



# GROUPON<sup>®</sup>

3Q16 Earnings  
October 2016



# 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. The risks and uncertainties that could cause our results to differ materially from those included in the forward-looking statements 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 and the impact of our shift away from lower margin products in our Goods category; 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, including as we increase our marketing spend and shift away from lower margin products in our Goods category; 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, 2015, Quarterly Report on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016, and September 30, 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](http://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 October 26, 2016. 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](http://investor.groupon.com).



# Groupon is a Clear Leader in Local e-Commerce

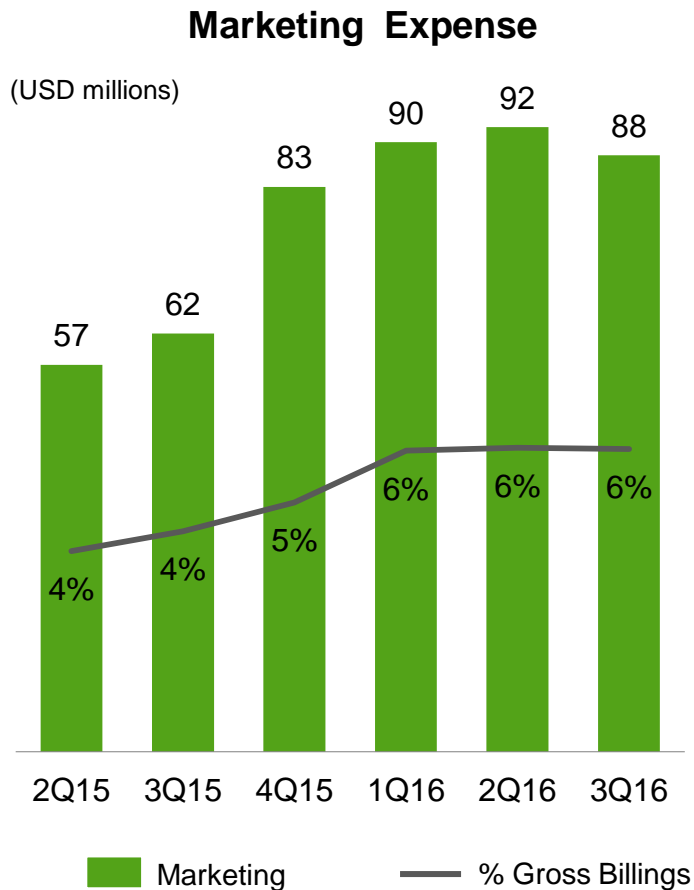
- Only provider with substantial scale in large, attractive local market
  - Proven pay-for-performance SMB advertising platform
  - Trusted consumer transactional platform with over 1B units sold
  - Mobile leader with a Top 25 US App
- Focusing on unlocking scale benefits and driving shareholder returns
- Maintaining balance sheet strength and financial flexibility

# Executing on our key priorities

- 1 Invest in customer growth to **increase active customers at predictable returns**
- 2 Streamline and simplify to **improve operating leverage**
- 3 Reduce empty calorie revenue to **enhance the unit economics in Shopping**
- 4 Improve the customer experience to **accelerate purchase frequency over time**

# 1 Invest in Customer Growth

## Customer Acquisition Marketing at a Predictable ROI and 12-18 Month Payback



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

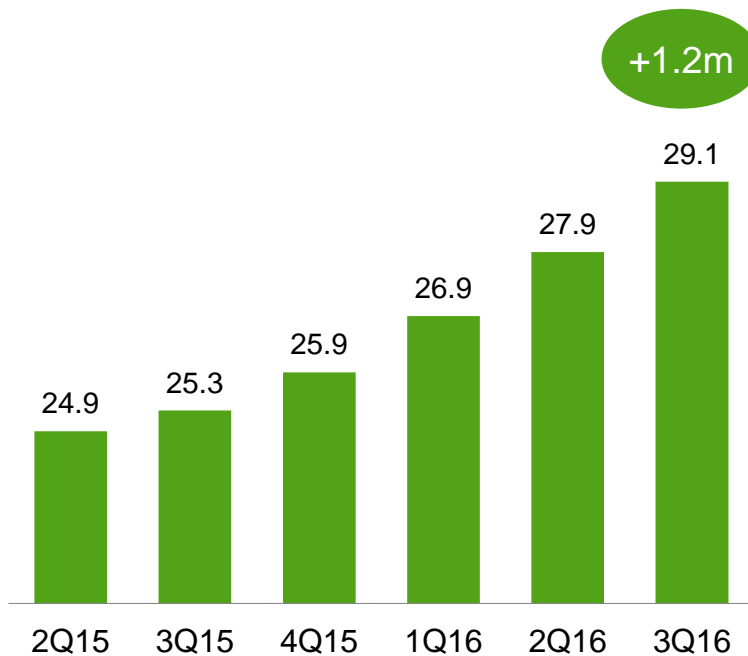
$$\text{Time to Payback} = 12 \text{ to } 18 \text{ months}$$

- Increased payback thresholds from 6 months to 12-18 months
- Online channel spend driven by automated processes governed by ROI parameters
- ROI tracking across marketing channels, platforms, and categories

