UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number: **1-35335**

Groupon, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-0903295**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 W Chicago Avenue **Suite 400** **Chicago** **Illinois**	**60654** (Zip Code)
(Address of principal executive offices)	**(312) 334-1579** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	**GRPN**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of June 30, 2022, the aggregate market value of shares held by non-affiliates of the registrant was $215,199,008 based on the number of shares of common stock held by non-affiliates as of June 30, 2022 and based on the last reported sale price of the registrant's common stock on June 30, 2022.

As of March 13, 2023, there were 30,707,303 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2023 or, if not filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, from an amended report on Form 10-K/A filed in the same time period.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains 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 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 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, our ability to execute, and achieve the expected benefits of our go-forward strategy; execution of our business and marketing strategies; volatility in our operating results; challenges arising from our international operations, including fluctuations in currency exchange rates, legal and regulatory developments in the jurisdictions in which we operate and geopolitical instability resulting from the conflict in Ukraine; global economic uncertainty, including as a result of inflationary pressures, ongoing impacts from the COVID-19 pandemic and labor and supply chain challenges; retaining and adding high quality merchants and third-party business partners; retaining existing customers and adding new customers; competing successfully in our industry; providing a strong mobile experience for our customers; managing refund risks; retaining and attracting members of our executive and management teams and other qualified employees and personnel; customer and merchant fraud; payment-related risks; our reliance on email, internet search engines and mobile application marketplaces to drive traffic to our marketplace; cybersecurity breaches; maintaining and improving our 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 our 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, other privacy-related laws and regulation of the Internet and e-commerce; classification of our independent contractors, agency workers or employees; our ability to remediate our material weakness over internal control over financial reporting; risks relating to information or content published or made available on our websites or service offerings we make available; exposure to greater than anticipated tax liabilities; adoption of tax laws; our ability to use our tax attributes; impacts if we become subject to the Bank Secrecy Act or other anti-money laundering or money transmission laws or regulations; our ability to raise capital if necessary; our ability to continue as a going concern; risks related to our access to capital and outstanding indebtedness, including our convertible senior notes; our common stock, including volatility in our stock price; our ability to realize the anticipated benefits from the capped call transactions relating to our convertible senior notes; 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; and those risks and other factors discussed in Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K, as well as in our 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. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or 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.

ITEM 1. BUSINESS

Groupon is a global scaled two-sided marketplace that connects consumers to merchants. Consumers access our marketplace through our mobile applications and our websites, which are primarily localized groupon.com sites in thirteen countries. We operate in two segments, North America and International, and in three categories, Local, Goods and Travel. See Item 1, Note 18, *Segment Information,* for additional information.

Revenue is earned through service revenue transactions, during which we generate commissions by selling goods or services on behalf of third-party merchants. Service revenue also includes commissions we earn when customers make purchases with retailers using digital coupons accessed through our digital properties.

In prior periods, we generated product revenue from direct sales of our first-party Goods inventory. Our product revenue was reported on a gross basis as the purchase price received from the customer.

Our Strategy

Our strategy is to be the trusted marketplace where customers go to buy local services and experiences. We plan to grow our revenue by building long-term relationships with local merchants to improve our inventory selection and improving the customer experience through inventory curation and improved convenience in order to drive customer demand and purchase frequency.

Our Categories

Local. Our Local category includes experiences and services from local and national merchants, and other revenue sources that are primarily generated through our relationships with local and national merchants. Our local inventory includes, things to do, beauty and wellness and dining, as well as other types of experiences and services.

Goods. In our Goods category, we earn service revenue from transactions in which third-party merchants sell products to customers through our marketplaces. We recognize Goods revenue on a net basis within service revenue. Our Goods category includes merchandise across multiple product lines, such as electronics, sporting goods, jewelry, toys, household items and apparel.

Travel. Through our Travel category, we feature travel experiences at both discounted and market rates, including hotels, airfare and package deals covering both domestic and international travel. For many of our travel experiences, the customer must contact the merchant directly to make a travel reservation after purchasing a travel voucher from us. However, for some of our hotel offerings, customers make room reservations directly through our websites and mobile applications.

Traffic Channels and Platforms

Our customers access our online local commerce marketplaces through our mobile applications and our websites. Our applications and mobile websites enable consumers to browse, purchase, manage and redeem deals on their mobile devices. For the year ended December 31, 2022, approximately 80% of our global transactions were completed on mobile devices.

We use a variety of marketing channels to direct customers to the offerings available through these marketplaces, as described in the *Marketing* section below.

Marketing

We use marketing to acquire and retain customers and promote awareness of our marketplaces and brand. We use a variety of marketing channels to make customers aware of our offerings, including search engines, email and push notifications, affiliate channels, social and display advertising and offline marketing.

Search engines. Customers can access our offerings indirectly through third-party search engines. We use search engine optimization ("SEO") and search engine marketing ("SEM") to increase the visibility of our offerings in web search results.

Email and mobile messaging. We communicate offerings through email and by push notifications to our customers based on their locations and personal preferences. A customer who interacts with an email or push notification is directed to our website or mobile application to learn more about the deal and to make a purchase. Additionally, we introduced short message service ("SMS") notifications in 2022.

Affiliate channels. We have an affiliate program that uses third parties to promote our offerings online. Affiliates earn commissions when customers access our offerings through links on their websites and make purchases on our platform.

Social and display. We promote and publish our content and offerings through various social networks and adapt our notifications to the particular format of each of these social networking platforms. Our websites and mobile applications enable consumers to share our offerings with their personal social networks. We also promote our offerings via display advertising across various content publishers.

Television and other offline. At times, we use other offline marketing channels such as connected television and traditional television advertising to help build awareness of our offerings and brand.

Human Capital Management

We believe attracting and retaining global talent is key to our success. Our senior leadership team is responsible for developing and executing our human capital strategy, with oversight from our Board of Directors (the "Board"). This includes the recruitment, development and retention of talent to support our operations and execute our strategy and the design of our employee compensation and benefit programs.

As of December 31, 2022, we had employees in the following geographies and roles:

	Sales	Corporate, Operational and Customer Support	Total Employees
North America	281	518	799
International	502	1,603	2,105
Total [1]	783	2,121	2,904

(1) In January 2023, the board approved the second phase of the 2022 Restructuring Plan, which includes an overall reduction of approximately 500 positions globally.

Our sales force consists of merchant sales representatives and sales support staff who acquire and build merchant relationships and provide ongoing consultative expertise. Other key operational functions include engineering, product, marketing and editorial.

Within our human capital strategy, there are five core pillars: Our People & Culture, Diversity, Equity & Inclusion ("DEI"), Compensation & Benefits, Social Responsibility, and Future of Work.

Our People & Culture. Groupon helps customers discover experiences that make for a full, fun, and rewarding life. We take the same approach to our work culture - we believe that having teams of resilient, energized, diverse, and collaborative people from all over the world make Groupon unique. Our goal is to support a culture that inspires innovation, rewards smart decision-making, and celebrates success.

In 2022, we conducted quarterly Pulse Engagement Surveys to gain insights into the engagement levels of our team members and to measure the overall health of our culture. These surveys covered a wide range of topics including well-being, engagement, leadership, performance and strategy, and DEI. Managers used the responses to identify focus areas for their teams and to implement formal action plans. We had strong employee engagement scores with an 80% response rate.

Each of our employees play an important role in ensuring that we maintain a high level of business ethics, safety, and integrity. To facilitate this, all employees are required to complete the following full-length training courses once every two years:

- Global Code of Conduct;
- Anti-Corruption; and

- Respectful and Harassment Free Workplace.

In alternate years, employees are required to complete a Global Code of Conduct Recertification Quiz. Additionally, we have established an internal process called Groupon Ethics Reporting Service, which is communicated to employees during the annual ethics training and can be used to bring to management's attention a wide range of concerns, including violations of our policies.

To support the career development of our team members, we offer a variety of training and development programs supporting our ethics, workplace culture and manager behaviors. For example, we require all employees to complete unconscious bias training and all managers to complete Respect in the Workplace training. We also offer various other training programs to employees, such as Change & Resilience, Managing Through Change, FS90 (a course that reinforces leader habits and manager expectations for new managers), Authentic Allyship Workshops, and a Director Development Program to equip leaders with the tools they need to succeed, We also launched Accelerate, a 7-month program designed and run in partnership with the organization everywoman with the goal to accelerate the development and careers of our top female talent. Additionally, we encourage cross-team growth opportunities through our Internal Talent Mobility process.

Diversity, Equity and Inclusion. Diversity, equity and inclusion is integrated into our business and we believe that attracting and retaining diverse, global talent will create a culture where everyone can feel like they belong, find authentic connections and take part in experiences that connect to their own identities. We also want the diversity of our internal team to reflect the diversity of the merchants and customers we serve and the communities in which we live and work. We believe that a global team of employees with diverse experiences, backgrounds, skills and perspectives will allow us to take a more innovative approach to problem solving and lead to better outcomes and higher productivity. Our company-wide DEI program includes a range of initiatives and programs that have the overarching goal of making our employees, merchants and customers feel seen and valued, including:

- Analytics-based approach to provide data-driven insights and increase visibility as we aim to improve workforce diversity, identify inequities and reduce turnover;
- Employee Resource Groups;
- Diverse merchant self-identification;
- Inclusive leadership training program for employees; and
- Multiple merchant-facing campaigns and employee-facing celebrations including Asian American Pacific Islander Month, Pride Month, Juneteenth, National Black Business Month, National Hispanic Heritage Awareness Month, Global Diversity Awareness Month and Women's Small Business Month.

Compensation and Benefits. To attract and retain qualified employees, we offer competitive compensation and comprehensive benefits, which are designed to attract, reward, and engage top talent and include standard health, dental, vision, life and disability insurance benefits as well as a 401(k) plan with company matching for our U.S. employees. In addition, Groupon is focused on the health and well-being of employees, and we have significantly expanded our wellness programming to combat burnout and support the overall health of global teams. Our wellness program includes access to mental health support and services, Global Wellness Week, which is an entire week dedicated to personal wellness programming aimed at boosting all of our physical, nutritional and mental well-being, as well as digital detox days. We also provide Talkspace, a virtual service that connects employees and family members with licensed mental health providers for counseling and therapy.

