

Groupon 2nd Quarter Earnings

July 30th, 2024

GROUPON

Agenda

Dusan Senkyp
CEO

Jiri Ponrt
CFO

Rana Kashyap
SVP, Corp Dev & IR

- CEO Commentary
- Financial Overview
- Guidance
- Q&A

Forward-looking statements and other information

The statements contained in this presentation 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 ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), including statements regarding the Company's future results of operations and financial position, business strategy and plans and the Company's objectives for future operations and future liquidity. 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 the Company's 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 the Company actual results to differ materially from those expressed or implied in the Company's forward-looking statements. Such risks and uncertainties include, but are not limited to, the Company's ability to execute and achieve the expected benefits of the Company's go-forward strategy; execution of the Company's business and marketing strategies; volatility in the Company's operating results; challenges arising from the Company's international operations, including fluctuations in currency exchange rates, tax, legal and regulatory developments in the jurisdictions in which the Company operates and geopolitical instability resulting from the conflicts in Ukraine and the Middle East; global economic uncertainty, including as a result of inflationary pressures; retaining and adding high quality merchants and third-party business partners; retaining existing customers and adding new customers; competing successfully in the Company's industry; providing a strong mobile experience for the Company's customers; managing refund risks; retaining and attracting members of the Company's executive and management teams and other qualified employees and personnel; customer and merchant fraud; payment-related risks; the Company's reliance on email, Internet search engines and mobile application marketplaces to drive traffic to the Company's marketplace; cybersecurity breaches; maintaining and improving the Company's information technology infrastructure; reliance on cloud-based computing platforms; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; managing inventory and order fulfillment risks; claims related to product and service offerings; protecting the Company's intellectual property; maintaining a strong brand; the impact of future and pending litigation; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR, CPRA and other privacy-related laws and regulations of the Internet and e-commerce; classification of the Company's independent contractors, agency workers, or employees; the Company's ability to remediate the Company's material weakness over internal control over financial reporting; risks relating to information or content published or made available on the Company's websites or service offerings we make available; exposure to greater than anticipated tax liabilities; adoption of tax laws; the Company's ability to use the Company's tax attributes; impacts if we become subject to the Bank Secrecy Act or other anti-money laundering or money transmission laws or regulations; the Company's ability to raise capital if necessary; risks related to the Company's access to capital and outstanding indebtedness, including the Company's 1.125% Convertible Senior Notes due 2026 (the "2026 Notes"); the Company's Common Stock, including volatility in the Company's stock price; the Company's ability to realize the anticipated benefits from the capped call transactions relating to the 2026 Notes; and those risks and other factors discussed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year-ended December 31, 2023, and Part II, Item 1A. Risk Factors on our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Groupon," "the Company," "we," "our," "us" and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.



CEO Commentary

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Second Quarter Key Takeaways

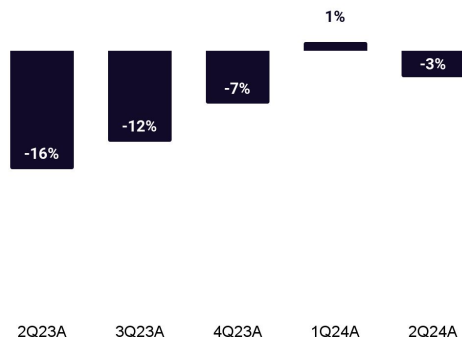
2Q24 Financial Metrics

- Revenue -3% vs last year
 - North America +3% vs last year
- North America Local
 - +7% vs last year
 - 2nd quarter of growth
 - 2nd quarter of sequential growth in North America Local active customers¹
- Adjusted EBITDA = +\$16 million
 - Trailing twelve months Adjusted EBITDA = +\$81 million
- Free Cash Flow = +\$11 million
 - Trailing twelve months Free Cash Flow = +\$30 million

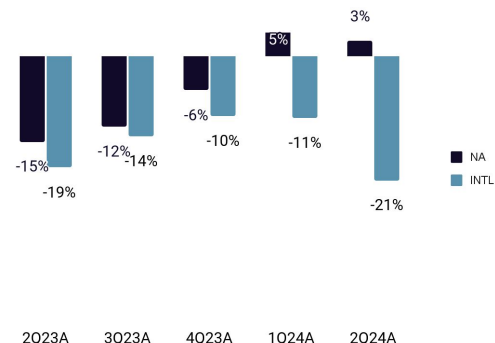
July 2024 > hit with site performance issues which will impact guidance