# 1 Invest in Customer Growth

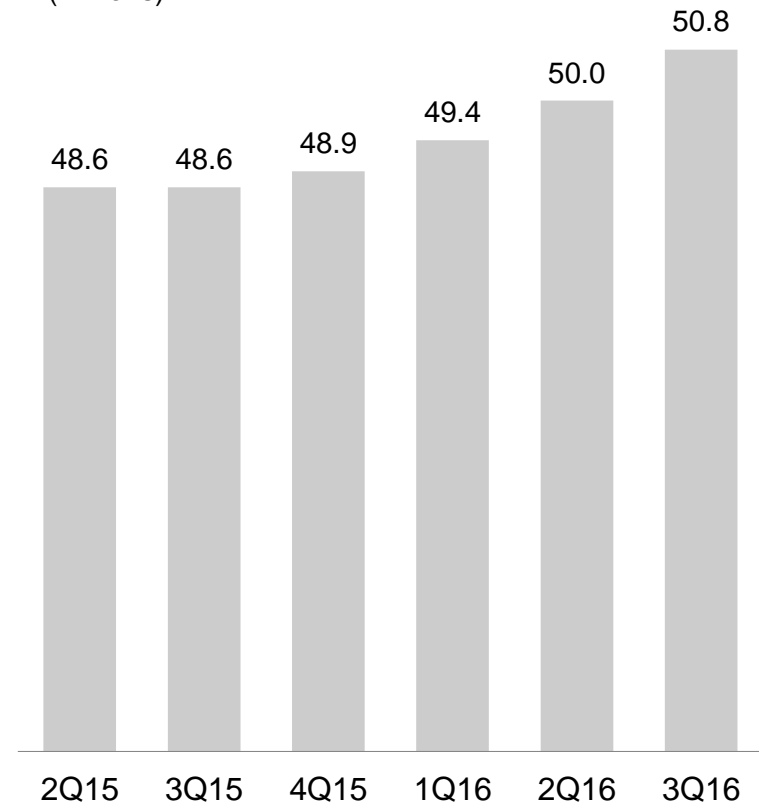
## North America Active Customers<sup>1</sup>

(millions)



## Global Active Customers<sup>1</sup>

(millions)



*Added 1.2 million active customers sequentially in North America; 1.4 million globally excluding impact of country exits*

## 2 Streamline and Simplify

### Focus Our Country Footprint

47

Beginning of 2015

15

Go-forward Footprint

### North America



Canada, U.S.

### EMEA



Belgium, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, U.A.E., U.K.

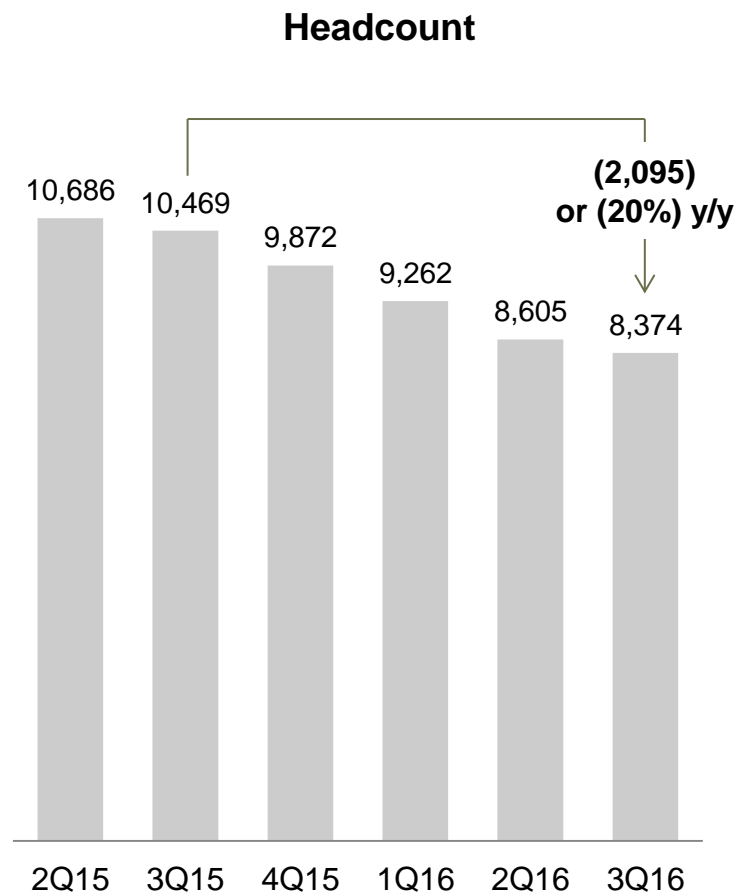
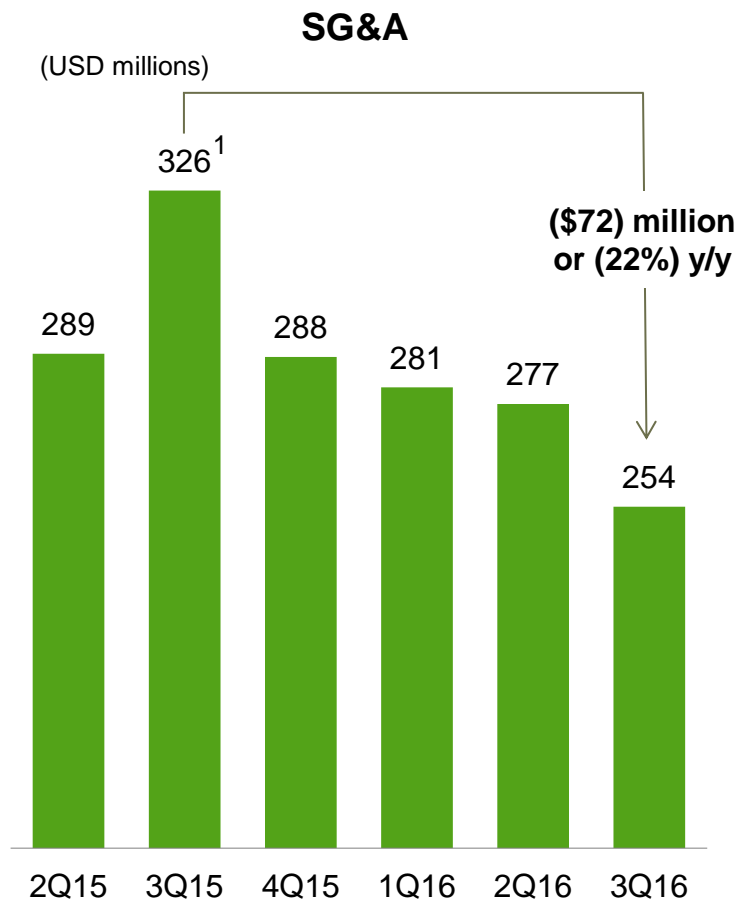
### ROW



Australia, Japan, New Zealand

*Go-forward country footprint identified; Pursuing various options for country exits, implementation into 2017*