Social Responsibility. We are committed to empowering our employees to take part in making the communities in which we operate better places to work and live. We provide numerous opportunities for our employees to volunteer with causes they care about throughout the year and support communities through investment in local and global nonprofits focused on systemic issues like economic opportunity and hunger relief. In 2022, we supported nearly 2,000 small businesses and entrepreneurs globally through social responsibility programming and approximately 43% of our workforce engaged in community activities through the Groupon Volunteers program.

Future of Work. We believe it is important for our employees to do their jobs where they feel they can do it best. Whether that means working remotely from home or in one of our global offices - we want our employees to thrive in a work environment that suits their needs.

Following office closures from the COVID-19 pandemic in 2020 and 2021, we launched a test of an approach that we call “@flex.” Flex, which represents our “flexibility” and related hybrid working options, was rolled out incrementally across our 20 offices worldwide.

Our goal is to nurture a performance-driven culture - one that will be led by our values and focused on agility, results and accountability. We believe that this culture is foundational to our ability to drive our organization toward our long-term vision of being the destination for Local experiences. We intend to continue to focus on driving measurable results that will "show up" in our ability to attract and retain talent and build a resilient workforce well positioned to help us reach our long-term goals.

Technology

In early 2023, we completed the migration of our public-facing websites, internal applications and services, as well as our back-end business intelligence systems from being hosted at our data centers to a multi-cloud infrastructure. We employ security practices and modern tools to try to recognize intrusions to our technology infrastructure. We engage independent third-party Internet security firms to regularly test the security of our websites and identify vulnerabilities. In financial transactions with customers conducted on our websites and mobile applications, we use data encryption protocols to secure information while in transit. See *Risk Factors* for additional information relating to potential cyber threats.

Competition

Our customers and merchants are at the center of our two-sided marketplace. The quality and stability of both our customers and merchants are key to our business model. We face competition on both sides of our marketplace.

We compete with other marketplaces, and some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources. In addition, we compete with companies who address only specific verticals in the local experiences market, and in our Goods and Travel categories, companies who have greater scale and larger customer bases than we do. These factors may allow our competitors to benefit from their existing customer base with lower acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in customer trends. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build a larger subscriber base or to monetize that subscriber base more effectively than we do.

We also compete with companies that can offer alternative services for our merchants. There are companies that offer other types of advertising and promotional services to local businesses. Our merchants could choose to leverage these other platforms to attract customers to their businesses. We believe we can compete due to the access we provide our merchants to our large customer base, our trusted brand, and the investments we are making in self-service tools that will allow merchants to manage demand more effectively and better attract and retain customers.

Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. Additionally, those laws and regulations may be interpreted differently across domestic and foreign jurisdictions. As a company in a relatively new and rapidly innovating industry, we are exposed to the risk that many of those laws may evolve or be interpreted by regulators or in the courts in ways that could materially affect our business. Those laws and regulations may involve taxation, unclaimed property, intellectual property, product liability, travel, distribution, electronic contracts and other communications, competition, consumer protection, the provision of various online payment services, employee, merchant and customer privacy and data security or other areas.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act"), as well as the laws of most states, contain provisions governing gift cards, gift certificates, stored value or pre-paid cards or coupons ("gift cards"). Groupon vouchers may be included within the definition of "gift cards" under many laws. In addition, certain foreign jurisdictions have laws that govern disclosure and certain product terms and conditions, including restrictions on expiration dates and fees, that may apply to Groupon vouchers. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments that could affect us, and our global operations may be constrained by regulatory regimes and laws in Europe and other jurisdictions outside the United States that may be more restrictive and adversely impact our business.

Various U.S. laws and regulations, such as the Bank Secrecy Act of 1970 (the "Bank Secrecy Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act, the USA PATRIOT Act and the CARD Act impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. Those laws and regulations broadly define financial institutions to include money services businesses such as money transmitters, check cashers and sellers or issuers of stored value. Requirements imposed on financial institutions under those laws include customer identification and verification programs, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to those laws and regulations.

We are subject to a variety of U.S. federal, state and international laws and regulations governing consumer data. The General Data Protection Regulation ("GDPR"), which was adopted by the European Union and became effective in May 2018 and the California Privacy Rights Act (the "CPRA"), which expands on and effectively replaces the California Consumer Privacy Act (the "CCPA") and became effective January 1, 2023, requires companies to satisfy specific requirements regarding the handling of personal and sensitive data, including its collection, use, protection and the ability of persons whose data is stored to, among other things, access and/or delete such data about themselves. The Virginia Consumer Data Protection Act (the "CDPA") and the Colorado Privacy Act (the "CPA"), which will both go into effect in 2023, provide new data privacy rights to their respective residents. Our ongoing efforts to comply with these laws and regulations and other relevant privacy and data protection laws and regulations, have required updates to certain business practices and systems. Non-compliance with any privacy and data protection laws and regulations could result in significant monetary fines. For instance, non-compliance with the GDPR could result in proceedings against us by governmental entities or others and fines up to the greater of €20 million or 4% of annual global revenue and non-compliance with CPRA could result in fines of up to $7,500 per violation in addition to providing consumers with a private right of action. We continue to monitor developments in laws and regulations relating to privacy and consumer data, and we expect these evolving laws and regulations will continue to impact our business in the future.

Intellectual Property

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to those contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks, trade dress, domain names and patents to protect our intellectual property. Groupon and its related entities own a number of trademarks and service marks registered or pending in the United States and internationally. In addition, we own a number of issued patents and pending patent applications in the United States and internationally and own and have applied for copyright registrations in the United States.

Circumstances outside our control could pose a threat to our intellectual property rights and the efforts we have taken to protect our proprietary rights may not be sufficient or effective or deter independent development of equivalent or superior intellectual property rights by others. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the Internet, technology and other industries as well as non-practicing entities may own large numbers of patents, copyrights and trademarks or other intellectual property rights and may request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We are currently subject to, and expect to face in the future, lawsuits and allegations that we have infringed the intellectual property rights of third parties. As our business evolves, we may face more claims of infringement, and may experience an adverse result which could impact our business and/or our operating results.

We have received in the past, and we anticipate we will receive in the future, communications alleging that items offered or sold through our website infringe third-party copyrights, trademarks, patents and trade names or other intellectual property rights or that we have otherwise infringed third parties' past, current or future intellectual property rights. We may be unable to prevent third parties from offering and selling unlawful or infringing goods or goods of disputed authenticity, and we may be subject to allegations of civil or criminal liability for unlawful activities carried out by third parties through our website. We may implement measures in an effort to protect against these potential liabilities that could require us to spend substantial resources and/or to reduce revenue by discontinuing certain service offerings. Any costs incurred as a result of liability or asserted liability relating to the sale of unlawful or infringing goods or goods of disputed authenticity or other infringement related claims could harm our business.

Information About Our Executive Officers

The following table sets forth information about our executive officers (as of the date of this filing):

Name	Age	Position
Kedar Deshpande	44	Chief Executive Officer
Damien Schmitz	45	Chief Financial Officer

Kedar Deshpande was appointed as our Chief Executive Officer in December 2021. He previously served as the Chief Executive Officer of Zappos.com ("Zappos") and in various positions at Zappos from March 2011 to August 2020, including as Zappos' Chief Operating Officer from 2019 to 2020 and senior leadership roles in technology and marketing, as well as project management roles. Prior to that, he was a software engineer at General Electric.

Damien Schmitz was appointed as our Chief Financial Officer in November 2022. He previously served as the Interim Chief Financial Officer since November 2021, Senior Vice President, Finance since October 2021, and Vice President, Finance since January 2019. Prior to that he served as Vice President, Finance and Chief Financial Officer, International from January 2018 to January 2019 and in various finance leadership roles at the Company since October 2012, including Senior Director, Global FP&A from September 2016 to December 2017. Prior to joining the company, Mr. Schmitz held consulting roles with Price Waterhouse Coopers LLP and 3M Company.

Available Information

We electronically file reports with the SEC. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also available free of charge through our website (www.groupon.com), as soon as reasonably practicable after electronically filing with or otherwise furnishing such information to the SEC, and are available in print to any stockholder who requests them. Our Code of Conduct, Corporate Governance Guidelines and committee charters are also posted on the site. We use our Investor Relations website (investor.groupon.com) and our press site (www.groupon.com/press) as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Information contained on our website and press site is not a part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Our business, prospects, financial condition, operating results and the trading price of our common stock could be materially adversely affected by the risks described below. In assessing those risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the Consolidated Financial Statements and the related notes in Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Summary Risk Factors

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, prospects, financial condition, operating results and the trading price of our common stock. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Related to Our Business, Operations and Strategy

- Our strategy may be unsuccessful and may expose us to additional risks. If our strategy does not achieve its expected benefits, there could be negative impacts to our business, financial condition and results of operations.
- Our restructuring plan could be disruptive to our operations and adversely affect our results of operations and financial condition, and we may not realize some or all of the anticipated benefits of this plan in the time frame anticipated or at all.
- Our operating results may vary significantly from quarter to quarter.
- Our international operations are subject to varied and evolving sociopolitical conditions as well as commercial, employment and regulatory challenges, and our inability to adapt to the diverse and changing landscapes of our international markets may adversely affect our business.
- Our future success depends upon our ability to attract and retain high quality merchants and third-party business partners.
- If we fail to retain our existing customers or acquire new customers, our operating results and business will be harmed.
- We operate in a highly competitive industry with relatively low barriers to entry and must compete successfully in order to grow our business.
- Our success is dependent upon our ability to provide a superior mobile experience for our customers and our customers' continued ability to access our offerings through mobile devices.
- An increase in our refund rates or estimated liabilities with respect to unredeemed vouchers could adversely affect our financial results.
- The loss of key executives, members of our management team and employees across our organization, or our failure to attract and retain other highly qualified personnel in the future could harm our business.
- Failure to deal effectively with fraudulent transactions and customer disputes would increase our loss rate and harm our business.
- We are subject to payments-related risks.
- We have identified a material weakness in our internal control over financial reporting, which could, if not remediated or if we identify additional material weaknesses or other adverse findings in the future, impair our ability to report accurate and timely financial information, adversely affect investor confidence and have a material and adverse effect on our financial condition and results of operations.

