

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

	December 31,	
	2017 (unaudited)	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 880,129	\$ 862,977
Accounts receivable, net	98,294	71,272
Prepaid expenses and other current assets	94,025	94,441
Current assets of discontinued operations	—	63,246
Total current assets	1,072,448	1,091,936
Property, equipment and software, net	151,145	169,452
Goodwill	286,989	274,551
Intangible assets, net	19,196	42,915
Investments (including \$109,751 and \$110,066 at December 31, 2017 and December 31, 2016, respectively, at fair value)	135,189	141,882
Other non-current assets	12,538	28,635
Non-current assets of discontinued operations	—	12,006
Total Assets	\$ 1,677,505	\$ 1,761,377
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 31,968	\$ 28,551
Accrued merchant and supplier payables	770,335	770,992
Accrued expenses and other current liabilities	331,196	366,456
Current liabilities held of discontinued operations	—	47,052
Total current liabilities	1,133,499	1,213,051
Convertible senior notes, net	189,753	178,995
Other non-current liabilities	102,408	101,342
Non-current liabilities of discontinued operations	—	2,927
Total Liabilities	1,425,660	1,496,315
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 748,541,862 shares issued and 559,939,620 shares outstanding at December 31, 2017; 736,531,771 shares issued and 564,835,863 shares outstanding at December 31, 2016	75	74
Additional paid-in capital	2,174,708	2,112,728
Treasury stock, at cost, 188,602,242 shares at December 31, 2017 and 171,695,908 shares at December 31, 2016	(867,450)	(807,424)
Accumulated deficit	(1,088,204)	(1,099,010)
Accumulated other comprehensive income (loss)	31,844	58,052
Total Groupon, Inc. Stockholders' Equity	250,973	264,420
Noncontrolling interests	872	642
Total Equity	251,845	265,062
Total Liabilities and Equity	\$ 1,677,505	\$ 1,761,377

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Revenue:				
Third-party and other	\$ 346,568	\$ 318,427	\$ 1,266,452	\$ 1,206,441
Direct	526,598	586,438	1,577,425	1,807,174
Total revenue	873,166	904,865	2,843,877	3,013,615
Cost of revenue:				
Third-party and other	37,601	36,025	160,810	150,031
Direct	448,647	516,934	1,349,206	1,582,931
Total cost of revenue	486,248	552,959	1,510,016	1,732,962
Gross profit	386,918	351,906	1,333,861	1,280,653
Operating expenses:				
Marketing	112,462	90,952	400,918	352,175
Selling, general and administrative	224,720	238,046	901,781	994,027
Restructuring charges	10	12,060	18,828	40,438
Gain on sale of intangible assets	—	—	(17,149)	—
Gains on business dispositions	—	—	—	(11,399)
Acquisition-related expense (benefit), net	—	1,345	48	5,650
Total operating expenses	337,192	342,403	1,304,426	1,380,891
Income (loss) from operations	49,726	9,503	29,435	(100,238)
Other income (expense), net	(2,112)	(54,737)	6,710	(71,289)
Income (loss) from continuing operations before provision (benefit) for income taxes	47,614	(45,234)	36,145	(171,527)
Provision (benefit) for income taxes	(3,457)	(5,779)	7,544	(5,318)
Income (loss) from continuing operations	51,071	(39,455)	28,601	(166,209)
Income (loss) from discontinued operations, net of tax	(223)	(10,749)	(1,974)	(17,114)
Net income (loss)	50,848	(50,204)	26,627	(183,323)
Net income attributable to noncontrolling interests	(3,127)	(2,384)	(12,587)	(11,264)
Net income (loss) attributable to Groupon, Inc.	\$ 47,721	\$ (52,588)	\$ 14,040	\$ (194,587)
Basic net income (loss) per share ⁽¹⁾:				
Continuing operations	\$ 0.09	\$ (0.07)	\$ 0.03	\$ (0.31)
Discontinued operations	(0.00)	(0.02)	(0.00)	(0.03)
Basic net income (loss) per share	\$ 0.09	\$ (0.09)	\$ 0.03	\$ (0.34)
Diluted net income (loss) per share ⁽¹⁾:				
Continuing operations	\$ 0.08	\$ (0.07)	\$ 0.03	\$ (0.31)
Discontinued operations	(0.00)	(0.02)	(0.01)	(0.03)
Diluted net income (loss) per share	\$ 0.08	\$ (0.09)	\$ 0.02	\$ (0.34)
Weighted average number of shares outstanding ⁽¹⁾:				
Basic	558,170,245	570,546,159	559,367,075	576,354,258
Diluted	570,734,081	570,546,159	568,418,371	576,354,258