## 2 Streamline and Simplify

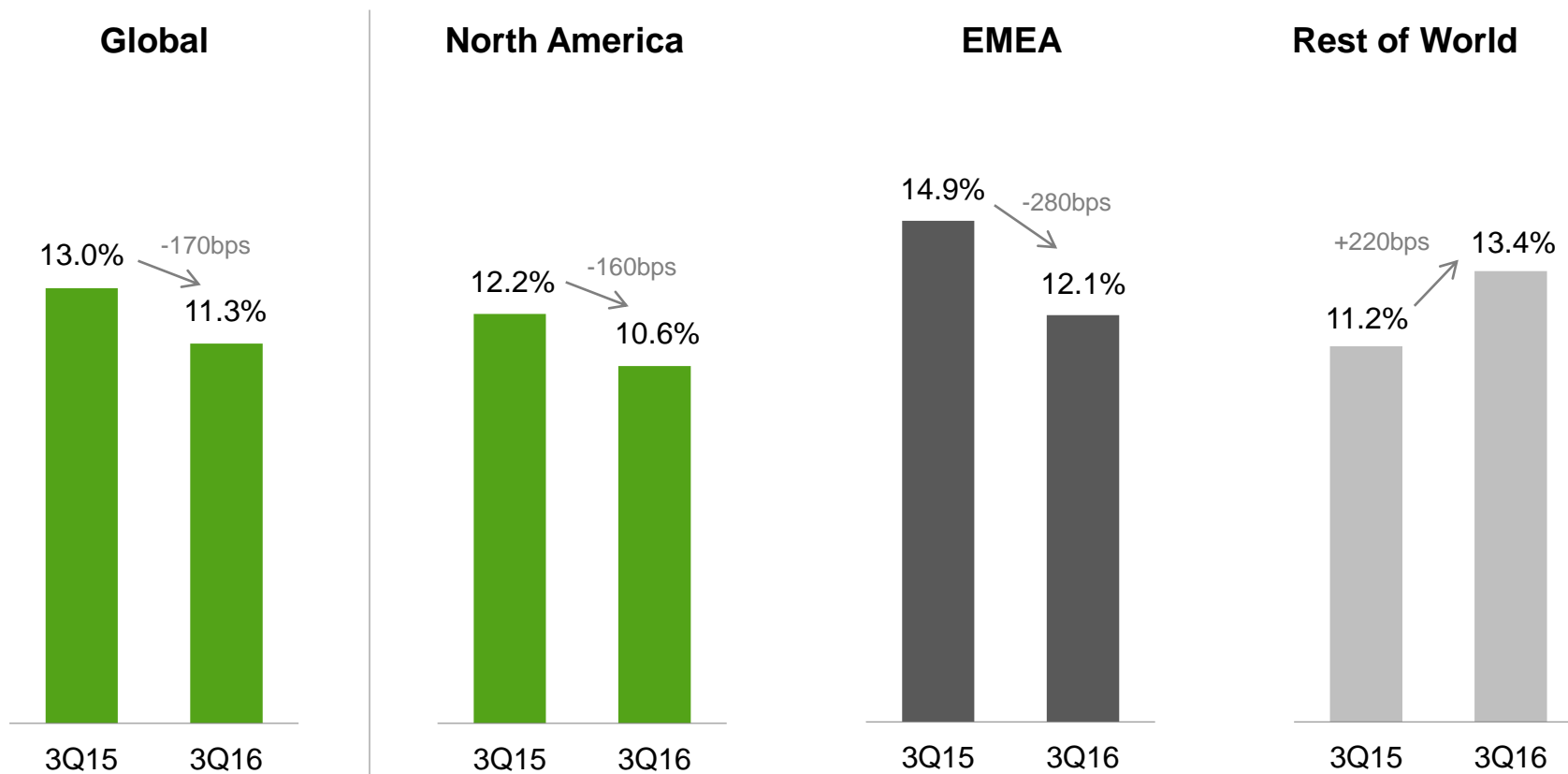


*Global SG&A declined by \$72 million, or \$34m excluding a litigation reserve in the prior year; significant headcount reductions*



### 3 Reduce Empty Calorie Revenue

#### Shopping Gross Margins



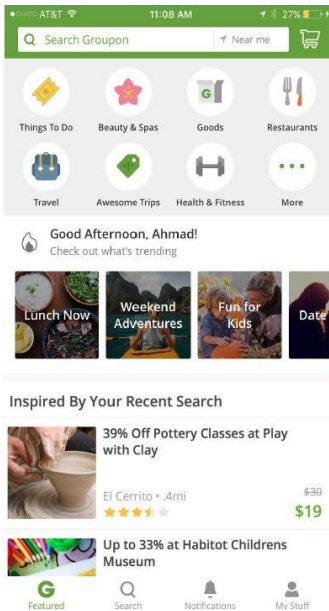
*Shopping gross margins in North America and EMEA impacted by increased promotional activities*

## 4 Improve the Customer Experience

### Increase Purchase Frequency by Improving Find-Buy-Redeem

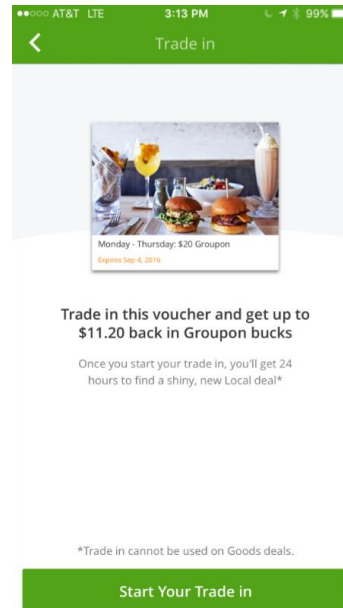
#### Mobile

- Improved mobile experience, rollout expected in Nov. 2016
- Easier for users to find a great deal