Risks Related to Technology and Cybersecurity

- We rely on email, Internet search engines and mobile application marketplaces to drive traffic to our marketplace.
- We may be subject to breaches of our information technology systems, which could harm our relationships with our customers, merchants, employees and third-party business partners, subject us to negative publicity and litigation, and cause substantial harm to our business or brand.

- Our business depends on our ability to maintain and improve the technology infrastructure necessary to send our emails and operate our websites, mobile applications and transaction processing systems, and any significant disruption in service on our email network infrastructure, websites, mobile applications or transaction processing systems could result in a loss of customers or merchants.
- As we increase our reliance on cloud-based applications and platforms to operate and deliver our products and services, any disruption or interference with these platforms could adversely affect our financial condition and results of operations.

Risks Related to Transactions and Investments

- Acquisitions, dispositions, joint ventures and strategic investments could result in operating difficulties, dilution and other consequences.
- We do not have the ability to exert control over our minority investments, and therefore we are dependent on others in order to realize their potential benefits.

Risks Related to Our Brand and Intellectual Property

- We allow third parties to sell products via our site, which increases our risk of litigation and other losses.
- We may be subject to substantial liability claims and damage to our brand and reputation if people or property are harmed by the products or services offered through our marketplace.
- We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.
- Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of customers and merchants could be impaired and our business and operating results could be harmed.

Risks Related to Legal, Regulatory, Privacy and Tax Matters

- We are involved in pending litigation and other claims and an adverse resolution of such matters may adversely affect our business, financial condition, results of operations and cash flows.
- The application of certain laws and regulations, including, among other laws, the CARD Act and similar state and foreign laws, may harm our business and results of operations.
- If we are required to materially increase the liability recorded in our financial statements with respect to unredeemed vouchers our results of operations could be materially and adversely affected.
- Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.
- Failure to comply with existing, expanding or newly enacted U.S. federal, state and international privacy laws and regulations, could adversely affect our business.
- Misclassification or reclassification of our independent contractors, agency workers or employees could increase our costs and adversely impact our business.
- We may suffer liability as a result of information or content retrieved from or transmitted over the Internet and claims related to our service offerings.
- We may have exposure to greater than anticipated tax liabilities.
- The adoption of tax reform policies, including the enactment of legislation or regulations implementing changes in the tax treatment of companies engaged in Internet commerce and U.S. taxation could materially affect our financial position and results of operations.
- Our ability to use our tax attributes to reduce future U.S. income taxes could be subject to certain limitations.
- Federal laws and regulations, such as the Bank Secrecy Act and the USA PATRIOT Act and similar foreign laws, could be expanded to include Groupon vouchers or other offerings.
- State and foreign laws regulating money transmission could be expanded to include Groupon vouchers or other Groupon products or services.

Risks Related to Our Capital Structure

- Our access to capital and ability to successfully manage and raise capital in the future may be limited, which could prevent us from growing, adversely impact our liquidity and our existing credit agreement could restrict our business activities.
- Our financial statements contain a statement regarding a substantial doubt about the Company's ability to continue as a going concern.
- We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes in cash, to repurchase the 2026 Notes upon a fundamental change or to repay the 2026 Notes in cash at their maturity (if not earlier converted, redeemed or repurchased), and our current and future debt may contain limitations on our ability to pay cash upon conversions of the 2026 Notes or at their maturity or to repurchase the 2026 Notes.
- The terms of the 2026 Notes could delay or prevent an attempt to take over our Company.
- The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.

Risks Related to Ownership of Our Common Stock

- The trading price of our common stock is highly volatile.
- If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.
- We do not intend to pay dividends for the foreseeable future.
- Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.
- The capped call transactions may affect the value of our 2026 Notes common stock.
- We are subject to counterparty risk with respect to the capped call transactions.

Risks Related to Our Business, Operations and Strategy

Our strategy may be unsuccessful and may expose us to additional risks. If our strategy does not achieve its expected benefits, there could be negative impacts to our business, financial condition and results of operations.

We are implementing a strategy to become the trusted marketplace where customers go to buy local services and experiences and return the Company to growth. We intend to execute our strategy by building long-term relationships with local merchants to improve our inventory selection and improving the customer experience through inventory curation and improved convenience in order to drive customer demand and purchase frequency..

There are no assurances that our actions will be successful in executing our strategy and returning the Company to growth. Our efforts may prove more difficult than we currently anticipate. Further, we may not succeed in realizing the benefits of these efforts on our anticipated timeline or at all. In addition, as we implement our strategy, the macroeconomic environment, including but not limited to, certain adverse consequences of the COVID-19 pandemic that continue to impact the macroeconomic environment, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior may make it more difficult to effectively execute our strategy, including to quickly test, learn and scale initiatives relating to improving inventory selection or improving customer experience. Even if fully implemented, our strategy may not result in a return to growth or the other anticipated benefits to our business, financial condition and results of operations. If we are unable to effectively execute our strategy and realize its anticipated benefits, it could negatively impact our business, financial condition and results of operations.

Our restructuring plan could be disruptive to our operations and adversely affect our results of operations and financial condition, and we may not realize some or all of the anticipated benefits of this plan in the time frame anticipated or at all.

In August 2022, we initiated a multi-phase cost savings plan designed to reduce our expense structure and align with our go-forward business and financial objectives. The cost savings plan included a restructuring plan, with the first phase of the plan approved by our Board of Directors on August 5, 2022 and the second phase approved by our Board of Directors on January 25, 2023. The implementation of the restructuring plan, including the impact of workforce reductions and other non-payroll cost savings measures could be disruptive to our operations, make it difficult to attract or retain employees, result in higher than anticipated charges, and otherwise adversely affect our results of operations and financial condition. In addition, our ability to complete the restructuring plan and achieve the anticipated benefits from the plan within the expected time frame or at all is subject to estimates and assumptions and may vary materially from our expectations, including as a result of factors that are beyond our control. Furthermore, following completion of the restructuring plan, our business may not be more efficient or effective than prior to implementation of the restructuring plan.

Our operating results may vary significantly from quarter to quarter.

Our operating results may vary significantly from quarter to quarter due to the rapidly evolving nature of our business and other reasons. We believe that our ability to achieve and maintain revenue growth and profitability will depend, among other factors, on our ability to:

- respond to macroeconomic challenges, including but not limited to, certain adverse consequences of the COVID-19 pandemic that continue to impact the macroeconomic environment, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior and the ability to optimize our supply to take into account consumer preferences at a particular point in time;
- acquire new customers, retain existing customers and increase customer purchase frequency;
- attract and retain high-quality merchants;
- maintain our current relationships with or attract new vendors, suppliers and service providers on agreeable terms;
- maintain contracts that are critical to our operations;
- attract and retain key employees, including attracting and retaining talent with an appropriate level of skill and experience, including product and technology expertise, cybersecurity expertise, GAAP knowledge and experience to create the proper control environment for effective internal control over financial reporting;
- effectively address and respond to challenges in international markets;
- increase the variety, quality, density and relevance of supply, including through third party business partners and technology integrations;
- deliver a marketplace experience on our website and mobile applications that meets the needs of our customers and merchants;
- increase booking capabilities;
- increase the awareness of, and evolve, our brand to a local experiences marketplace;
- continue to reduce costs and maintain cost discipline to benefit from our reduced cost structure;
- performance of our Goods category following transition to a third party marketplace model;
- successfully achieve the anticipated benefits of business combinations or acquisitions, strategic investments and divestitures;
- complete the multi-phased cost savings plan and achieve the anticipated benefits from the plan;
- provide a superior customer service experience for our customers;
- avoid interruptions to our services, including as a result of attempted or successful cybersecurity attacks or breaches;

- respond to continuous changes in consumer and merchant use of technology;
- optimize and diversify our traffic channels;
- react to challenges from existing and new competitors;
- respond to periodic changes in supply and demand; and
- address challenges from existing and new laws and regulations.

In addition, our margins and profitability may depend on our inventory mix, geographic revenue mix, discount rates mix and merchant and third-party business partner pricing terms. Accordingly, our operating results and profitability may vary significantly from quarter to quarter.

Our international operations are subject to varied and evolving sociopolitical conditions as well as commercial, employment and regulatory challenges, and our inability to adapt to the diverse and changing landscapes of our international markets may adversely affect our business.

Our international operations require management attention and resources and also require us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. Our international operations are subject to numerous risks, including the following:

- our ability to maintain merchant and customer satisfaction such that our marketplace will continue to attract high quality merchants;
- our ability to successfully respond to macroeconomic challenges, including but not limited to, certain adverse consequences of the COVID-19 pandemic that continue to impact the macroeconomic environment, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior and the ability to optimize our supply to take into account consumer preferences at a particular point in time;
- political, economic and civil instability and uncertainty (including acts of terrorism, civil unrest, labor unrest, violence and outbreaks of war and pandemics or other disease outbreaks);
- disruptions and instability in the international markets in which we operate, including Poland, as a result of the ongoing conflict in Ukraine;
- currency exchange rate fluctuations;
- strong local competitors, who may better understand the local market and/or have greater resources in the local market;
- different regulatory or other legal requirements (including potential fines and penalties that may be imposed for failure to comply with those requirements), such as regulation of gift cards and coupon terms, Internet services, professional selling, distance selling, bulk emailing, privacy and data protection (including GDPR), cybersecurity, business licenses and certifications, taxation (including the European Union's voucher directive, digital service tax and similar regulations and any audits), consumer protection laws including those restricting the types of services we may offer (e.g., medical-related services), banking and money transmitting, that may limit or prevent the offering of our services in some jurisdictions, cause unanticipated compliance expenses or limit our ability to enforce contractual obligations;
- our ability to use a common technology platform in our North America and International segments to operate our business without significant business interruptions or delays;
- difficulties in integrating with local payment providers, including banks, credit and debit card networks and electronic funds transfer systems;
- the ability to quickly and effectively consult with, negotiate and seek the consent or opinion of, various employee groups, our international workers' councils and trade unions that represent our international employees on various matters including restructuring actions, strategic decisions, any changes to our activities or employee benefits and other business critical matters, which could result in the delay of executing key actions or product delivery and increase costs;
- the local legal restrictions relating to employment and staffing;

- difficulty in staffing, including attracting and retaining talent with an appropriate level of skill and experience, including product and technology expertise, cybersecurity expertise, GAAP knowledge and experience to create the proper control environment for effective internal control over financial reporting, developing and managing foreign operations, including through centralized shared service centers, as a result of distance, language barriers and cultural differences;
- periodic reductions in business activity;
- expenses associated with localizing our products; and
- differing intellectual property laws.