(1) The structure of the Company's common stock changed during the year ended December 31, 2016. For additional information, refer to Note 11, *Stockholders' Equity*, and Note 17, *Income (Loss) per Share*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Operating activities				
Net income (loss)	\$ 50,848	\$ (50,204)	\$ 26,627	\$ (183,323)
Less: Income (loss) from discontinued operations, net of tax	(223)	(10,749)	(1,974)	(17,114)
Income (loss) from continuing operations	51,071	(39,455)	28,601	(166,209)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property, equipment and software	28,440	29,376	114,795	116,961
Amortization of acquired intangible assets	5,410	5,305	23,032	18,948
Stock-based compensation	21,726	22,763	82,044	115,123
Restructuring-related long-lived asset impairments	—	283	—	328
Gains on business dispositions	—	—	—	(11,399)
Gain on sale of intangible assets	—	—	(17,149)	—
Gain on sale of investment	—	—	(7,624)	—
Impairment of investment	2,944	—	2,944	—
Deferred income taxes	(242)	(3,980)	603	(10,448)
(Gain) loss, net from changes in fair value of contingent consideration	—	(38)	48	4,092
(Gain) loss from changes in fair value of investments	(5,482)	40,840	(382)	48,141
Amortization of debt discount on convertible senior notes	2,794	2,522	10,758	7,376
Change in assets and liabilities, net of acquisitions:				
Restricted cash	4,315	(985)	6,952	(1,317)
Accounts receivable	(19,580)	(14,124)	(18,793)	(16,584)
Prepaid expenses and other current assets	7,188	26,748	4,074	35,043
Accounts payable	5,417	7,731	(199)	5,121
Accrued merchant and supplier payables	168,013	195,673	(29,823)	26,729
Accrued expenses and other current liabilities	(965)	16,199	(40,361)	(32,124)
Other, net	(485)	5,735	(22,023)	(10,853)
Net cash provided by (used in) operating activities from continuing operations	270,564	294,593	137,497	128,928
Net cash provided by (used in) operating activities from discontinued operations	(223)	(5,931)	(2,418)	(11,823)
Net cash provided by (used in) operating activities	270,341	288,662	135,079	117,105
Investing activities				
Purchases of property and equipment and capitalized software	(15,442)	(19,254)	(59,158)	(68,287)
Cash derecognized upon dispositions of subsidiaries	—	—	—	(1,128)
Acquisitions of businesses, net of acquired cash	—	15,479	—	14,539
Proceeds from sale of intangible assets	—	—	18,333	—
Proceeds from sales and maturities of investments	—	—	16,561	1,685
Acquisitions of intangible assets and other investing activities	(309)	(274)	(1,059)	(2,395)
Net cash provided by (used in) investing activities from continuing operations	(15,751)	(4,049)	(25,323)	(55,586)
Net cash provided by (used in) investing activities from discontinued operations	—	(1,718)	(9,548)	(1,900)
Net cash provided by (used in) investing activities	(15,751)	(5,767)	(34,871)	(57,486)
Financing activities				
Proceeds from issuance of convertible senior notes	—	—	—	250,000
Issuance costs for convertible senior notes and revolving credit agreement	—	(50)	—	(8,147)
Purchase of convertible note hedges	—	—	—	(59,163)
Proceeds from issuance of warrants	—	—	—	35,495
Payments for purchases of treasury stock	—	(49,738)	(61,233)	(165,357)
Taxes paid related to net share settlements of stock-based compensation awards	(4,341)	(6,450)	(27,681)	(29,777)
Proceeds from stock option exercises and employee stock purchase plan	27	2	5,513	4,978
Distributions to noncontrolling interest holders	(3,383)	(2,660)	(12,357)	(11,811)
Payments of contingent consideration related to acquisitions	—	—	(7,790)	(285)
Payments of capital lease obligations	(8,727)	(8,637)	(34,025)	(30,598)
Other financing activities	—	—	(473)	—
Net cash provided by (used in) financing activities	(16,424)	(67,533)	(138,046)	(14,665)