2Q24 Financial Snapshot

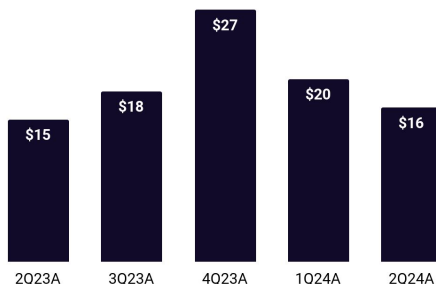
Total Revenue (YoY % Change)



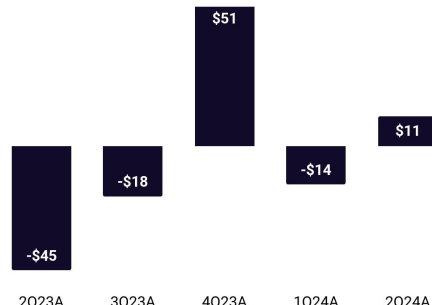
Revenue by Geography (YoY % Change)



Adjusted EBITDA² (\$M)

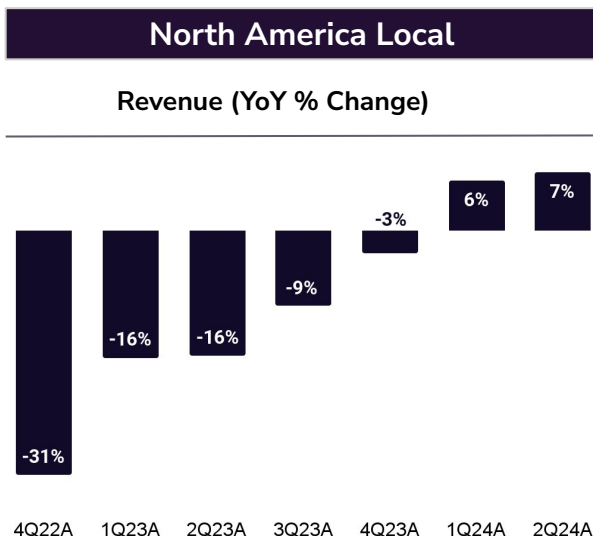


Free Cash Flow² (\$M)



1) Reflects the total number of unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission.
 2) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

Supply: North America Local



Supply Drivers for North America Local

- Deal quality versus deal quantity
- Enterprise & Things To Do
- Regionalisation
- New Product Offering: Flash Sales Program
- Increasing new sales hiring + performance management

Marketing & Contribution Profit

	~2019	3Q21-4Q22	1Q23-2Q23	3Q23-1Q24	2Q24	Outlook
Gross Profit as % of Revenue	~50%	~83-87%	~86-87%	~88-90%	90.4%	~88-90%
Marketing as a % of Gross Profit	~30%	~30-33%	~20-24%	~26-28%	32.4%	~30-35%
Contribution Profit as % of Revenue	~35%	~58-62%	~66-70%	~64-66%	61.1%	~58-62%

Product & Engineering Update

Investing to make our platform more efficient, stable and agile and increase the velocity of new product innovation

- Efficiency
 - Cloud cost optimization project
- Stability
 - Second Quarter site performance issue largely resolved
 - New site performance issue starting early July
 - Future site performance issues may impact future performance
- Agility
 - New Front-end
- New Product Development
 - Video

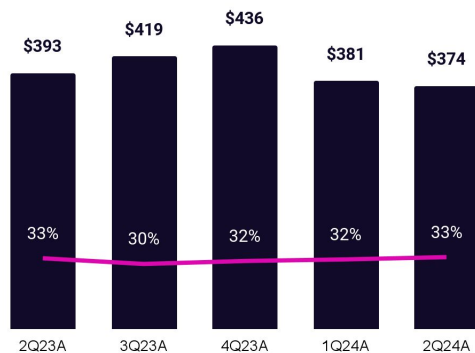


Financial Overview

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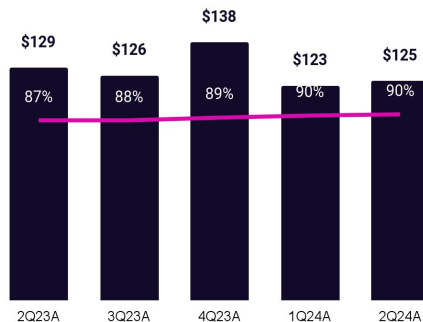
2Q24 Summary Financial Results

