

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

	March 31, 2018	December 31, 2017
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 725,909	\$ 880,129
Accounts receivable, net	81,571	98,294
Prepaid expenses and other current assets	89,282	94,025
Total current assets	896,762	1,072,448
Property, equipment and software, net	146,717	151,145
Goodwill	289,945	286,989
Intangible assets, net	16,925	19,196
Investments (including \$103,579 and \$109,751 at March 31, 2018 and December 31, 2017, respectively, at fair value)	129,373	135,189
Other non-current assets	23,206	12,538
Total Assets	\$ 1,502,928	\$ 1,677,505
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 23,400	\$ 31,968
Accrued merchant and supplier payables	568,570	770,335
Accrued expenses and other current liabilities	265,920	331,196
Total current liabilities	857,890	1,133,499
Convertible senior notes, net	192,619	189,753
Other non-current liabilities	102,047	102,408
Total Liabilities	1,152,556	1,425,660
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized; 752,664,286 shares issued and 564,062,044 shares outstanding at March 31, 2018; 748,541,862 shares issued and 559,939,620 shares outstanding at December 31, 2017	75	75
Additional paid-in capital	2,192,469	2,174,708
Treasury stock, at cost, 188,602,242 shares at March 31, 2018 and December 31, 2017	(867,450)	(867,450)
Accumulated deficit	(1,006,308)	(1,088,204)
Accumulated other comprehensive income (loss)	29,936	31,844
Total Groupon, Inc. Stockholders' Equity	348,722	250,973
Noncontrolling interests	1,650	872
Total Equity	350,372	251,845
Total Liabilities and Equity	\$ 1,502,928	\$ 1,677,505

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

	Three Months Ended March 31,	
	2018	2017
Revenue:		
Service	\$ 301,797	\$ 301,577
Product	324,743	372,049
Total revenue	<u>626,540</u>	<u>673,626</u>
Cost of revenue:		
Service	31,145	42,873
Product	270,510	321,302
Total cost of revenue	<u>301,655</u>	<u>364,175</u>
Gross profit	<u>324,885</u>	<u>309,451</u>
Operating expenses:		
Marketing	99,156	86,342
Selling, general and administrative	222,061	232,058
Restructuring charges	283	2,731
Total operating expenses	<u>321,500</u>	<u>321,131</u>
Income (loss) from operations	<u>3,385</u>	<u>(11,680)</u>
Other income (expense), net	(8,515)	(4,602)
Income (loss) from continuing operations before provision (benefit) for income taxes	<u>(5,130)</u>	<u>(16,282)</u>
Provision (benefit) for income taxes	(2,335)	4,587
Income (loss) from continuing operations	<u>(2,795)</u>	<u>(20,869)</u>
Income (loss) from discontinued operations, net of tax	<u>—</u>	<u>487</u>
Net income (loss)	<u>(2,795)</u>	<u>(20,382)</u>
Net income attributable to noncontrolling interests	(4,093)	(4,032)
Net income (loss) attributable to Groupon, Inc.	<u>\$ (6,888)</u>	<u>\$ (24,414)</u>
Basic and diluted net income (loss) per share:		
Continuing operations	\$ (0.01)	\$ (0.04)
Discontinued operations	0.00	0.00
Basic and diluted net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding		
Basic	561,735,937	562,195,243
Diluted	561,735,937	562,195,243