Effect of exchange rate changes on cash and cash equivalents, including cash classified within current assets of discontinued operations	3,306	(13,263)	26,124	(6,470)
Net increase (decrease) in cash and cash equivalents, including cash classified within current assets of discontinued operations	241,472	202,099	(11,714)	38,484
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	1,202	(28,866)	(186)
Net increase (decrease) in cash and cash equivalents	241,472	200,897	17,152	38,670
Cash and cash equivalents, beginning of period	638,657	662,080	862,977	824,307
Cash and cash equivalents, end of period	\$ 880,129	\$ 862,977	\$ 880,129	\$ 862,977

Groupon, Inc.
Supplemental Financial Information and Business Metrics ⁽¹⁾
(financial data in thousands; active customers in millions)
(unaudited)

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017						
North America Segment:						Q4 2017					
Gross Billings ⁽²⁾ :						Y/Y Growth					
Local	\$ 590,684	\$ 587,766	\$ 615,833	\$ 606,184	\$ 605,460	2.5	%				
Travel	90,059	114,163	112,670	93,186	84,504	(6.2)					
Goods	431,388	262,588	245,924	229,479	369,973	(14.2)					
Total Gross Billings	\$ 1,112,131	\$ 964,517	\$ 974,427	\$ 928,849	\$ 1,059,937	(4.7)	%				
Revenue:											
Local	\$ 209,799	\$ 200,545	\$ 207,534	\$ 194,090	\$ 223,410	6.5	%				
Travel	19,023	20,462	22,320	18,300	17,413	(8.5)					
Goods	421,931	252,350	222,058	201,824	333,862	(20.9)					
Total Revenue	\$ 650,753	\$ 473,357	\$ 451,912	\$ 414,214	\$ 574,685	(11.7)	%				
Gross Profit:											
Local	\$ 185,280	\$ 169,342	\$ 179,609	\$ 162,914	\$ 196,708	6.2	%				
Travel	15,052	15,165	17,755	14,060	13,614	(9.6)					
Goods	50,437	36,430	36,496	30,934	54,651	8.4					
Total Gross Profit	\$ 250,769	\$ 220,937	\$ 233,860	\$ 207,908	\$ 264,973	5.7	%				
Operating income (loss)	\$ 12,265	\$ (14,783)	\$ (12,033)	\$ (6,995)	\$ 33,766	175.3	%				
International Segment:						Q4 2017					
Gross Billings:						Y/Y Growth			FX Effect ⁽³⁾	Y/Y Growth excluding FX ⁽³⁾	
Local	\$ 221,337	\$ 191,219	\$ 189,408	\$ 202,991	\$ 229,167	3.5	%	(6.1)	(2.6)	%	
Travel	60,099	53,161	45,981	49,837	59,666	(0.7)		(6.2)	(6.9)		
Goods	211,963	149,079	154,417	159,820	233,422	10.1		(8.8)	1.3		
Total Gross Billings	\$ 493,399	\$ 393,459	\$ 389,806	\$ 412,648	\$ 522,255	5.8	%	(7.2)	(1.4)	%	
Revenue:											
Local	\$ 68,900	\$ 63,575	\$ 66,108	\$ 71,574	\$ 80,209	16.4	%	(7.6)	8.8	%	
Travel	12,141	11,002	10,796	9,801	12,187	0.4		(6.7)	(6.3)		
Goods	173,071	125,692	133,803	138,877	206,085	19.1		(10.0)	9.1		
Total Revenue	\$ 254,112	\$ 200,269	\$ 210,707	\$ 220,252	\$ 298,481	17.5	%	(9.2)	8.3	%	
Gross Profit:											
Local	\$ 63,987	\$ 59,194	\$ 62,303	\$ 67,860	\$ 75,991	18.8	%	(8.0)	10.8	%	
Travel	11,087	10,036	9,996	8,922	11,334	2.2		(6.9)	(4.7)		
Goods	26,063	19,284	21,908	24,735	34,620	32.8		(10.6)	22.2		
Total Gross Profit	\$ 101,137	\$ 88,514	\$ 94,207	\$ 101,517	\$ 121,945	20.6	%	(8.5)	12.1	%	
Operating income (loss)	\$ (2,762)	\$ 3,103	\$ 4,635	\$ 5,782	\$ 15,960	677.8	%				
Consolidated Results of Operations:											
Gross Billings:											
Local	\$ 812,021	\$ 778,985	\$ 805,241	\$ 809,175	\$ 834,627	2.8	%	(1.7)	1.1	%	
Travel	150,158	167,324	158,651	143,023	144,170	(4.0)		(2.5)	(6.5)		
Goods	643,351	411,667	400,341	389,299	603,395	(6.2)		(2.9)	(9.1)		
Total Gross Billings	\$ 1,605,530	\$ 1,357,976	\$ 1,364,233	\$ 1,341,497	\$ 1,582,192	(1.5)	%	(2.2)	(3.7)	%	
Revenue:											
Local	\$ 278,699	\$ 264,120	\$ 273,642	\$ 265,664	\$ 303,619	8.9	%	(1.8)	7.1	%	
Travel	31,164	31,464	33,116	28,101	29,600	(5.0)		(2.6)	(7.6)		
Goods	595,002	378,042	355,861	340,701	539,947	(9.3)		(2.9)	(12.2)		
Total Revenue	\$ 904,865	\$ 673,626	\$ 662,619	\$ 634,466	\$ 873,166	(3.5)	%	(2.6)	(6.1)	%	
Gross Profit:											
Local	\$ 249,267	\$ 228,536	\$ 241,912	\$ 230,774	\$ 272,699	9.4	%	(2.0)	7.4	%	
Travel	26,139	25,201	27,751	22,982	24,948	(4.6)		(2.9)	(7.5)		
Goods	76,500	55,714	58,404	55,669	89,271	16.7		(3.6)	13.1		
Total Gross Profit	\$ 351,906	\$ 309,451	\$ 328,067	\$ 309,425	\$ 386,918	9.9	%	(2.4)	7.5	%	
Operating income (loss)	\$ 9,503	\$ (11,680)	\$ (7,398)	\$ (1,213)	\$ 49,726	423.3	%				
Net cash provided by (used in) operating activities from continuing operations	\$ 294,593	\$ (136,233)	\$ (20,695)	\$ 23,861	\$ 270,564	(8.2)	%				
Free Cash Flow	\$ 275,339	\$ (150,309)	\$ (36,080)	\$ 9,606	\$ 255,122	(7.3)	%				