Gross Billings (\$M)



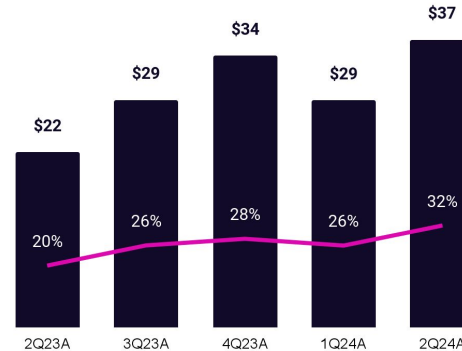
Revenue as % of Gross Billings

Revenue (\$M)



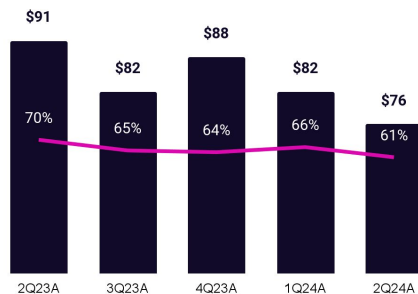
Gross Profit as % of Revenue

Marketing (\$M)



Marketing as % of Gross Profit

Contribution Profit (\$M)

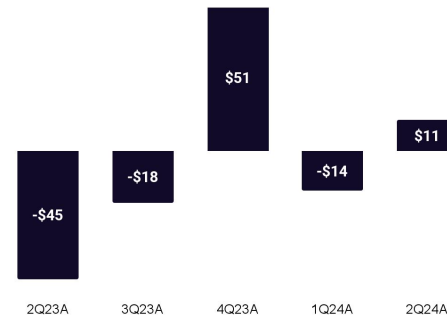


Contribution Profit as % of Revenue

Adjusted EBITDA¹ (\$M)



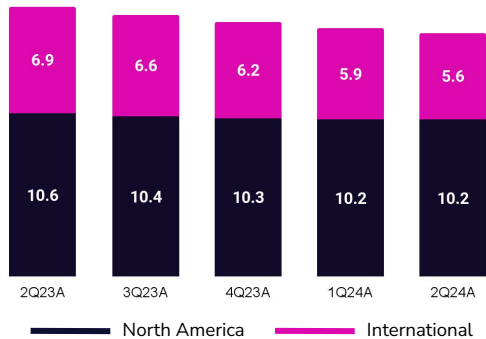
Free Cash Flow¹ (\$M)



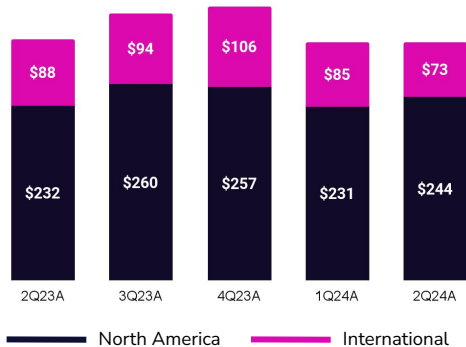
¹ Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

2Q24 Key Operating Metrics

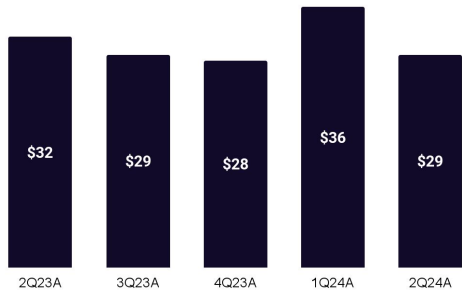
Active Customers¹ (Million)



Local Gross Billings (\$M)



Travel Gross Billings (\$M)