We are subject to complex laws and regulations that apply to our international operations, such as data privacy and protection requirements, including GDPR, the Foreign Corrupt Practices Act, the UK Anti-Bribery Act and similar local laws prohibiting certain payments to government officials, banking and payment processing regulations and anti-competition regulations, among others. The cost of complying with these various, and sometimes conflicting, laws and regulations is substantial. We have implemented and continue to implement policies and procedures to ensure compliance with these laws and regulations, however, we cannot ensure that our employees, contractors, or agents will not violate our policies. Changing laws, regulations and enforcement actions in the United States and throughout the world could harm our business. If commercial and regulatory constraints in our international markets restrict our ability to conduct our operations or execute our strategic plan, our business may be adversely affected.

Our future success depends upon our ability to attract and retain high quality merchants and third-party business partners.

We must continue to attract and retain high quality merchants in order to increase profitability and grow our marketplace. A key priority of our strategy is to improve inventory selection on our marketplace, which depends on our ability to attract and retain the right merchants . We are also focused on improving the merchant experience on our platform, including improving tools available to merchants to help grow their businesses. Further, COVID-19 negatively impacted many of our merchants, including through staffing shortages and supply chain issues, and in some cases we have not been, and may not be able to retain or re-acquire these merchants in the future. In addition, our Goods category utilizes a third-party marketplace model, and we may not be able to maintain vendor relationships on favorable payment terms, margins or at all. If we are not able to effectively attract and retain merchants or third party partners, it could adversely affect our business and results of operations.

In addition, in most instances, we do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to customers or favorable payment terms to us. If merchants or third party partners decide that utilizing our services no longer provides an effective means of attracting new customers or selling their offerings, they may stop working with us or negotiate to pay us lower margins or fees. In addition, current or future competitors may accept lower margins, or negative margins, to secure offers that attract attention and acquire new customers. We also may experience attrition in our merchants resulting from several factors, including losses to competitors and merchant closures or merchant bankruptcies. If we are unable to attract and retain high quality merchants and third party partners in numbers sufficient to grow our business, or if merchants and third party partners are unwilling to offer products or services with compelling terms through our marketplace, our operating results may be adversely affected.

If we fail to retain our existing customers or acquire new customers, our operating results and business will be harmed.

We must continue to retain and acquire customers who make purchases on our platform in order to increase profitability and grow our marketplace. COVID-19 negatively impacted our ability to attract and retain customers, and although we remain focused on re-engaging prior customers and acquiring new customers, our efforts may not be successful. Further, as our customer base evolves, the composition of our customers may change in a manner that makes it more difficult to generate revenue to offset the loss of prior and existing customers and the costs associated with acquiring and retaining customers and to maintain or increase our customers’ purchase frequency. If customers do not perceive our offerings to be attractive or if we fail to introduce new and more relevant deals or increase awareness and understanding of the offerings on our marketplace platform, we may not be able to retain or acquire customers at levels necessary to grow our business and profitability. In addition, changes to search engine algorithms or similar actions are not within our control and could adversely affect traffic to our websites and mobile applications. If we are unable to re-engage and acquire new customers in numbers sufficient to grow our business and offset the number of customers that have ceased to make purchases, or if new customers do not make purchases at expected levels, our revenue may decrease and our operating results may be adversely affected.

We operate in a highly competitive industry with relatively low barriers to entry and must compete successfully in order to grow our business.

Competition in our industry may increase in future periods. We compete against e-commerce sites that attempt to replicate our business model, companies that offer other types of advertising and promotional services to local businesses and companies who address only specific verticals in the local experiences market. In addition to such competitors, we may experience increased competition from other large businesses who offer deals similar to ours as an add-on to their core business. We also compete with other companies that offer digital coupons through their websites or mobile applications. Further, we compete against other e-commerce companies that serve niche markets and interests, including within the local experiences market. In our Travel and Goods categories, we compete against much larger companies who have more resources and significantly greater scale. In addition, we compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies who provide coupons and discounts on products and services.

We believe that our ability to compete successfully depends upon many factors both within and beyond our control, including the following:

- the continued consequences of the macroeconomic environment, including but not limited to, certain adverse consequences of the COVID-19 pandemic that continue to impact the macroeconomic environment, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior;
- the size, composition and retention of our customer and merchant bases;
- density and quality of our inventory;
- delivery of a modern user experience for customers and modern experience and tools for merchants;
- mobile penetration;
- understanding local business trends;
- our ability to structure deals to generate positive return on investment for merchants;
- the timing and market acceptance of deals we offer, including the developments and enhancements to those deals offered by us or our competitors;
- our customer and merchant service and support efforts;
- our ability to maintain our current relationships with or attract new vendors, suppliers and service providers on agreeable terms;
- our ability to maintain contracts that are critical to our operations;
- selling and marketing efforts;
- ease of use, performance, price and reliability of services offered either by us or our competitors;
- our ability to improve customer purchase frequency and customer lifetime value;
- our ability to drive traffic to our marketplace;
- the number, quality and reliability of the digital coupons that can be accessed through our platform;
- the quality and performance of our merchants;
- our ability to cost-effectively manage our operations and to complete the multi-phased cost savings plan and achieve the anticipated benefits from the plan; and
- our reputation and brand strength relative to our competitors.

Some of our competitors have longer operating histories, greater financial, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to benefit from their existing customer base with lower customer acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in consumer habits. Further, the macroeconomic environment may not have had or in the future have a comparable impact on these competitors' businesses. In addition, our competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer and/or merchant bases or generate revenue from their customer bases more effectively than we do. Our competitors may offer deals that are similar to the deals we offer or that achieve greater market acceptance than the deals we offer. This could attract customers away from our websites and mobile applications, reduce our market share and adversely impact our gross profit. In addition, we are dependent on some of our existing or potential competitors for display advertisements and other marketing initiatives to acquire new customers. Our ability to utilize their platforms to acquire new customers may be adversely affected if they choose to compete more directly with us or prevent us from using their services.

Our success is dependent upon our ability to provide a superior mobile experience for our customers and our customers' continued ability to access our offerings through mobile devices.

In the year ended December 31, 2022, over 80% of our global transactions were completed on mobile devices. In order to continue to grow our mobile transactions and improve mobile conversion rates, it is critical that our applications are compatible with a range of mobile technologies, systems, networks and standards and that we provide a good, modern customer experience. Our business may be adversely affected if our customers choose not to access our offerings on their mobile devices, we are not successful in increasing mobile conversion rates or if we fail to develop applications and product enhancements with adequate functionality and a positive customer experience on a wide range of mobile devices. In addition, the success of our mobile application depends on our continued ability to distribute it through mobile application marketplaces (e.g., an app store).

An increase in our refund rates or estimated liabilities with respect to unredeemed vouchers could adversely affect our financial results.

In prior years, COVID-19 had a significant impact on refunds and any downturns in general economic conditions or extended period of low consumer confidence in the future could also increase our refund rates. An increase in our refund rates could significantly reduce our liquidity, profitability and financial results. We estimate future refunds based on historical refund experience by category. We assess the trends that could affect our estimates on an ongoing basis and make adjustments to the refund reserve calculations if it appears that changes in circumstances, including changes to our refund policies or general economic conditions, may cause future refunds to differ from our initial estimates. Our actual level of refund claims could prove to be greater than the level of refund claims we estimate. If our refund reserves are not adequate to cover future refund claims, this inadequacy could have a material adverse effect on our financial results. In addition, we may not be able to obtain reimbursement from merchants for refunds that we issue, which could have an adverse effect on our financial results.

We primarily use redemption payment terms with our merchants globally, and we are required under the applicable revenue recognition standard to estimate variable consideration from unredeemed vouchers. As a result, a significant percentage of our transactions require us to use projections in order to estimate revenue and liabilities associated with unredeemed vouchers. If the estimates that we use in projecting the likelihood of vouchers being redeemed prove to be inaccurate, our liabilities with respect to unredeemed vouchers may be materially different than the amounts shown in our financial statements, and our revenue and net income could be materially affected.

The loss of key executives, members of our management team and employees across our organization, or our failure to attract and retain other highly qualified personnel in the future could harm our business.

In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, accounting and sales positions. Hiring and retaining qualified executives, engineers, sales representatives and other key personnel are critical to our success, and competition can be intense for experienced and well qualified executives and employees, particularly in recent periods. In 2021 and 2022, we experienced significant leadership changes, including the appointment of a new Chief Executive Officer in December 2021, as well as appointing our Interim Chief Financial Officer and Interim Chief Accounting Officer into such roles permanently in November 2022 and May 2022, respectively. Additionally, in February 2023, our Chief Administrative Officer, General Counsel and Corporate Secretary resigned. Furthermore, we have experienced continued disruption in our business due to the announcement of our cost savings plan and significant turnover in our senior management team. Reductions in our workforce have led to employees filling certain key roles and we may experience additional changes in key roles in the future. Executive leadership and senior management transitions, reductions in workforce and significant employee turnover can be time consuming, difficult to manage, create instability, cause disruption to our business, impede our day-to-day operations and our ability to fully implement our business and growth strategy. These impacts also make it more difficult to attract and retain talent. In addition, such transitions, reductions in workforce and turnover cause the loss of institutional knowledge, which can negatively impact the execution of our day-to-day operations and the ability to carry out our business strategy.

