Operating cash flow for 2017 was $137.5 million. Free cash flow, a non-GAAP financial measure, was $78.3 million in 2017.
- In 2017, we repurchased 16,906,334 shares of our common stock for an aggregate purchase price of approximately $60.0 million. Up to $135.2 million of common stock remains available for repurchase under Groupon's share repurchase program as of December 31, 2017. The timing and amount of share repurchases, if any, will be determined based on market conditions, limitations under our Amended and Restated Credit Agreement, share price and other factors, and the program may be terminated at any time.

Definitions and reconciliations of all non-GAAP financial measures and additional information regarding operational measures are included below in the section titled "Non-GAAP Financial and Operational Measures" and in the accompanying tables.

Outlook

Groupon is providing its outlook for 2018, which reflects current foreign exchange rates, as well as expected marketing investments and cost benefits associated with our streamlining initiatives. For the full year 2018, Groupon expects Adjusted EBITDA to be between $260 million and $270 million.

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 and Operational 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 year ended December 31, 2017, special charges and credits included charges related to our restructuring plan and a gain from the sale of intangible assets. 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 a securities litigation matter that has subsequently been settled. 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.

Non-GAAP Provision (Benefit) for Income Taxes. Non-GAAP provision (benefit) for income taxes reflects our current and deferred tax provision computed based on non-GAAP income from continuing operations before provision (benefit) for income taxes.

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 current period operating results as if foreign currency exchange rates had remained the same as those in effect in the prior year period. These measures are intended to facilitate comparisons to our historical performance.

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, including 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 for 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. However, Adjusted EBITDA is not intended to be a substitute for income (loss) from continuing operations.

Non-GAAP income from continuing operations before provision (benefit) for income taxes, non-GAAP net income attributable to common stockholders and *non-GAAP earnings per diluted share* are non-GAAP performance measures that adjust our net income attributable to common stockholders and earnings per share to exclude the impact of:

- stock-based compensation,
- amortization of acquired intangible assets,
- acquisition-related expense (benefit), net,
- special charges and credits, including restructuring charges,
- non-cash interest expense on convertible senior notes,

- 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,
- non-operating gains and losses from the sale of minority investments, and
- income (loss) from discontinued operations.

We believe that excluding the above items from our measures of non-GAAP income from continuing operations before provision (benefit) from income taxes, non-GAAP net income attributable to common stockholders and non-GAAP earnings per diluted 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 liquidity measure that comprises net cash provided by 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 continuing 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 our cash balance for the applicable period.

Active customers. We have historically defined active customers as unique user accounts that have made a purchase through one of our online marketplaces during the trailing twelve months ("TTM"). As a result of our ongoing development and testing of voucherless offerings that are linked to customer credit cards, we have updated our definition of active customers as follows: 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. This change in definition did not have a significant impact on our active customer count for the TTM ended December 31, 2017. We consider this metric to be an important indicator of our business performance as it helps us to understand how the number of customers actively purchasing our offerings is trending. Some customers could establish and make purchases from more than one account, so it is possible that our active customer metric may count certain customers more than once in a given period. For entities that we have acquired in a business combination, this metric includes active customers of the acquired entity, including customers who made purchases prior to the acquisition.

Units. This metric has historically represented the number of purchases made through our online marketplaces, before refunds and cancellations. As a result of our ongoing development and testing of voucherless offerings that are linked to customer credit cards, we have updated our definition of units as follows: purchases during the reporting period, before refunds and cancellations, made either through one of our online marketplaces or directly with a merchant for which we earned a commission. This change in definition did not have a significant impact on our unit count for the year ended December 31, 2017. We consider unit growth to be an important indicator of the total volume of business conducted through our marketplaces.

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, 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 e-commerce; 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 senior convertible notes; 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, 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 14, 2018. 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.

To download Groupon's top-rated mobile apps, visit www.groupon.com/mobile. To search for great deals or subscribe to Groupon emails, visit www.groupon.com. To learn more about the company's merchant solutions and how to work with Groupon, visit www.groupon.com/merchant.

Contacts:

Investor Relations
Erin Stone
312-662-6352
ir@groupon.com

Public Relations
Bill Roberts
312-459-5191
press@groupon.com