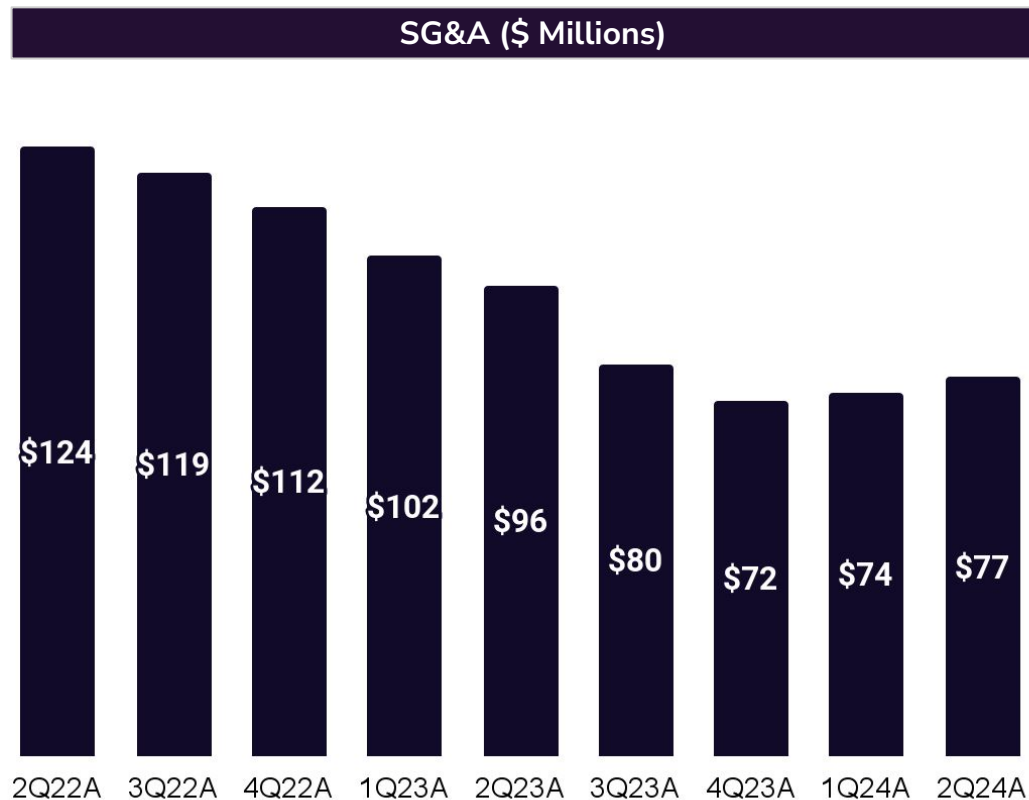


Goods Gross Billings (\$M)



1) Reflects the total number of unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission.

Creating an Efficient Cost Structure



New Mindset Of Frugality



Increasing Efficiency Through Automation Of Business Processes



Director-Level Headcount Reductions, Reducing Redundant Spend



Decreasing Software / Cloud Spend



Reducing Facilities Footprint

2Q 2024 Adjusted EBITDA ⁽¹⁾ to FCF ⁽¹⁾ Reconciliation

	2Q24A	2Q23A
Adjusted EBITDA¹	16.5	15.2
(-) Capex	-4.5	-2.3
(-) Interest & Taxes	-5.4	-2.1
(+/-) Restructuring	-0.1	-3.7
(+/-) Change in Net Working Capital	4.3	-51.7
Free Cash Flow¹	10.8	-44.5
<u><i>Detail on Change in Net Working Capital</i></u>		
(+/-) Acc. Merchant & Supplier Payables	-18.6	-19.0
(+/-) Accounts payable	1.9	-7.4
(+/-) Acc. expenses & other current liabilities	5.7	-31.3
(+/-) Operating lease obligations	-0.9	-5.4
(+/-) Other Net Working Capital Changes	16.2	11.4
Subtotal: Change in Net Working Capital	4.3	-51.7

1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

Trailing twelve month Adjusted EBITDA ⁽¹⁾ to FCF ⁽¹⁾ Reconciliation

	Q2'24 LTM	Q1'24 LTM	Q4'23 LTM
Adjusted EBITDA¹	81.1	79.8	55.5
(-) Capex	-15.7	-13.4	-19.3
(-) Interest & Taxes	-16.7	-13.3	-14.5
(+/-) Restructuring	1.0	-2.6	-8.1
(+/-) Change in Net Working Capital	-19.6	-75.6	-111.0
Free Cash Flow¹	30.1	-25.2	-97.4
<u>Detail on Change in Net Working Capital</u>			
(+/-) Acc. Merchant & Supplier Payables	-4.5	-4.9	-18.3
(+/-) Accounts payable	-9.4	-18.6	-44.6
(+/-) Acc. expenses & other current liabilities	-3.9	-40.9	-37.9
(+/-) Operating lease obligations	-12.2	-16.8	-27.1
(+/-) Other Net Working Capital Changes	10.5	5.7	16.9
Subtotal: Change in Net Working Capital	-19.6	-75.6	-111.0