In order to attract and retain key executives and employees in a competitive marketplace, we must provide a competitive compensation package, including cash and equity-based compensation. If the anticipated value of such equity-based compensation does not materialize, if our equity-based compensation otherwise ceases to be viewed as a valuable benefit or if our total compensation package is not viewed as competitive, our ability to attract, retain and motivate key executives and employees could be weakened. The failure to successfully hire and retain key executives and employees or the further loss of any key executives, senior management and employees could have a significant impact on our operations, including declining product identity and competitive differentiation, eroding employee morale and productivity or an inability to maintain internal controls, regulatory or other compliance related requirements.

Failure to deal effectively with fraudulent transactions and customer disputes would increase our loss rate and harm our business.

We sell a variety of offerings to consumers through our marketplace, including our vouchers and digital coupon offerings with unique identifier codes. It is possible that consumers or other third parties will seek to create counterfeit vouchers or codes, fraudulent accounts or fraudulent banking information in order to improperly purchase or redeem goods and services. While we use advanced anti-fraud technologies, criminals may attempt to circumvent our anti-fraud systems using increasingly sophisticated methods. In addition, our service could be subject to employee fraud or other internal security breaches or merchant fraud, and we may be required to reimburse customers or merchants for any funds stolen or revenue lost as a result of such breaches. If merchants are affected by buyer fraud or other types of fraud, they could also request reimbursement, or stop offering goods or services on our marketplaces.

Although we have not incurred material losses from fraud or counterfeit vouchers or digital codes in the past, we could incur material losses from such activities in future periods. Additionally, we may incur losses from claims that the customer did not authorize a purchase, from credit card fraud, from merchant fraud, from erroneous transmissions, and from customers who have closed bank accounts or have insufficient funds in them to satisfy payments. We also may incur losses as a result of purchases made with fraudulent credit card information, even if the associated financial institution approved payment of the transaction. In addition to the direct costs of any such losses, if the losses are related to credit card transactions and become excessive, they could potentially result in our losing the right to accept credit cards for payment. If we were unable to accept credit cards for payment, we would suffer substantial reductions in revenue, which would cause our business to suffer. While we have taken measures to detect and reduce the risk of fraud, these measures need continual improvement and may not be effective against new and continually evolving forms of fraud and may not timely detect fraud. If we are unable to effectively combat fraudulent transactions or if we otherwise experience increased levels of fraud or disputed credit card payments, our business could materially suffer.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit cards, debit cards and gift certificates. As we offer new payment options to customers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. In addition, our credit card and other payment processors generally have broad discretion to impose receivable holdbacks or reserve requirements based on changes to our business model or material changes in our financial condition, and could do so in the future. Any material increase in receivable holdbacks or reserve requirements could have a material impact on our cash flow and available liquidity. In the event our strategy is unsuccessful or our business and financial condition deteriorates significantly, these payment processors could increase holdback amounts or reserve requirements due to concerns with our financial condition, which could adversely affect our liquidity. Additionally, if any of our payment processors, who we rely on for processing of credit cards and debit cards, were to become unwilling or unable to provide these services to us, including by terminating its relationship with us, whether as a result of a failure by us to meet our contractual obligations or for other reasons, or if any of them were to refuse to renew or renegotiate its agreement with us on commercially acceptable terms, it could disrupt our business, which could adversely impact our financial condition and reputation.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. Specifically, we are required to meet certain Payment Card Industry ("PCI") Data Security Standards issued by the Payment Card Industry Security Standards Council. If we fail to maintain PCI compliance or compliance with other related rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from customers or facilitate other types of online payments, and our business and operating results could be adversely affected.

We are also subject to or voluntarily comply with a number of other laws and regulations relating to money laundering, international money transfers, privacy and information security and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to civil and criminal penalties. In addition, events affecting our third-party payment processors or our integration with them, including cyber-attacks, Internet or other infrastructure or communications impairment or other events that could interrupt the normal operation of our payment processors or our integration with them, or result in unauthorized access to customer information, could have a material adverse effect on our business.

We have identified a material weakness in our internal control over financial reporting which could, if not remediated or if we identify additional material weaknesses or other adverse findings in the future, impair our ability to report accurate and timely financial information, adversely affect investor confidence and have a material and adverse effect on our financial condition and results of operations.

Management evaluated an immaterial accounting error related to accrued merchant payables. Although the error did not affect payments to merchants, an incorrect calculation caused the accrued merchant payable balance to be understated by an immaterial amount, and there is a reasonable possibility our existing controls would not have detected the error in a timely manner if it were to be material. As a result of the accounting error, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness exists due to inadequate preventative and detective controls over complex manual calculations used to record certain month-end balances.

Management is committed to maintaining a strong internal control environment and believes its remediation efforts will represent an improvement to the control environment. Management anticipates that the new controls, as implemented and when tested for a sufficient period of time, will remediate the material weakness.

We may not be successful in implementing these remediation measures or in developing other internal controls, which may impair our ability to report accurate and timely financial information. These remediation measures may be time consuming and costly and there is no assurance that the measures we have taken to date, or any measures we may take in the future, will remediate the material weakness identified or be sufficient to avoid potential future material weaknesses. Further, we will not be able to fully assess whether the steps we are taking will remediate the material weakness in our internal control over financial reporting until we have completed our implementation efforts and sufficient time passes in order to evaluate their effectiveness. In addition, until we remediate the material weakness, or if we identify additional material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and our stock price may decline as a result.

For further discussion of the material weakness, see Item 9A. Controls and Procedures.

Risks Related to Technology and Cybersecurity

We rely on email, Internet search engines and mobile application marketplaces to drive traffic to our marketplace.

The traffic to our websites and mobile applications, including from consumers responding to our emails and search engine optimization ("SEO"), has declined in recent years. As such, we must focus on diversifying our sources of traffic, including by developing sources of traffic in addition to email and SEO and optimizing the efficiency of our marketing spending. If we are not able to diversify our sources of traffic and acquire and retain customers efficiently, our business and results of operations could be adversely affected.

Email continues to be a significant source of organic traffic for us. If email providers or Internet service providers implement new or more restrictive email or content delivery or accessibility policies, including with respect to net neutrality, it may become more difficult to deliver emails to our customers or for customers to access our site and services. For example, certain email providers, including Google, categorize our emails as "promotional," and these emails are directed to an alternate, and less readily accessible, section of a customer's inbox. If email providers materially limit or halt the delivery of our emails, or if we fail to deliver emails to customers in a manner compatible with email providers' email handling or authentication technologies, our ability to contact customers through email could be significantly restricted. In addition, if we are placed on "spam" lists or lists of entities that have been involved in sending unwanted, unsolicited emails, our operating results and financial condition could be substantially harmed. In addition, in 2021, Apple released an iOS update, which updated its privacy practices and policies, limiting the ability of email senders to track recipients' email activity. Additionally, in 2022, Google announced plans to adopt new privacy related changes to its Android advertising identifiers. Such actions, and similar actions in the future, could adversely impact our email open rates, our ability to drive traffic to our marketplace and the effectiveness and efficiency of our email marketing, any of which could have a negative impact on our business and results of operations.

We also rely heavily on Internet search engines to generate traffic to our websites, principally through search engine marketing ("SEM") and SEO. The number of consumers we attract from search engines to our platform is due in large part to how and where information from, and links to, our websites are displayed on search engine results pages. The display, including rankings, of search results can be affected by a number of factors, many of which are not in our control and may change at any time. Search engines frequently update and change the logic that determines the placement and display of the results of a user's search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. In addition, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our websites to place lower in search query results. If a major Internet search engine changes its algorithms in a manner that negatively affects our search engine ranking it could create additional traffic headwinds for us and negatively affect our results of operations.

Furthermore, web browser providers have implemented and may continue to implement changes in their browsers. For example, Google has indicated it intends to further restrict the use of third-party cookies in its Chrome browser, consistent with similar actions taken by the owners of other browsers. Such actions may adversely impact our ability to successfully drive traffic to our marketplace and limit the effectiveness and efficiency of our marketing.

We also rely on mobile marketplace operators (i.e., app store operators) to drive downloads of our mobile application. If any mobile marketplace operator determines that our mobile application is non-compliant with its vendor policies, the operator may revoke our rights to distribute through its marketplace or refuse to permit a mobile application update at any time. These operators may also change their mobile application marketplaces or mobile operating systems in a way that negatively affects the prominence of, effectiveness of, or ease with which users can access, our mobile application. For example, Apple made changes to iOS and its App Tracking Transparency policy, which now requires apps to get a user's opt-in permission before tracking or sharing the user's data across apps or websites owned by companies other than the app's owner. Such actions, and similar actions in the future, could adversely impact our ability to drive traffic to our mobile application and marketplace, the ability of customers to access our offerings through mobile devices and the effectiveness and efficiency of our marketing, any of which could have a negative impact on our business and results of operations.

Email, Internet service and web browser providers, as well as Internet search engines and mobile marketplace operators continue to remain focused on concerns surrounding user and data privacy and protection.

Any of these parties may take additional action in the future to respond to such concerns, which could have a negative impact on our business and results of operations.

We may be subject to breaches of our information technology systems, which could harm our relationships with our customers, merchants, employees and third-party business partners, subject us to negative publicity and litigation, and cause substantial harm to our business or brand.

In operating a global online business, we and our third-party service providers maintain significant proprietary information and maintain large amounts of personal data and confidential information about our employees, customers and merchants. We and such service providers are at constant risk of cyber-attacks or cyber intrusions via the Internet, computer viruses, break-ins, malware, ransomware, phishing attacks, hacking, denial-of-service attacks or other attacks and similar disruptions from the unauthorized use of or access to computer systems (including from internal and external sources). These types of incidents continue to be prevalent and pervasive across industries, including in our industry, and such attacks on our systems have occurred in the past and are expected to occur in the future. In addition, we expect the amount and sophistication of the perpetrators of these attacks to continue to expand, which could include nation-state actors. Further, we believe that we are a compelling target for such attacks as a result of the high profile of our brand and the amount and type of information we maintain relating to our customers and merchants. Any such incident could lead to interruptions, delays or website outages, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. Further, third party service providers we utilize in our operations could be targeted by such cyber attacks, which could indirectly impact our business, by way of similar adverse consequences to a direct attack depending on the type of service.