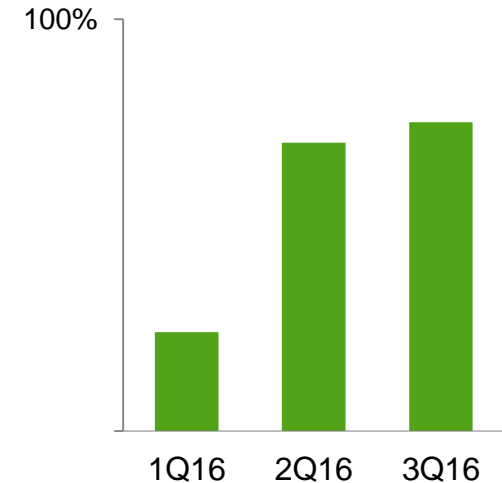
#### Product & Supply

- Trade-in reduces customer pain point of expiring vouchers
- Enhanced maps showcase increased supply density



#### World Class Customer Service

**NA Phone SLA**  
(Calls answered within 60 seconds)



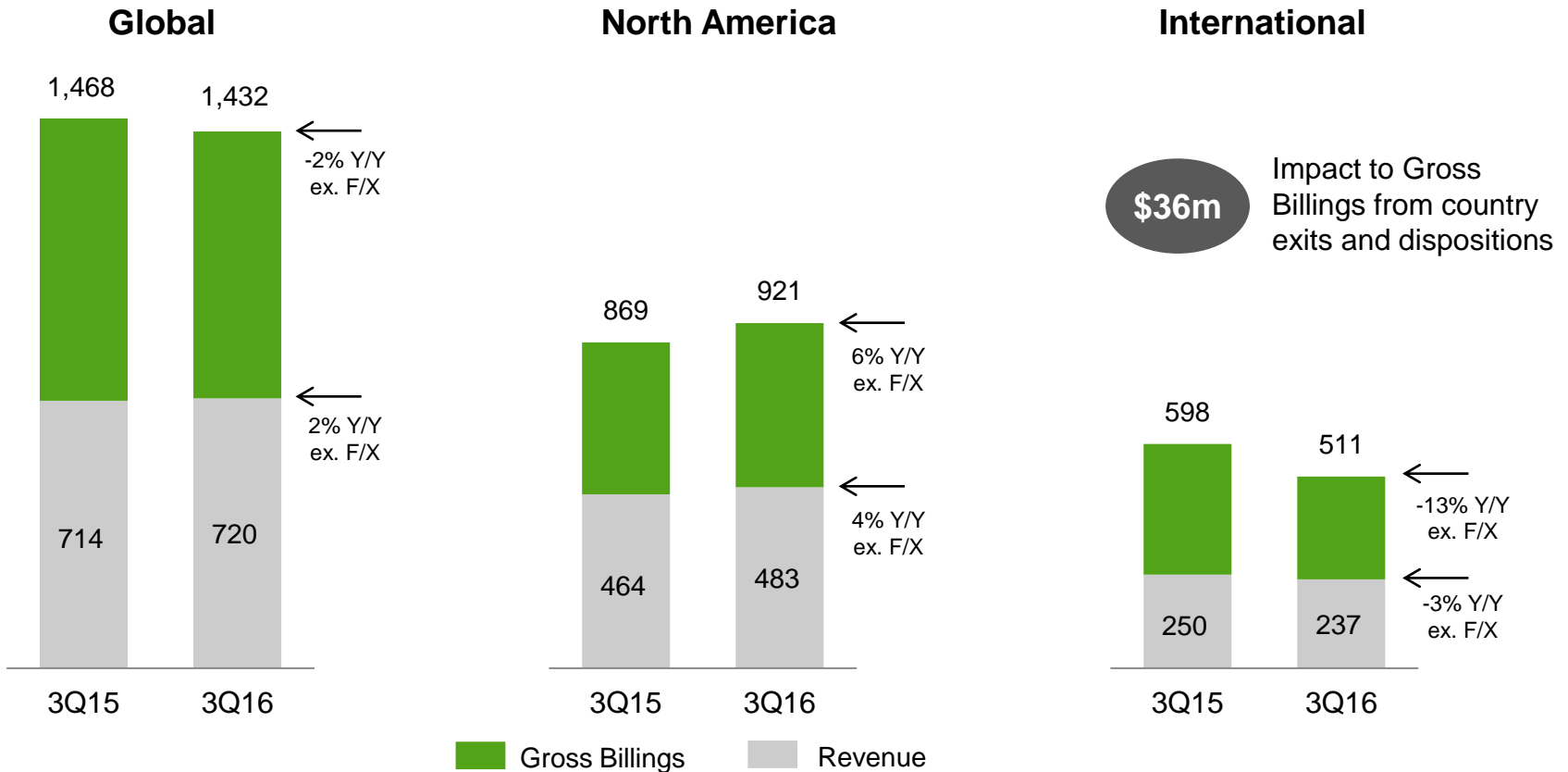
More than tripled SLA levels in North America



# Financial Update

## Gross Billings and Revenue

(USD millions)



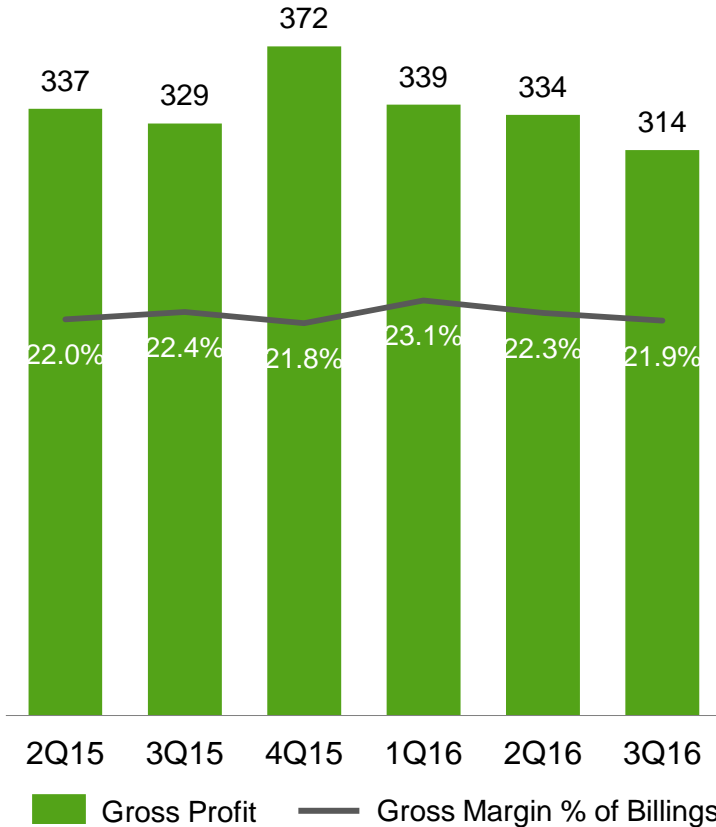
*North America billings growth of 6% and International decline of 13%*