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

	Three Months Ended March 31,	
	2018	2017
Operating activities		
Net income (loss)	\$ (2,795)	\$ (20,382)
Less: Income (loss) from discontinued operations, net of tax	—	487
Income (loss) from continuing operations	(2,795)	(20,869)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and software	26,721	28,667
Amortization of acquired intangible assets	2,940	5,400
Stock-based compensation	19,326	19,701
Deferred income taxes	(6,575)	(74)
(Gain) loss from changes in fair value of investments	5,033	(303)
Impairment of investment	855	—
Amortization of debt discount on convertible senior notes	2,866	2,587
Change in assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	17,623	10,594
Prepaid expenses and other current assets	9,601	5,380
Accounts payable	(8,341)	(13,184)
Accrued merchant and supplier payables	(143,330)	(138,238)
Accrued expenses and other current liabilities	(41,564)	(36,040)
Other, net	(2,107)	(1,707)
Net cash provided by (used in) operating activities from continuing operations	(119,747)	(138,086)
Net cash provided by (used in) operating activities from discontinued operations	—	(1,098)
Net cash provided by (used in) operating activities	(119,747)	(139,184)
Investing activities		
Purchases of property and equipment and capitalized software	(20,144)	(14,076)
Acquisitions of intangible assets and other investing activities	(238)	56
Net cash provided by (used in) investing activities from continuing operations	(20,382)	(14,020)
Net cash provided by (used in) investing activities from discontinued operations	—	(7,547)
Net cash provided by (used in) investing activities	(20,382)	(21,567)
Financing activities		
Payments for purchases of treasury stock	—	(27,234)
Taxes paid related to net share settlements of stock-based compensation awards	(9,179)	(8,970)
Proceeds from stock option exercises and employee stock purchase plan	2,434	2,468
Distributions to noncontrolling interest holders	(3,315)	(3,450)
Payments of capital lease obligations	(9,024)	(8,067)
Payments of contingent consideration related to acquisitions	(1,815)	—
Other financing activities	—	(473)
Net cash provided by (used in) financing activities	(20,899)	(45,726)
Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	6,191	3,973
Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	(154,837)	(202,504)
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	(28,866)
Net increase (decrease) in cash, cash equivalents and restricted cash	(154,837)	(173,638)
Cash, cash equivalents and restricted cash, beginning of period	885,481	874,906
Cash, cash equivalents and restricted cash, end of period	\$ 730,644	\$ 701,268

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

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 2018				
North America Segment:										
Gross Billings ⁽¹⁾ :						Y/Y Growth				
Local	\$ 587,766	\$ 615,833	\$ 606,184	\$ 605,460	\$ 543,021	(7.6)	%			
Travel	114,163	112,670	93,186	84,504	102,499	(10.2)				
Goods	262,588	245,924	229,479	369,973	209,476	(20.2)				
Total Gross Billings	\$ 964,517	\$ 974,427	\$ 928,849	\$ 1,059,937	\$ 854,996	(11.4)	%			
Revenue:										
Local	\$ 200,545	\$ 207,534	\$ 194,090	\$ 223,410	\$ 187,411	(6.5)	%			
Travel	20,462	22,320	18,300	17,413	20,084	(1.8)				
Goods	252,350	222,058	201,824	333,862	185,761	(26.4)				
Total Revenue	\$ 473,357	\$ 451,912	\$ 414,214	\$ 574,685	\$ 393,256	(16.9)	%			
Gross Profit:										
Local	\$ 169,342	\$ 179,609	\$ 162,914	\$ 196,708	\$ 166,756	(1.5)	%			
Travel	15,165	17,755	14,060	13,614	16,002	5.5				
Goods	36,430	36,496	30,934	54,651	36,922	1.4				
Total Gross Profit	\$ 220,937	\$ 233,860	\$ 207,908	\$ 264,973	\$ 219,680	(0.6)	%			
Operating income (loss)	\$ (14,783)	\$ (12,033)	\$ (6,995)	\$ 33,766	\$ (1,860)	87.4	%			
International Segment:										
						Q1 2018				
Gross Billings:						Y/Y Growth		FX Effect ⁽²⁾	Y/Y Growth excluding FX ⁽²⁾	
Local	\$ 191,219	\$ 189,408	\$ 202,991	\$ 229,167	\$ 217,307	13.6	%	(12.5)	1.1	%
Travel	53,161	45,981	49,837	59,666	57,522	8.2		(12.7)	(4.5)	
Goods	149,079	154,417	159,820	233,422	163,439	9.6		(14.1)	(4.5)	
Total Gross Billings	\$ 393,459	\$ 389,806	\$ 412,648	\$ 522,255	\$ 438,268	11.4	%	(13.2)	(1.8)	%
Revenue:										
Local	\$ 63,575	\$ 66,108	\$ 71,574	\$ 80,209	\$ 74,578	17.3	%	(13.3)	4.0	%
Travel	11,002	10,796	9,801	12,187	11,436	3.9		(12.4)	(8.5)	
Goods	125,692	133,803	138,877	206,085	147,270	17.2		(15.5)	1.7	
Total Revenue	\$ 200,269	\$ 210,707	\$ 220,252	\$ 298,481	\$ 233,284	16.5	%	(14.6)	1.9	%
Gross Profit:										
Local	\$ 59,194	\$ 62,303	\$ 67,860	\$ 75,991	\$ 70,215	18.6	%	(13.5)	5.1	%
Travel	10,036	9,996	8,922	11,334	10,651	6.1		(12.8)	(6.7)	
Goods	19,284	21,908	24,735	34,620	24,339	26.2		(16.2)	10.0	
Total Gross Profit	\$ 88,514	\$ 94,207	\$ 101,517	\$ 121,945	\$ 105,205	18.9	%	(14.0)	4.9	%
Operating income (loss)	\$ 3,103	\$ 4,635	\$ 5,782	\$ 15,960	\$ 5,245	69.0	%			
Consolidated Results of Operations:										
Gross Billings:										
Local	\$ 778,985	\$ 805,241	\$ 809,175	\$ 834,627	\$ 760,328	(2.4)	%	(3.1)	(5.5)	%
Travel	167,324	158,651	143,023	144,170	160,021	(4.4)		(4.0)	(8.4)	
Goods	411,667	400,341	389,299	603,395	372,915	(9.4)		(5.1)	(14.5)	
Total Gross Billings	\$ 1,357,976	\$ 1,364,233	\$ 1,341,497	\$ 1,582,192	\$ 1,293,264	(4.8)	%	(3.8)	(8.6)	%
Revenue:										
Local	\$ 264,120	\$ 273,642	\$ 265,664	\$ 303,619	\$ 261,989	(0.8)	%	(3.2)	(4.0)	%
Travel	31,464	33,116	28,101	29,600	31,520	0.2		(4.4)	(4.2)	
Goods	378,042	355,861	340,701	539,947	333,031	(11.9)		(5.1)	(17.0)	
Total Revenue	\$ 673,626	\$ 662,619	\$ 634,466	\$ 873,166	\$ 626,540	(7.0)	%	(4.3)	(11.3)	%
Gross Profit:										
Local	\$ 228,536	\$ 241,912	\$ 230,774	\$ 272,699	\$ 236,971	3.7	%	(3.5)	0.2	%
Travel	25,201	27,751	22,982	24,948	26,653	5.8		(5.1)	0.7	
Goods	55,714	58,404	55,669	89,271	61,261	10.0		(6.0)	4.0	
Total Gross Profit	\$ 309,451	\$ 328,067	\$ 309,425	\$ 386,918	\$ 324,885	5.0	%	(4.0)	1.0	%
Operating income (loss)	\$ (11,680)	\$ (7,398)	\$ (1,213)	\$ 49,726	\$ 3,385	129.0	%			
Net cash provided by (used in) operating activities from continuing operations	\$ (138,086)	\$ (19,390)	\$ 21,772	\$ 266,249	\$ (119,747)	13.3	%			
Free Cash Flow	\$ (152,162)	\$ (34,775)	\$ 7,517	\$ 250,807	\$ (139,891)	8.1	%			