Any failure to prevent or mitigate cybersecurity breaches or other improper access to, or disclosure of, our data or confidential information, including non-public financial information, could result in the loss or misuse of such data or information, negatively impacting customers', merchants', employees' and third-party business partners' confidence in the security of our services and potentially resulting in significant customer or merchant attrition, a decline in customer purchase frequency, litigation and/or regulatory investigations, and/or damage to our brand and reputation.

Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our prominent size and scale, the large number of transactions that we process, our geographic footprint and international presence, the complexity of our systems, our number of employees, the jurisdictions in which we operate and the various and evolving laws and regulatory schemes governing data and data protection applicable to us, the extent to which our current systems, controls, processes and practices permit us to detect, log and monitor security events, our use of cloud based technologies and the outsourcing of some of our business operations.

Although cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access are a high priority for us, our activities and investment may not be deployed quickly enough or successfully protect our systems against all vulnerabilities, including technologies developed to bypass our security measures or zero day vulnerabilities. In addition, outside parties may attempt to fraudulently induce employees, merchants or customers to disclose access credentials or other sensitive information in order to gain access to our systems and networks. We also may be subject to additional vulnerabilities as we utilize third parties to provide various services for our operations (e.g., cloud services) and integrate the systems, computers, software and data of acquired businesses and third-party business partners into our networks and separate the systems, computers, software and data of disposed businesses from our networks.

We maintain a cybersecurity risk management program that is overseen by our IT and Information Security teams. A member of our IT and Information Security teams regularly reports to the Audit Committee on the state of our cybersecurity program and provides updates on cybersecurity matters. We also conduct an annual cybersecurity review with our Board . As part of our cybersecurity risk management program, we employ security practices to protect and maintain the systems located at our hosting providers, invest in intrusion, anomaly, and vulnerability detection tools and engage third-party security firms to test the security of our websites and systems. In addition, we regularly evaluate and assess our systems and the controls, processes and practices to protect those systems and also conduct penetration testing against our own systems. The evaluations, assessments and testing identify areas of potential weakness in, and suggested improvements to, the maturity of our systems, processes, and risk management framework as well as vulnerabilities in those systems, processes, and risk management framework that could be attacked and exploited to access and acquire proprietary and confidential information, including information about our customers and merchants. There are no assurances that our cybersecurity risk mitigation program or actions and investments to improve the maturity of our systems, processes and risk management framework or remediate vulnerabilities will be sufficient or completed quickly enough to prevent or limit the impact of any cyber intrusion or related attack. In addition, in the future we may be required to expend significant additional resources to modify or enhance our protective measures, controls and systems or to improve the maturity of our systems, processes and risk management framework, or investigate or remediate any information security vulnerabilities. These improvements, modifications and enhancements may take significant time to implement. Further, the sophistication of potential attacks or the capabilities of our systems and processes may not permit us to detect the occurrence of cyber incidents until significant data loss has occurred. Moreover, because the techniques used to gain access to or sabotage systems often are not recognized until launched against a target, we may be unable to anticipate the methods necessary to defend against these types of attacks and we cannot predict the extent, frequency or impact these problems may have on us. Any actual breach, the perceived threat of a breach or a perceived breach, could cause our customers, merchants, employees and payment card processors to cease doing business with us or do business with us less frequently, subject us to lawsuits (including claims for damages), investigations, regulatory fines or other action or liability or damage to our brand and reputation, which would harm our business, financial condition and results of operations.

Our business depends on our ability to maintain and improve the technology infrastructure necessary to send our emails and operate our websites, mobile applications and transaction processing systems, and any significant disruption in service on our email network infrastructure, websites, mobile applications or transaction processing systems could result in a loss of customers or merchants.

Customers access our marketplaces through our websites and mobile applications, as well as via emails that are often targeted by location, purchase history and personal preferences. Customers can also access our deal offerings indirectly through third-party search engines. Our reputation and ability to acquire, retain and serve our current and potential customers are dependent upon the reliable performance of our websites, mobile applications, email delivery and transaction processing systems and the underlying network infrastructure. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be prolonged and harmful to our business. If our websites or mobile applications are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not return as often in the future, or at all. We have spent and expect to continue to spend substantial amounts on cloud-based technology and related network infrastructure and services to handle the traffic on our websites and mobile applications and to help shorten the time of or prevent system interruptions. The operation of these systems is expensive, complex and not immune to operational failures. While resiliency and redundancy are considerations in the design and operation of Groupon's systems, interruptions, delays or failures in these systems, whether due to earthquakes, adverse weather conditions, other natural disasters, power loss, computer viruses, cybersecurity attacks, physical break-ins, terrorism, errors in our software or otherwise, could be prolonged and could affect the security or availability of our websites and applications, and prevent our customers from accessing our services. If we do not maintain or expand our infrastructure successfully or if we experience operational failures or prolonged disruptions or delays in the availability of our systems, we could lose current and potential customers and merchants, which could harm our operating results and financial condition.

In addition, a portion of our infrastructure is hosted by third-party providers. We also rely on a variety of tools and third-party commercial partners to provide certain services and offerings (e.g., booking and ticketing tools). Any disruption or failure of these providers, tools and/or other third parties to handle existing or increased traffic and transactions could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

As we increase our reliance on cloud-based applications and platforms to operate and deliver our products and services, any disruption or interference with these platforms could adversely affect our financial condition and results of operations.

We rely on cloud-based applications and platforms for critical business functions. In early 2023, we completed the migration of our public-facing websites, internal applications and services, as well as our back-end business intelligence systems from being hosted at our data centers to a multi-cloud infrastructure. If we are not able to realize the anticipated benefits of our migration to this multi-cloud infrastructure, our business could be harmed. Further, there may be unforeseen issues as a result of these migrations that may cause disruptions to the availability of our products due to service outages, downtime or other similar issues that could harm our business. We also may be subject to additional risk of cybersecurity breaches or other improper access to our data or confidential information following our migration to cloud-based computing platforms. In addition, cloud computing services may operate differently than anticipated when introduced or when new versions or enhancements are released. As we increase our reliance on cloud-based computing services, our exposure to damage from service interruptions may increase. In the event any such issues arise, it may be difficult for us to switch our operations from our primary cloud-based providers to alternative providers. Further, any such transition could involve significant time and expense and could negatively impact our ability to deliver our products and services, which could harm our financial condition and results of operations.

Risks Related to Transactions and Investments

Acquisitions, dispositions, joint ventures and strategic investments could result in operating difficulties, dilution and other consequences.

We routinely evaluate and consider a wide array of potential strategic transactions, including acquisitions and dispositions of businesses, joint ventures, technologies, services, products and other assets and minority investments. The pursuit and consummation of such transactions can result in operating difficulties, dilution, management distraction and other potentially adverse consequences. In the past, we have acquired and divested a number of companies and may complete additional transactions in the future.

Acquisitions involve significant risks and uncertainties, including uncertainties as to the future financial performance of the acquired business and the performance of acquired customers, valuation of the acquired business and integration risks such as difficulties integrating acquired personnel into our business, the potential loss of key employees, customers or suppliers, difficulties in integrating different computer, payment and accounting systems and exposure to unknown or unforeseen liabilities of acquired companies. In addition, the integration of an acquisition could divert management's time and our resources. If we pay for an acquisition or a minority investment in cash, it would reduce our cash available for operations or cause us to incur debt, and if we pay with our stock, it could be dilutive to our stockholders. Additionally, we do not have the ability to exert control over our minority investments, and therefore we are dependent on others in order to realize their potential benefits. Our current investments include non-controlling equity interests in SumUp Holdings S.a.r.l., Monster Holdings LP and Nearby Pte Ltd, as well as other less significant investments. Currently there is no public market for the securities of any such entity, and we may not have rights with respect to transactions involving any such entity. Dispositions and attempted dispositions also involve significant risks and uncertainties, such as the risk of destabilizing the applicable operations, the loss of key personnel, the terms and timing of any dispositions, the ability to obtain necessary governmental or regulatory approvals, post-disposal disputes and indemnification obligations and risks and uncertainties with respect to the separation of disposed operations, including, for example, transition services, access by purchasers to certain of our systems and tools during transition periods, the migration of data and separation of systems, data privacy matters and misuse of trademarks and intellectual property. We may be unable to successfully complete potential strategic transactions or dispositions on a timely basis or at all, or we may not realize the anticipated benefits of any of our strategic transactions or dispositions (including any transactions involving minority investments) in the time frame expected or at all.

We do not have the ability to exert control over our minority investments, and therefore we are dependent on others in order to realize their potential benefits.

We currently hold non-controlling minority investments in entities, including SumUp Holdings S.a.r.l., Monster Holdings LP and Nearby Pte Ltd, and we may make additional strategic minority investments in the future. Such minority investments inherently involve a lesser degree of control over business operations, thereby potentially increasing the financial, legal, operational and/or compliance risks associated with the investments. Other investors in these entities may have business goals and interests that are not aligned with ours, or may exercise their rights in a manner in which we do not approve. These circumstances could lead to delayed decisions or disputes and litigation with those other investors, all of which could have a material adverse impact on our reputation, business, financial condition and results of operations.

If these entities seek additional financing, such financing or other transactions may result in further dilution of our ownership stakes and such transactions have and in the future may occur at lower valuations than the investment transactions through which we acquired such interests, which could significantly decrease the fair values of our investments in those entities. Alternatively, if any such financing or other transactions occur at higher valuations in the future, we may not be able to realize the potential benefits of such higher valuation. In addition, the lack of availability of financing on commercially reasonable terms or a decline in the business performance, financial condition and competitive environment of any of our minority investments could result in lower financial results or forecasted results, which also could significantly decrease the fair values of our investments in those entities. Further, we have made an irrevocable election to account for our investments in Monster Holdings LP and Nearby Pte Ltd at fair value with changes in fair value reported in earnings. Our other equity method investments, including SumUp Holdings S.a.r.l, are accounted for at cost adjusted for observable price changes and impairments. The accounting for our investments has and may continue to cause fluctuations in our earnings from period to period, which could be significant.