# Financial Update

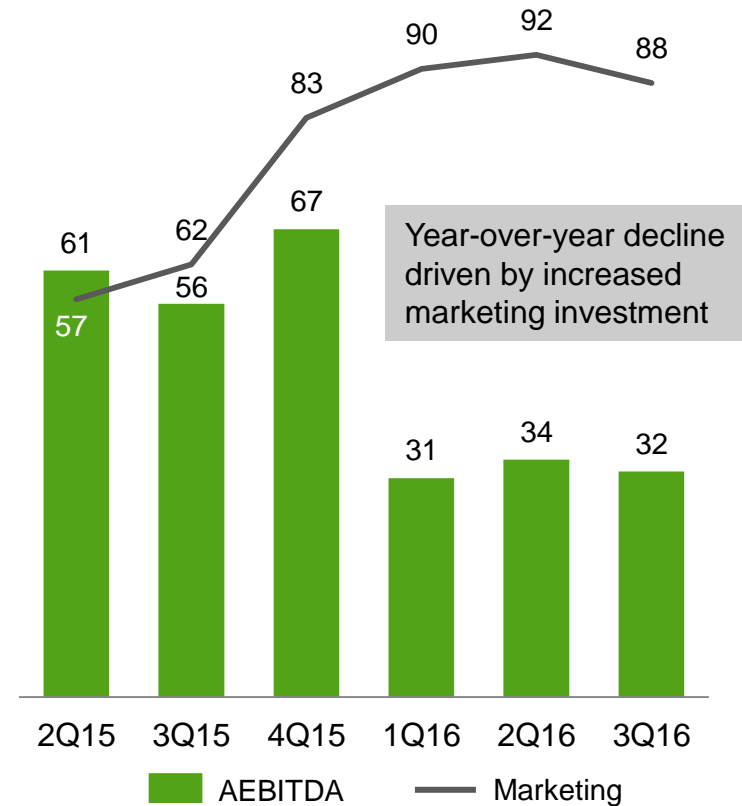
## Gross Profit and Gross Margin

(USD millions)



## Adjusted EBITDA<sup>1</sup> and Marketing

(USD millions)



*Shopping pricing drove 50 bps decline year-over-year in gross margin; \$32m in adjusted EBITDA*

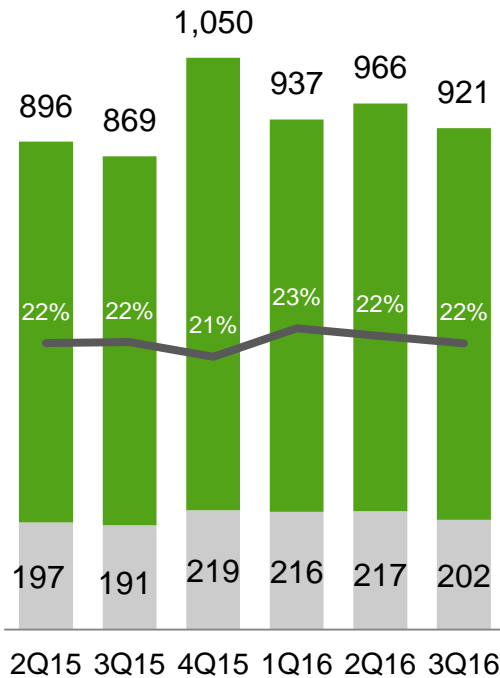
(1) Adjusted EBITDA is a non-GAAP performance measure. See appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."



# North America Update

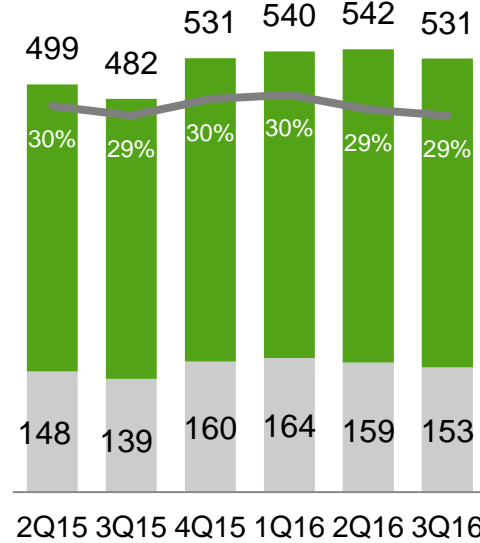
## North America

(USD millions)



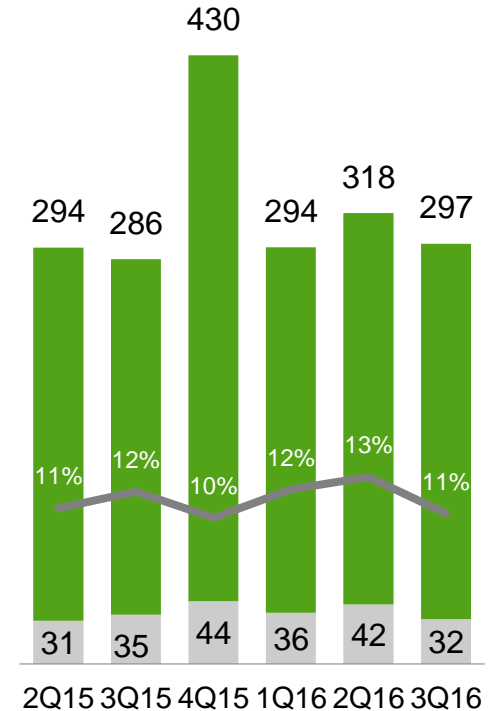
## Local

(USD millions)