	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>
Active Customers ⁽³⁾					
North America	31.6	31.9	32.5	32.7	32.6
International	16.7	16.4	16.6	16.8	17.0
Total Active Customers	48.3	48.3	49.1	49.5	49.6
TTM Gross Profit / Active Customer ⁽⁴⁾					
North America	\$ 28.15	\$ 28.41	\$ 28.09	\$ 28.35	\$ 28.38
International	22.72	22.88	23.19	24.16	24.83
Consolidated	26.27	26.53	26.43	26.93	27.16
Consolidated Units					
	45.7	44.5	44.1	54.6	42.4
<i>Year-over-year unit growth:</i>					
North America	(0.4) %	(1.9) %	(0.1) %	(6.6) %	(11.3) %
International	(8.7)	(7.8)	(1.5)	(3.9)	2.0
Consolidated	(3.1)	(3.8)	(0.5)	(5.7)	(7.2)
Headcount					
Sales ⁽⁵⁾	2,624	2,485	2,457	2,407	2,404
Other	4,496	4,176	4,159	4,265	4,235
Total Headcount	7,120	6,661	6,616	6,672	6,639

- (1) Represents the total dollar value of customer purchases of goods and services.
- (2) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year periods.
- (3) Reflects the total number of unique user accounts that have made a purchase during the TTM either through one of our online marketplaces or directly with a merchant for which we earned a commission.
- (4) During the first quarter 2018, we updated the calculation of TTM Gross Profit / Active Customer to reflect active customers as of the end of the period, rather than the average of active customers as of the beginning and end of period, in the denominator of the calculation. Because our active customer metrics are based on purchases over a TTM period, we believe that this change improves the usefulness of this metric. The prior period amounts have been updated to reflect this change.
- (5) Includes merchant sales representatives, as well as sales support personnel.