Risks Related to Our Brand and Intellectual Property

We allow third parties to sell products via our site, which increases our risk of litigation and other losses.

Our Goods category is operated on a third-party marketplace model in which we allow third party merchants to sell products to our customers via our marketplace platforms. By allowing third parties to sell products on our platform, we are subject to intellectual property and other risks, including that the merchandise may be of disputed authenticity, obtained or sourced outside of the rights holder's established distribution channels or damaged, which could result in potential liability under applicable laws, regulations, agreements and orders and increase the amount of returned merchandise or customer refunds. Further, we may be found to be directly liable for actions by third party merchants who sell goods on our site. In addition, brand owners or regulators may take legal action against us. Even if we prevail, any such legal action could result in costly litigation, generate adverse publicity for us, and have a material adverse impact on our business, financial condition, results of operations, brand and reputation. Further, in any such matter, we may not be entitled to indemnification from the third-party merchant, or able to effectively enforce the merchant's contractual indemnification obligations.

We may be subject to substantial liability claims and damage to our brand and reputation if people or property are harmed by the products or services offered through our marketplace.

Some of the products and services offered through our marketplace may expose us to liability claims relating to personal injury, death, negligence, intentional misconduct, assault, abuse or environmental or property damage. Certain merchants and third parties sell products and offer services using our marketplace that based on the type of product or service, may increase our exposure to substantial claims and litigation, especially if these merchants or third-party sellers do not have sufficient protection from such claims or ability to pay for any judgments, liens, or fines that may be assessed. Although we believe we are not liable for the goods or services that merchants or third-parties offer through our marketplace, there is no assurance that a court would rule in our favor on such issues. Further, while we maintain liability insurance, we cannot be certain our coverage will apply to the claims at issue, be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In addition, some of our agreements with vendors, merchants and third-party sellers do not indemnify us from certain liability and costs or we may not be able to effectively enforce our contractual indemnification rights. Claims relating to products or services offered through our marketplace also could result in significant damage to our brand and reputation regardless of whether we are ultimately liable for any such claims.

Our processes and procedures for onboarding merchants and third-party sellers also may expose us to liability claims or damage to our brand and reputation if the processes or procedures are deemed inadequate. Additionally, while we maintain multiple channels through which our customers can submit feedback or complaints about their experiences with merchants and other third-party sellers on our platform, because our customers often deal directly with the sellers, pertinent feedback may not be provided to us. Moreover, our evaluation of any customer feedback or complaints we receive is subjective based on the information, which is sometimes very limited, that our customers provide, and we may not take, or be able to take, action in response to feedback or complaints. If our systems and procedures with respect to any such feedback or complaints are determined to be inadequate or any action or inaction is found to be inadequate, including, by way of example, not discontinuing on a timely basis offers of deals with merchants or sellers that have been the subject of material complaints, we could face substantial additional liability and damage to our brand and reputation for the misconduct of such merchants or third-party sellers.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology, merchant lists, subscriber lists, sales methodology and similar intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees and others to protect our proprietary rights. Effective intellectual property protection may not be available in every country in which our deals are made available. We also may not be able to acquire or maintain appropriate domain names or trademarks in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring and using domain names or trade names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary rights. We may be unable to prevent third parties from using and registering our trademarks, or trademarks that are similar to, or diminish the value of, our trademarks in some countries.

We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Third parties that license our intellectual property rights also may take actions that diminish the value of our proprietary rights or reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We are currently subject to multiple lawsuits and disputes related to our intellectual property and service offerings. We may in the future be subject to additional litigation and disputes. The costs of engaging in such litigation and disputes are considerable, and there can be no assurances that favorable outcomes will be obtained.

We are currently subject to third-party claims that we infringed upon proprietary rights or trademarks and expect to be subject to additional claims in the future. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages by us. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of customers and merchants could be impaired and our business and operating results could be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "Groupon" brand is critical to expanding our base of customers and merchants. In addition, maintaining and enhancing our brand may require us to make substantial additional investments over time and these investments may not be successful. If we fail to promote, maintain and protect the "Groupon" brand, our business, operating results and financial condition may be adversely affected. We anticipate that, as the local experiences market becomes increasingly competitive, maintaining and enhancing our brand may become more difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to continue to provide reliable, trustworthy and high quality inventory on our marketplace, which we may not do successfully.

We receive a high degree of media coverage around the world. Unfavorable publicity or consumer perception of our websites, mobile applications, practices or service offerings, or the offerings of our merchants or their products, could adversely affect our reputation, resulting in difficulties in recruiting, decreased revenue and a negative impact on the number of merchants we feature and the size of our customer base, the loyalty of our customers and the number and variety of our offerings. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Legal, Regulatory, Privacy and Tax Matters

We are involved in pending litigation and other claims and an adverse resolution of such matters may adversely affect our business, financial condition, results of operations and cash flows.

We are involved from time to time in litigation regarding, among other matters, patent and other intellectual property claims, consumer claims, contract disputes with merchants and vendors, employment claims, and securities law claims. Litigation, dispute resolution proceedings and investigations can be expensive, time-consuming and disruptive to normal business operations. The results of complex legal proceedings are often uncertain and difficult to predict. An unfavorable outcome with respect to any of these lawsuits or claims could have a material adverse effect on our business, financial condition, results of operations and cash flows. For additional information, see Item 8, Note 9, *Commitments and Contingencies*, to the Consolidated Financial Statements.

The COVID-19 pandemic may also result in additional litigation including disputes with merchants, customers, vendors, and others over refunds, payments, and contract terms. We may also be the target of tort or negligence claims relating to incidents, injuries or illnesses incurred by customers visiting merchants. Although we disclaim legal liability for such claims and advise all of our customers that the merchants are solely responsible to purchasers for the care and quality of the advertised goods and services, there is no assurance that a court would rule in our favor on such issues. We also hold indemnity rights with respect to merchants in relation to any such claims, but there is no assurance that merchants will be sufficiently capitalized to cover all incurred losses.

Although we maintain insurance, we cannot be certain our coverage will apply to the claims at issue, be adequate for any liability incurred or continue to be available to us on economically reasonable terms, or at all. The cost of insurance, including directors and officer insurance, errors and omission insurance, product liability, general liability insurance and other types of policies, has increased and could increase further at any time or become more limited based on market conditions or other circumstances outside of our control. Furthermore, certain insurance coverages may not be available for specific risks faced by us. Insurance premium increases and increased risk due to lack of availability, reduced coverage or increased deductibles could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The application of certain laws and regulations, including, among other laws, the CARD Act and similar state and foreign laws, may harm our business and results of operations.

The application of certain laws and regulations to vouchers is uncertain. Vouchers may be considered gift cards, gift certificates, stored value cards or prepaid cards and therefore governed by, among other laws, the CARD Act, and state laws governing gift cards, stored value cards and coupons, and, in certain instances, potentially subject to unclaimed and abandoned property laws. Other foreign jurisdictions have similar laws in place, in particular European jurisdictions where the European E-Money Directive regulates the business of electronic money institutions. Many of these laws contain provisions governing the use of gift cards, gift certificates, stored value cards or prepaid cards, including specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. For example, if vouchers are subject to the CARD Act and are not included in the exemption for promotional programs, it is possible that the purchase value, which is the amount equal to the price paid for the voucher, or the promotional value, which is the add-on value of the voucher in excess of the price paid, or both, may not expire before the later of (i) five years after the date on which the voucher was issued; (ii) the voucher's stated expiration date (if any); or (iii) a later date provided by applicable state law. In the event that it is determined that vouchers sold through our platform are subject to the CARD Act or any similar state or foreign law or regulation, and are not within various exemptions that may be available under the CARD Act or under some of the various state or foreign jurisdictions, our liabilities with respect to unredeemed vouchers may be materially higher than the amounts shown in our financial statements and we may be subject to additional fines and penalties.

In addition, from time to time, we may be notified of additional laws, or developments in existing laws and regulations that governmental organizations or others may claim should be applicable to our business, or that otherwise affect our operations. If we are required to alter our business practices, or there are other market changes, as a result of any laws and regulations, our revenue could decrease, our costs could increase and our business could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to, or otherwise reacting to, such legal or regulatory developments, and any related payments (including penalties, judgments, settlements or fees) could adversely impact our profitability. To the extent that we expand into new lines of business and new geographies, we will become subject to additional laws and regulations.

If we are required to materially increase the liability recorded in our financial statements with respect to unredeemed vouchers our results of operations could be materially and adversely affected.

In certain states and foreign jurisdictions, vouchers may be considered a gift card. Some of these states and foreign jurisdictions include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the full value or a portion of the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and record-keeping obligations. We do not remit any amounts relating to unredeemed vouchers based on our assessment of applicable laws. The analysis of the potential application of the unclaimed and abandoned property laws to vouchers is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our contractual relationship with customers and merchants. In recent periods, we increased our use of redemption payment terms with our North America merchants. The determinations we make with respect to variable consideration that we earn on those transactions may be subject to the laws described above. In the event that one or more states or foreign jurisdictions successfully challenges our position on the application of its unclaimed and abandoned property laws to vouchers, our liabilities with respect to unredeemed vouchers, including any resulting penalties and interest, may be materially higher than the amounts shown in our financial statements which could have a material adverse impact on our results of operations.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce, which could impede our growth or limit our ability to offer certain online services in the future. These regulations and laws may involve taxation, tariffs, subscriber privacy, anti-spam, data protection, content, reference pricing, copyrights, distribution, communications, consumer protection, the provision of online payment services and the characteristics and quality of services. The application of existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy to the Internet is not clear as the vast majority of these laws were adopted prior to the advent of, and do not contemplate or address the unique issues raised by, the Internet or e-commerce. In addition, it is possible that governments of one or more countries may seek to censor, or entirely block access to the content available on our websites, mobile applications, or marketing emails. Adverse legal or regulatory developments also could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our gross profit as anticipated.

Failure to comply with existing, expanding or newly enacted U.S. federal, state and international privacy laws and regulations could adversely affect our business.