	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>
Other Metrics:					
Active Customers ⁽⁴⁾					
North America	31.1	31.6	31.9	32.5	32.7
International	16.8	16.7	16.4	16.6	16.8
Total Active Customers	47.9	48.3	48.3	49.1	49.5
TTM Gross Billings / Average Active Customer					
North America	\$ 138	\$ 136	\$ 133	\$ 129	\$ 123
International	102	101	101	102	102
Consolidated	124	123	121	120	116
TTM Gross Profit / Average Active Customer					
North America	\$ 31	\$ 30	\$ 30	\$ 30	\$ 29
International	23	22	23	23	24
Consolidated	28	27	28	27	27
Consolidated Units	57.9	45.7	44.5	44.1	54.6
<i>Year-over-year unit growth:</i>					
North America	3.2 %	(0.4) %	(1.9) %	(0.1) %	(6.6) %
International	(0.3)	(8.7)	(7.8)	(1.5)	(3.9)
Consolidated	2.0	(3.1)	(3.8)	(0.5)	(5.7)
Headcount ⁽⁵⁾					
Sales ⁽⁶⁾	2,626	2,624	2,485	2,457	2,407
Other	4,641	4,496	4,176	4,159	4,265
Total Headcount	7,267	7,120	6,661	6,616	6,672

- (1) We disposed of our operations in 11 countries, primarily based in Asia and Latin America, between November 2016 and March 2017. The financial results of our operations in those 11 countries are presented as discontinued operations in the accompanying consolidated financial statements and tables. All prior period financial information and operational metrics have been retrospectively adjusted to reflect this presentation.
- (2) Represents the total dollar value of customer purchases of goods and services.
- (3) 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.
- (4) 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.
- (5) Including employees of discontinued operations, our headcount decreased by 1,651 employees, or 20%, year-over-year in the fourth quarter of 2017, from 8,323 total employees in the prior year period.
- (6) Includes merchant sales representatives, as well as sales support personnel from our continuing operations.

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.