1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

Guidance

As of July 30th, 2024	3Q24 Guidance (\$ Millions)		2024 Guidance (\$ Millions)	
	Low-end	High-end	Low-end	High-end
Revenue	\$114 (-10% YoY)	\$120 (-5% YoY)	\$495 (-4% year-over-year)	\$515 (0% year-over-year)
Adjusted EBITDA*	\$6	\$11	\$65	\$80
Free Cash Flow*	Negative	Negative	Positive	Positive

* We do not provide a reconciliation for non-GAAP estimates on a forward-looking basis where we are unable to provide a meaningful calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that would impact the most directly comparable forward-looking U.S. GAAP financial measure that have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. Forward-looking non-GAAP financial measures provided without the most directly comparable U.S. GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.



Q&A

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Appendix

Non-GAAP Reconciliations*

Adjusted EBITDA - TTM & Quarterly (in thousands)

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Net income (loss):

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net income (loss)	\$ (28,613)	\$ (12,004)	\$ (40,806)	\$ 28,489	\$ (11,506)	\$ (9,412)
Adjustments:						
Stock-based compensation	2,363	7,519	3,889	710	2,374	6,418
Depreciation and amortization	14,505	13,243	12,568	10,902	9,677	7,824
Restructuring charges and related (credits) ⁽¹⁾	8,794	(689)	2,228	(2,327)	96	(379)
Gain on sale of assets	—	—	—	—	(116)	(5,044)
Foreign VAT assessments ⁽²⁾	—	—	—	—	—	3,302
Other (income) expense, net ⁽³⁾	(3,070)	4,805	39,525	(16,086)	12,682	4,483
Provision (benefit) for income taxes	1,118	2,323	817	5,250	6,194	9,287
Total adjustments	23,710	27,201	59,027	(1,551)	30,907	25,891
Adjusted EBITDA	<u>\$ (4,903)</u>	<u>\$ 15,197</u>	<u>\$ 18,221</u>	<u>\$ 26,938</u>	<u>\$ 19,401</u>	<u>\$ 16,479</u>

	Q4 2023	Q1 2024	Q2 2024
Trailing Twelve Month Adjusted EBITDA	\$ 55.5	\$ 79.8	\$ 81.1

(1) Includes a settlement of \$4.25 million related to Uptake for the three months ended December 31, 2023

(2) The Foreign VAT assessments adjustment excludes related interest expense of \$0.8 million as the interest expense is included within Other (income) expense, net for the three months ended June 30, 2024.

(3) Includes a \$25.8 million remeasurement of our investment in SumUp during the three months ended September 30, 2023.

*See Q2 2024 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures

Non-GAAP Reconciliations*

Free Cash Flow - TTM & Quarterly (in thousands)

Free Cash flow is a non-GAAP liquidity measure. 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.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net cash provided by (used in) operating activities from continuing operations	\$ (76,320)	\$ (42,310)	\$ (13,855)	\$ 54,500	\$ (10,111)	\$ 15,300
Purchases of property and equipment and capitalized software	(9,544)	(2,253)	(4,120)	(3,368)	(3,709)	(4,474)
Free cash flow	\$ (85,864)	\$ (44,563)	\$ (17,975)	\$ 51,132	\$ (13,820)	\$ 10,826
Net cash provided by (used in) investing activities from continuing operations	\$ (9,013)	\$ (2,483)	\$ (5,469)	\$ 15,568	\$ (3,931)	\$ 4,303
Net cash provided by (used in) financing activities	\$ (29,197)	\$ (2,939)	\$ 1,183	\$ (4,737)	\$ 35,341	\$ (1,721)

	Q4 2023	Q1 2024	Q2 2024
Trailing Twelve Month Free Cash Flow	\$ (97.4)	\$ (25.2)	\$ 30.1

*See Q2 2024 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures

Supplemental Information

	Q2 2023		Q3 2023		Q4 2023		Q1 2024		Q2 2024	
Selling, general and administrative	\$	96,263	\$	80,016	\$	72,492	\$	74,282	\$	77,212
Stock-based compensation in SG&A		7,464		3,845		664		2,326		6,373
Depreciation and amortization in SG&A		6,560		6,437		5,900		5,279		4,048