## Shopping

(USD millions)



Gross Billings
  Gross Profit
  Gross Margin % of Billings

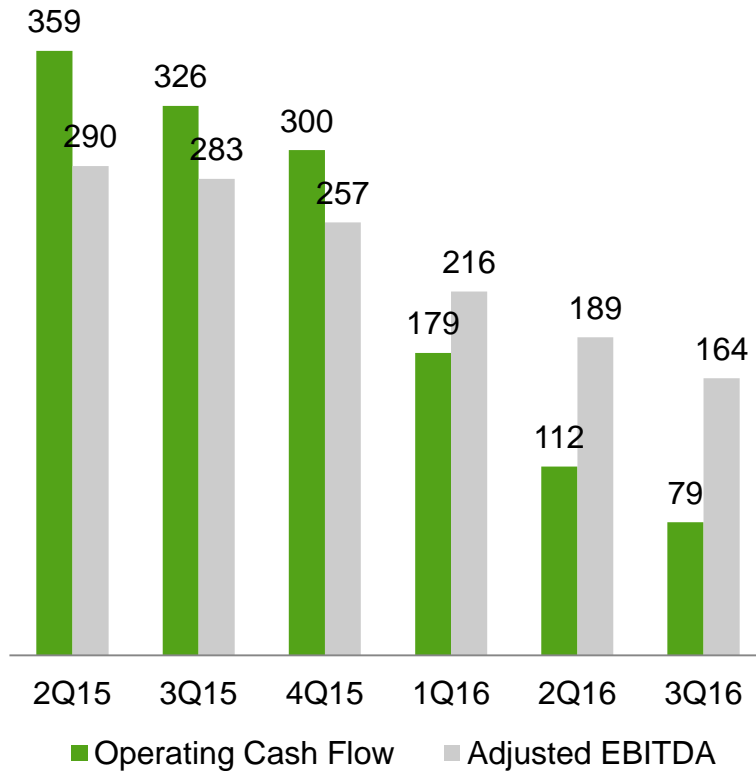
*North America Local Gross Billings grew 10% with stable gross margins*



# Cash Flow Profile

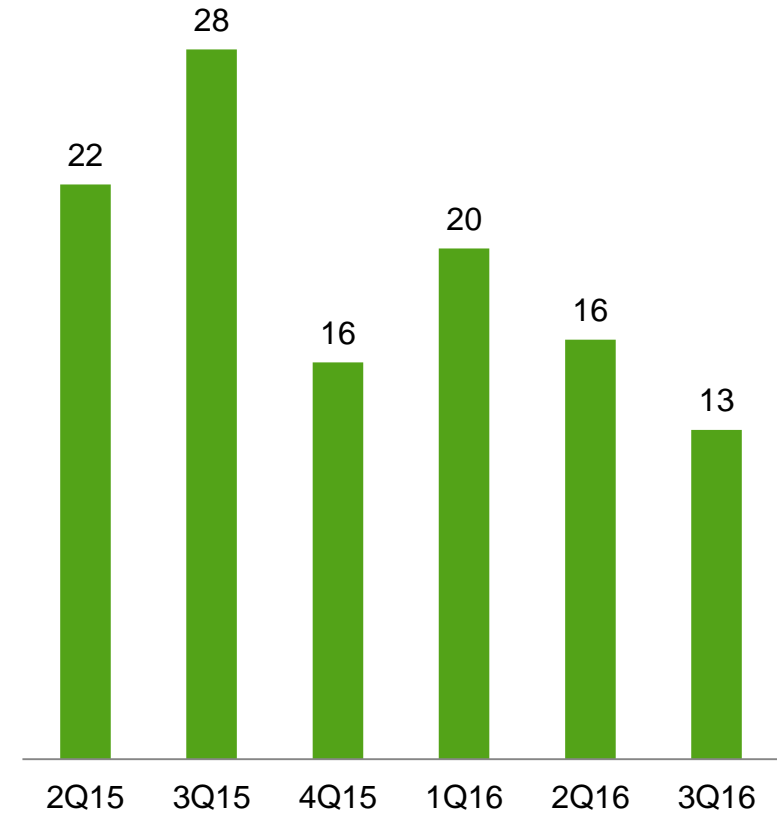
## Operating Cash Flow<sup>1</sup> and Adjusted EBITDA<sup>2</sup>

(TTM, USD millions)



## Capital Expenditures

(USD millions)



(1) The Company adopted the guidance in ASU 2016-09 on January 1, 2016. ASU 2016-09 requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a retrospective basis, which has resulted in adjustments to net cash provided by operating activities for the three-month periods ended September 30, 2015, and December 31, 2015.

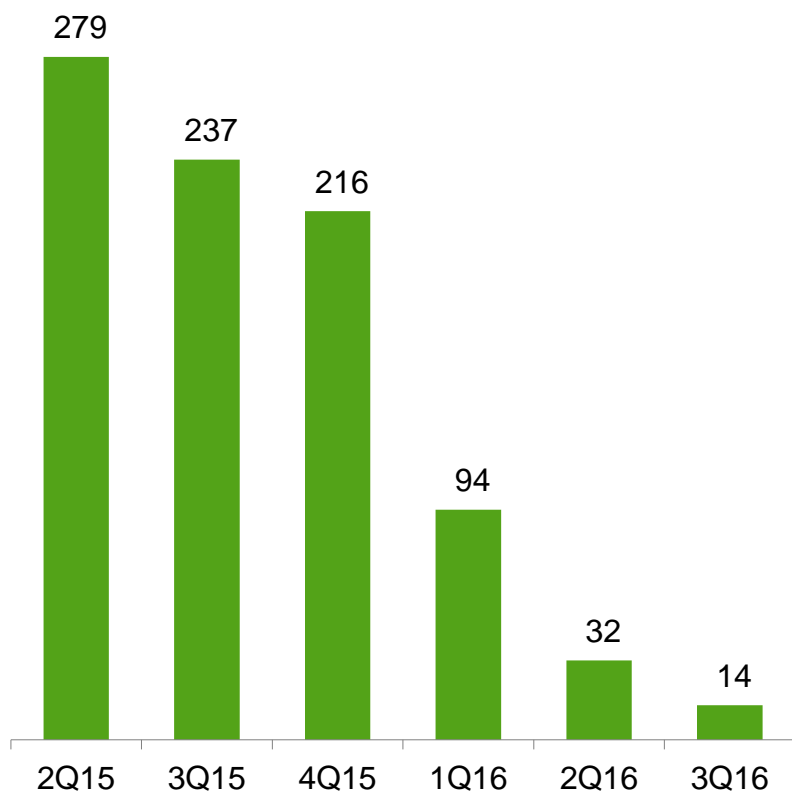
(2) Adjusted EBITDA is a non-GAAP performance measure. See the appendix for a reconciliation to the most comparable U.S. GAAP performance measure, "Net income (loss) from continuing operations."