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

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

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

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Income (loss) from continuing operations	\$ (20,869)	\$ (5,403)	\$ 3,802	\$ 51,071	\$ (2,795)
Adjustments:					
Stock-based compensation ⁽¹⁾	19,650	21,392	18,235	21,673	19,278
Depreciation and amortization	34,067	34,679	35,231	33,850	29,661
Acquisition-related expense (benefit), net	12	36	—	—	—
Restructuring charges	2,731	4,584	11,503	10	283
Gain on sale of intangible assets	—	—	(17,149)	—	—
Other (income) expense, net	4,602	(5,878)	(7,546)	2,112	8,515
Provision (benefit) for income taxes	4,587	3,883	2,531	(3,457)	(2,335)
Total adjustments	65,649	58,696	42,805	54,188	55,402
Adjusted EBITDA	\$ 44,780	\$ 53,293	\$ 46,607	\$ 105,259	\$ 52,607

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

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

	Year Ending December 31, 2018
Expected income (loss) from continuing operations range	\$ 45,000 to 55,000
Expected adjustments:	
Stock-based compensation	97,000
Depreciation and amortization	110,000
Other (income) expense, net	21,000
Provision (benefit) for income taxes	7,000
Total expected adjustments	235,000
Expected Adjusted EBITDA range	\$ 280,000 to 290,000

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

The following is a reconciliation of net income (loss) attributable to common stockholders to non-GAAP net income (loss) attributable to common stockholders and a reconciliation of diluted net income (loss) per share to non-GAAP net income (loss) per share for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Net income (loss) attributable to common stockholders	\$ (6,888)	\$ (24,414)
Less: Net income attributable to noncontrolling interest	(4,093)	(4,032)
Net income (loss)	(2,795)	(20,382)
Less: Income (loss) from discontinued operations, net of tax	—	487
Income (loss) from continuing operations	(2,795)	(20,869)
Less: Provision (benefit) for income taxes	(2,335)	4,587
Income (loss) from continuing operations before provision (benefit) for income taxes	(5,130)	(16,282)
Stock-based compensation	19,326	19,701
Amortization of acquired intangible assets	2,940	5,400
Acquisition-related expense (benefit), net	—	12
Restructuring charges	283	2,731
Losses (gains), net from changes in fair value of investments	5,033	(303)
Intercompany foreign currency losses (gains) and reclassifications of translation adjustments to earnings	(3,427)	(110)
Non-cash interest expense on convertible senior notes	2,866	2,587
Non-GAAP income (loss) from continuing operations before provision (benefit) for income taxes	21,891	13,736
Non-GAAP provision (benefit) for income taxes	1,561	4,532
Non-GAAP net income (loss)	20,330	9,204
Net income attributable to noncontrolling interest	(4,093)	(4,032)
Non-GAAP net income (loss) attributable to common stockholders	\$ 16,237	\$ 5,172
Weighted-average shares of common stock - diluted	561,735,937	562,195,243
Incremental dilutive securities	9,955,028	7,527,970
Weighted-average shares of common stock - non-GAAP	<u>571,690,965</u>	<u>569,723,213</u>
Diluted net loss per share	\$ (0.01)	\$ (0.04)
Impact of non-GAAP adjustments and related tax effects	0.04	0.05
Non-GAAP net income per share	\$ 0.03	\$ 0.01

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.

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Net cash provided by (used in) operating activities from continuing operations ⁽¹⁾	\$ (138,086)	\$ (19,390)	\$ 21,772	\$ 266,249	\$ (119,747)
Purchases of property and equipment and capitalized software from continuing operations	(14,076)	(15,385)	(14,255)	(15,442)	(20,144)
Free cash flow ⁽¹⁾	<u>\$ (152,162)</u>	<u>\$ (34,775)</u>	<u>\$ 7,517</u>	<u>\$ 250,807</u>	<u>\$ (139,891)</u>
Net cash provided by (used in) investing activities from continuing operations	\$ (14,020)	\$ (13,782)	\$ 18,230	\$ (15,751)	\$ (20,382)
Net cash provided by (used in) financing activities	\$ (45,726)	\$ (47,924)	\$ (27,972)	\$ (16,424)	\$ (20,899)

- (1) Prior period cash flows from operating activities of continuing operations has been updated from negative \$136.2 million, negative \$20.7 million, \$23.9 million and \$270.6 million previously reported for the three months ended 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 \$150.3 million, negative \$36.1 million, \$9.6 million and \$255.1 million previously reported for the three months ended 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 the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.