	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>
Income (loss) from continuing operations	\$ (39,455)	\$ (20,869)	\$ (5,403)	\$ 3,802	\$ 51,071
Adjustments:					
Stock-based compensation ⁽¹⁾	22,563	19,650	21,392	18,235	21,673
Depreciation and amortization	34,681	34,067	34,679	35,231	33,850
Acquisition-related expense (benefit), net	1,345	12	36	—	—
Restructuring charges	12,060	2,731	4,584	11,503	10
Gain on sale of intangible assets	—	—	—	(17,149)	—
Non-operating expense (income), net	54,737	4,602	(5,878)	(7,546)	2,112
Provision (benefit) for income taxes	(5,779)	4,587	3,883	2,531	(3,457)
Total adjustments	119,607	65,649	58,696	42,805	54,188
Adjusted EBITDA	<u>\$ 80,152</u>	<u>\$ 44,780</u>	<u>\$ 53,293</u>	<u>\$ 46,607</u>	<u>\$ 105,259</u>

- (1) Represents stock-based compensation recorded within Selling, general and administrative, Cost of Revenue and Marketing. Non-operating expense (income), net, includes \$0.2 million, \$0.1 million, \$0.0 million, \$0.1 million and \$0.1 million of additional stock-based compensation for the three months ended December 31, 2016, March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, 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.

	<u>Year Ending December 31, 2018</u>
Expected income (loss) from continuing operations range	\$25,000 to \$35,000
Expected adjustments:	
Stock-based compensation	95,000
Depreciation and amortization	112,000
Non-operating expense (income), net	20,000
Provision (benefit) for income taxes	8,000
Total expected adjustments	\$235,000
Expected Adjusted EBITDA range	<u>\$260,000 to \$270,000</u>

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 or unusual or infrequently occurring items that may occur during 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 and year ended December 31, 2017:

	Three Months Ended December 31, 2017	Year Ended December 31, 2017
Net income attributable to common stockholders	\$ 47,721	\$ 14,040
Less: Net income attributable to noncontrolling interest	(3,127)	(12,587)
Net income	50,848	26,627
Less: Loss from discontinued operations, net of tax	(223)	(1,974)
Income from continuing operations	51,071	28,601
Less: Provision (benefit) for income taxes	(3,457)	7,544
Income from continuing operations before provision (benefit) for income taxes	47,614	36,145
Stock-based compensation ⁽¹⁾	21,726	81,168
Amortization of acquired intangible assets	5,410	23,032
Acquisition-related expense (benefit), net	—	48
Restructuring charges	10	18,828
Gain on sale of intangible assets	—	(17,149)
Gain on sale of investment	—	(7,624)
Losses (gains), net from changes in fair value of investments	(5,482)	(382)
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	(112)	(16,177)
Non-cash interest expense on convertible senior notes	2,794	10,758
Non-GAAP income from continuing operations before provision (benefit) for income taxes	71,960	128,647
Non-GAAP provision (benefit) for income taxes	27,103	50,452
Non-GAAP net income	44,857	78,195
Net income attributable to noncontrolling interest	(3,127)	(12,587)
Non-GAAP net income attributable to common stockholders	41,730	65,608
Plus: Cash interest expense from assumed conversion of convertible senior notes ⁽²⁾	1,004	4,337
Non-GAAP net income attributable to common stockholders plus assumed conversions	\$ 42,734	\$ 69,945
Weighted-average shares of common stock - diluted	570,734,081	568,418,371
Incremental dilutive securities	46,296,300	46,296,300
Weighted-average shares of common stock - non-GAAP	617,030,381	614,714,671
Diluted net income per share	\$ 0.08	\$ 0.02
Impact of non-GAAP adjustments and related tax effects	(0.01)	0.09
Non-GAAP net income per share	\$ 0.07	\$ 0.11

- (1) Represents stock-based compensation expense recorded within Selling, general and administrative, Cost of Revenue, Marketing, and Other (income) expense, net. Restructuring charges include \$0.8 million of additional stock-based compensation for the twelve months ended December 31, 2017.
- (2) Adjustment to interest expense for assumed conversion of convertible senior notes excludes non-cash interest expense that has been added back above in calculating non-GAAP net income (loss) attributable to common stockholders.

Free cash flow is a non-GAAP financial measure. 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.

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Net cash provided by (used in) operating activities from continuing operations	\$ 294,593	\$ (136,233)	\$ (20,695)	\$ 23,861	\$ 270,564
Purchases of property and equipment and capitalized software from continuing operations	(19,254)	(14,076)	(15,385)	(14,255)	(15,442)
Free cash flow	\$ 275,339	\$ (150,309)	\$ (36,080)	\$ 9,606	\$ 255,122
Net cash provided by (used in) investing activities from continuing operations	\$ (4,049)	\$ (14,020)	\$ (13,782)	\$ 18,230	\$ (15,751)
Net cash provided by (used in) financing activities	\$ (67,533)	\$ (45,726)	\$ (47,924)	\$ (27,972)	\$ (16,424)