# Balance Sheet

## Free Cash Flow, TTM<sup>1</sup>

(USD millions)



## Liquidity and Capital Resources

(USD millions)

Cash Balance <sup>2</sup>	\$690
Undrawn Revolver <sup>2</sup>	\$250

## Share Repurchase Activity

(USD millions)

Value of Share Repurchases	
3Q16	\$25
YTD	\$112
Remaining Repurchase Authorization	\$245

(1) 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." The Company adopted the guidance in ASU 2016-09 on January 1, 2016. ASU 2016-09 requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a retrospective basis, which has resulted in adjustments to net cash provided by operating activities for the three-month periods ended June 30, 2015, September 30, 2015, and December 31, 2015.

(2) As of 9/30/2016



# Appendix





# Operating Metrics

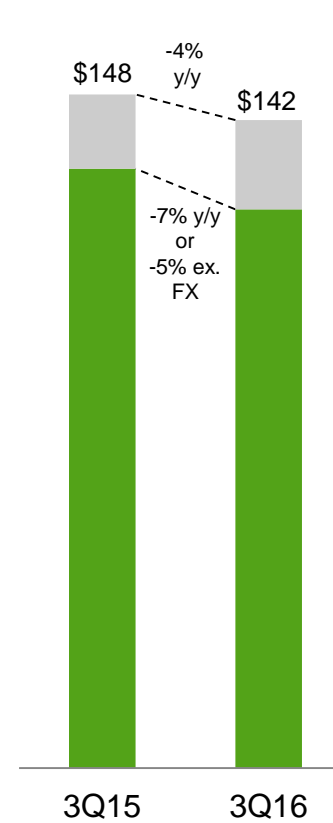
### Mobile App Downloads (cumulative life-to-date)



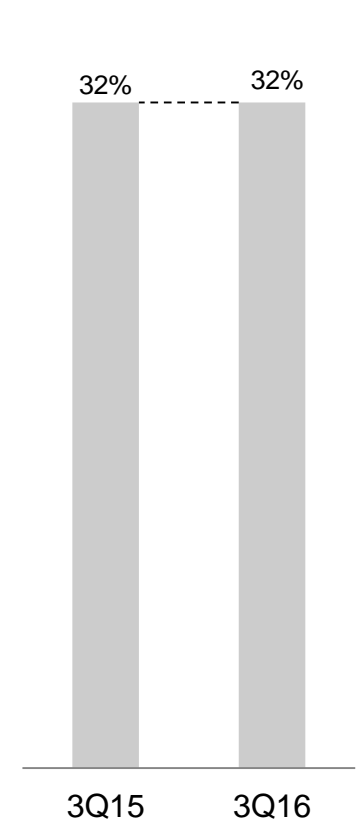
### Mobile Transactions (% of total)



### Spend per Average Active Customer<sup>1</sup>



### Search<sup>2</sup>



Global

North America

(1) Spend per average active customer reflects the total gross billings generated in the trailing twelve months per average active customer over that period.  
(2) Search represents percentage of transactions in North America related to search (includes free text search on web and mobile; excludes SEO and SEM).



# Non-GAAP Reconciliations<sup>1</sup>

## Adjusted EBITDA - Quarterly

(in thousands)

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

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
<b>Income (loss) from continuing operations</b>	<b>\$(15,267)</b>	<b>\$(24,613)</b>	<b>\$(32,552)</b>	<b>\$(45,596)</b>	<b>\$(51,731)</b>	<b>\$(35,792)</b>
<b>Adjustments</b>						
<b>Stock-based compensation<sup>(2)</sup></b>	<b>38,467</b>	<b>35,432</b>	<b>32,691</b>	<b>27,976</b>	<b>35,244</b>	<b>26,176</b>
<b>Depreciation and amortization</b>	<b>31,372</b>	<b>35,635</b>	<b>33,763</b>	<b>34,797</b>	<b>34,290</b>	<b>33,253</b>
<b>Acquisition-related expense (benefit), net</b>	<b>505</b>	<b>1,064</b>	<b>557</b>	<b>3,464</b>	<b>850</b>	<b>(9)</b>
<b>Restructuring charges</b>	<b>—</b>	<b>24,146</b>	<b>5,422</b>	<b>12,444</b>	<b>16,085</b>	<b>1,459</b>
<b>Gains on business dispositions</b>	<b>—</b>	<b>(13,710)</b>	<b>—</b>	<b>—</b>	<b>(9,339)</b>	<b>(2,060)</b>
<b>Prepaid marketing write-off</b>	<b>—</b>	<b>6,690</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Securities litigation expense</b>	<b>—</b>	<b>37,500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other (income) expense, net</b>	<b>(2,941)</b>	<b>8,160</b>	<b>3,393</b>	<b>(3,486)</b>	<b>10,761</b>	<b>7,028</b>
<b>Provision (benefit) for income taxes</b>	<b>8,982</b>	<b>(53,970)</b>	<b>23,736</b>	<b>1,749</b>	<b>(2,199)</b>	<b>2,079</b>
<b>Total Adjustments</b>	<b>76,385</b>	<b>80,947</b>	<b>99,562</b>	<b>76,944</b>	<b>85,692</b>	<b>67,926</b>
<b>Adjusted EBITDA</b>	<b>\$61,118</b>	<b>\$56,334</b>	<b>\$67,010</b>	<b>\$31,348</b>	<b>\$33,961</b>	<b>\$32,134</b>

(1) See 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. Nonoperating expense (income), net, includes \$0.02 million, \$0.1 million, \$0.2 million, \$0.2 million, \$0.2 million and \$0.3 million of additional stock-based compensation for the three months ended June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016, respectively. Restructuring charges includes \$2.6 million and \$2.1 million of additional stock-based compensation for the three months ended March 31, 2016 and June 30, 2016, respectively.



# Non-GAAP Reconciliations cont'd

## Non-GAAP Earnings Per Share and Non-GAAP Earnings

(in thousands, except share and per share amounts)

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:

	Three Months Ended September 30, 2016
<b>Net income (loss) attributable to common stockholders</b>	<b>\$(37,976)</b>
<b>Stock-based compensation<sup>1</sup></b>	<b>26,442</b>
<b>Amortization of acquired intangible assets</b>	<b>4,408</b>
<b>Acquisition-related expense (benefit), net</b>	<b>(9)</b>
<b>Restructuring charges</b>	<b>1,459</b>
<b>Loss (Gain) on business dispositions</b>	<b>(2,060)</b>
<b>Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings<sup>2</sup></b>	<b>(3,263)</b>
<b>Losses from changes in fair value of investments</b>	<b>1,594</b>
<b>Non-cash interest expense on convertible senior notes</b>	<b>2,458</b>
<b>Income tax effect of above adjustments</b>	<b>(1,154)</b>
<b>Non-GAAP net income (loss) attributable to common stockholders</b>	<b>\$(8,101)</b>
<b>Diluted shares</b>	<b>575,216,191</b>
<b>Incremental diluted shares</b>	<b>—</b>
<b>Adjusted diluted shares</b>	<b>575,216,191</b>
<b>Diluted net income (loss) per share</b>	<b>\$(0.07)</b>
<b>Per share impact of adjustments and related tax effects</b>	<b>0.06</b>
<b>Non-GAAP net income (loss) per share</b>	<b>\$(0.01)</b>

(1) Excludes \$4.7 million of stock-based compensation classified within restructuring charges for the nine months ended September 30, 2016.

(2) Foreign currency gains (losses), net for the nine months ended September 30, 2016 includes \$0.3 million of net cumulative translation gains that were reclassified to earnings as a result of the Company's exit from certain countries as part of its restructuring plan.



# Non-GAAP Reconciliations cont'd

## Free Cash Flow

(in thousands)

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

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Net cash provided by (used in) operating activities from continuing operations (TTM)	\$358,576	\$325,971	\$299,747	\$179,415	\$112,080	\$78,898
Purchases of property and equipment and capitalized software from continuing operations (TTM)	(79,501)	(88,598)	(83,988)	(85,646)	(79,589)	(64,722)
Free Cash Flow (TTM)	\$279,075	\$237,373	\$215,759	\$93,769	\$32,491	\$14,176
Net cash provided by (used in) investing activities from continuing operations (TTM)	\$(102,205)	\$(181,187)	\$(177,250)	\$(178,585)	\$(168,897)	\$(82,957)
Net cash provided by (used in) financing activities (TTM)	\$(221,354)	\$(216,683)	\$(515,785)	\$(557,962)	\$(247,180)	\$(270,729)

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":

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Net cash provided by (used in) operating activities from continuing operations	\$13,325	\$(7,640)	\$250,455	\$(76,725)	\$(54,010)	\$(40,822)
Purchases of property and equipment and capitalized software from continuing operations	(22,452)	(27,735)	(15,507)	(19,952)	(16,395)	(12,868)
Free Cash Flow	\$(9,127)	\$(35,375)	\$234,948	\$(96,677)	\$(70,405)	\$(53,690)
Net cash provided by (used in) investing activities from continuing operations	\$(28,541)	\$(98,028)	\$(31,238)	\$(20,778)	\$(18,853)	\$(12,088)
Net cash provided by (used in) financing activities	\$(141,557)	\$(14,793)	\$(323,597)	\$(78,015)	\$169,225	\$(38,342)



# Non-GAAP Reconciliations cont'd

## Foreign exchange rate neutral

The following is a quarterly reconciliation of foreign exchange rate neutral Gross billings growth from the comparable quarterly period of the prior year to reported Gross billings growth from the comparable quarterly period of the prior year:

	<u>3Q16</u>
<b>EMEA Gross billings growth, excluding FX</b>	<b>(8) %</b>
<b>FX Effect</b>	<b>(2)</b>
<b>EMEA Gross billings growth</b>	<b>(10) %</b>
<b>Rest of World Gross billings growth, excluding FX</b>	<b>(23) %</b>
<b>FX Effect</b>	<b>(1)</b>
<b>Rest of World Gross billings growth</b>	<b>(24) %</b>
<b>Consolidated Gross billings growth, excluding FX</b>	<b>(2) %</b>
<b>FX Effect</b>	<b>—</b>
<b>Consolidated Gross billings growth</b>	<b>(2) %</b>

The following is a quarterly reconciliation of foreign exchange rate neutral Revenue growth from the comparable quarterly period of the prior year to reported Revenue growth from the comparable quarterly period of the prior year:

	<u>3Q16</u>
<b>EMEA Revenue growth, excluding FX</b>	<b>— %</b>
<b>FX Effect</b>	<b>(1)</b>
<b>EMEA Revenue growth</b>	<b>(1) %</b>
<b>Rest of World Revenue growth, excluding FX</b>	<b>(15) %</b>
<b>FX Effect</b>	<b>(4)</b>
<b>Rest of World Revenue growth</b>	<b>(19) %</b>
<b>Consolidated Revenue growth, excluding FX</b>	<b>2 %</b>
<b>FX Effect</b>	<b>(1)</b>
<b>Consolidated Revenue growth</b>	<b>1 %</b>