A variety of U.S. federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. The existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations. In addition, various U.S. federal, state and foreign legislative and regulatory bodies continue to enact new laws regarding privacy, as well as expand the scope of existing laws. For example, GDPR requires companies to satisfy requirements regarding the handling of personal and sensitive data, including its collection, use, security and the ability of persons whose data is stored to correct or delete such data about themselves. European countries continue to expand the scope of its application of GDPR within their local legislation. The California Privacy Rights Act (the "CPRA"), which expands on and effectively replaces the California Consumer Privacy Act (the "CCPA") that became effective January 1, 2023, similarly regulates the collection and use of consumers' data, and includes additional protection for sensitive personal data. The Virginia Consumer Data Protection Act (the "CDPA") and the Colorado Privacy Act (the "CPA"), which will both go into effect in 2023 provide new data privacy rights to their respective residents. Complying with the GDPR, CCPA, CPRA, CDPA, CPA and similar laws and regulations may cause us to incur substantial operational costs or require us to change our business practices. Further, despite our diligent efforts to comply with these laws and regulations, we may not be successful either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. Noncompliance could result in proceedings against us by governmental entities or others and fines. For example, fines under GDPR could be up to the greater of €20 million or 4% of annual global revenue and damage our reputation and brand and non-compliance with CPRA could result in fines of up to $7,500 per violation in addition to providing consumers with a private right of action. As a result of GDPR, CCPA, CPRA and similar laws and regulations, we may experience difficulty retaining or obtaining new customers due to the compliance cost, potential risk exposure and portability of customer data. We also may find it necessary to establish and maintain systems and procedures to comply with these evolving laws and regulations that involve substantial expense and distraction from other aspects of our business. Additionally, there could be uncertainty around how to comply with privacy laws, in various jurisdictions such as country or state-specific laws that may conflict with or deviate from established privacy directives, or future laws and regulations in other jurisdictions.

We have posted privacy policies concerning the collection, use and disclosure of subscriber data as well as detailed cookie policies on our websites and applications. Several Internet companies have incurred substantial penalties for failing to abide by the representations made in their privacy policies and practices. In addition, several states in the U.S. have adopted legislation that requires businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach resulting in a loss or likely loss of personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders or other U.S. federal, state or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in claims, proceedings or actions against us by governmental entities or other third-parties or other liabilities, which could adversely affect our business. In addition, a failure or perceived failure to comply with industry standards or with our own privacy policies and practices could result in a loss of subscribers or merchants and adversely affect our business. U.S. federal, state and international governmental authorities also continue to evaluate the privacy implications inherent in the use of web trackers, including the use of "cookies" for tracking and behavioral advertising. For example, member states in the European Union are working to align on a draft of the “ePrivacy Regulation,” which could be implemented in 2023, that would govern data privacy and the protection of personal data in electronic communications, in particular for direct marketing purposes. The regulation of web trackers and other current online advertising practices could adversely affect our business.

Misclassification or reclassification of our independent contractors, agency workers or employees could increase our costs and adversely impact our business.

Our workers are classified as either employees or non-employees (including as independent contractors or agency workers), and if employees in the U.S., as either exempt from overtime or non-exempt (and therefore overtime eligible). United States, certain foreign regulatory authorities and private parties have recently asserted within several industries that some non-employee classified individuals should be classified as employees and that some exempt employees, including those in sales-related positions, should be classified as non-exempt based upon the applicable facts and circumstances and their interpretations of existing rules and regulations. If we are found to have misclassified employees including as independent contractors, agency workers or non-exempt employees as exempt, we could face penalties and have additional exposure under U.S. federal and state tax, workers’ compensation, unemployment benefits, labor, employment and tort laws, as well as similar international laws, including for prior periods, as well as potential liability for employee overtime and benefits and tax withholdings. U.S. or foreign legislative, judicial, or regulatory (including tax) authorities could also introduce proposals or assert interpretations of existing rules and regulations that would change the classification of a significant number of independent contractors doing business with us from independent contractor to employee and a significant number of exempt employees to non-exempt. A reclassification in either case could result in a significant increase in employment-related costs such as wages, benefits and taxes as well as punitive damages in any related litigation. The costs associated with employee classification, including any related regulatory action or litigation could have a significant impact on our flexibility in managing costs and responding to market changes, and, could have a material adverse effect on our results of operations and our financial position.

We may suffer liability as a result of information or content retrieved from or transmitted over the Internet and claims related to our service offerings.

We may be, and in certain cases have been, sued for defamation, civil rights infringement, negligence, patent, copyright or trademark infringement, invasion of privacy, personal injury, product liability, breach of contract, unfair competition, discrimination, antitrust reference pricing or other legal claims relating to information or content that is published or made available on our websites or service offerings we make available (including provision of an application programming interface platform for third parties to access our website, mobile device services and geolocation applications). This risk is enhanced in certain jurisdictions outside the United States, where our liability for such third-party actions may be less clear. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not found liable. If any of these events occur, our business could be materially and adversely affected.

We are subject to risks associated with information disseminated through our websites and mobile applications, including consumer data, content that is produced by our editorial staff and errors or omissions related to the offerings on our marketplaces. Such information, whether accurate or inaccurate, may result in our being sued by our merchants, subscribers or third parties and as a result our results of operations and our financial position could be materially and adversely affected.

We may have exposure to greater than anticipated tax liabilities.

We are subject to income taxes in the United States (federal, state, and local) and numerous foreign jurisdictions. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Our income tax obligations are based on our corporate operating structure, including the manner in which we develop, value and use our intellectual property and the scope of our international operations.

The tax laws applicable to our domestic and international business activities, including the laws of the United States and other jurisdictions, are subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could potentially increase our worldwide effective tax rate and harm our financial position and results of operations. In addition, there are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. Our effective tax rates could be adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize the related tax benefits, changes in foreign currency exchange rates, entry into new businesses and geographies and changes to our existing businesses, acquisitions and investments, changes in our deferred tax assets and liabilities and their valuation and changes in the relevant tax, accounting and other laws, regulations, administrative practices, principles and interpretations, including fundamental changes to the tax laws applicable to corporate multinationals. In addition, we consider various factors that involve significant judgment by management, including projected future earnings, in determining whether we believe deferred tax assets will be realized and whether a valuation allowance should be recorded against such deferred tax assets. Our conclusions in these matters could prove to be incorrect, resulting in a reduction to deferred tax assets and lower income. Further, developments in an audit, litigation or the relevant laws, regulations, administrative practices, principles and interpretations could have a material effect on our financial position, operating results and cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods.

We also are subject to regular review and audit by both U.S. (federal, state. local) and foreign tax authorities. In particular, we currently are, and expect to continue to be, subject to numerous federal, state and international tax audits relating to income, transfer pricing, sales, VAT and other tax liabilities. Some of these pending and future audits could involve significant liabilities and/or penalties. We are subject to claims for tax assessments by foreign jurisdictions, including a proposed assessment for $113.5 million (inclusive of estimated incremental interest from the original assessment). We believe that the assessment, which primarily relates to transfer pricing on transactions occurring in 2011, is without merit and we intend to vigorously defend ourselves in that matter. See Item 8, Note 14, *Income Taxes,* for additional information. Any adverse outcome of such a review or audit could have a significant negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

The adoption of tax reform policies, including the enactment of legislation or regulations implementing changes in the tax treatment of companies engaged in Internet commerce and U.S. taxation could materially affect our financial position and results of operations.

It is possible that various states or foreign countries may regulate our transmissions or levy additional sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in Internet commerce and marketplace operators, and new or revised international, federal, state or local tax regulations may subject us or our customers to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, obligations on online marketplaces and remote sellers to collect sales taxes, VAT and similar taxes, including digital service taxes, may result in liability for third party obligations and would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. For example, digital service taxes adopted by certain countries or similar regulations could adversely affect our financial results. New taxes or the enactment of new tax laws could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

Our ability to use our tax attributes to reduce future U.S. income taxes could be subject to certain limitations.

Under Sections 382 and 383 of the United States Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" (as defined by the Code) may be subject to limitations on its ability to utilize its pre-change net operating loss ("NOLs") and other tax attributes such as research tax credits to offset future income taxes. If we undergo one or more ownership changes as a result of transactions in our stock, then our ability to utilize NOLs and other pre-change tax attributes could be limited by Sections 382 and 383 of the Code, and similar U.S. state provisions. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 or 383 of the Code. For these reasons, we might not be able to utilize our NOLs and other tax attributes, even if we maintain profitability.

Federal laws and regulations, such as the Bank Secrecy Act and the USA PATRIOT Act and similar foreign laws, could be expanded to include Groupon vouchers or other offerings.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act and foreign laws and regulations, such as the European Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. For these purposes, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers and sellers or issuers of stored value cards. Examples of anti-money laundering requirements imposed on financial institutions include subscriber identification and verification programs, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to these laws and regulations based, in part, upon the characteristics of Groupon vouchers and our role with respect to the distribution of Groupon vouchers to customers. For example, the Financial Crimes Enforcement Network ("FinCEN"), a division of the U.S. Treasury Department tasked with implementing the requirements of the Bank Secrecy Act (the "BSA"), has adopted regulations expanding the scope of the BSA and requirements for parties involved in stored value or prepaid access cards, including a proposed expansion of financial institutions to include sellers or issuers of prepaid access cards. While we believe Groupon vouchers are not subject to these regulations, it is possible that FinCEN or a court of law could consider Groupon vouchers (or other Groupon products) a financial product and thus deem Groupon to be subject to such laws and obligations as a financial institution. In the event that we become subject to the requirements of the Bank Secrecy Act or any other anti-money laundering law or regulation imposing obligations on us as a money services business, our regulatory compliance costs to meet these obligations would likely increase which could adversely impact our operating results.

State and foreign laws regulating money transmission could be expanded to include Groupon vouchers or other Groupon products or services.

Many states and certain foreign jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. We currently believe that we are not a money transmitter given our role and the product terms of Groupon vouchers or other Groupon products or services. However, a successful challenge to our position or expansion of state or foreign laws could subject us to increased compliance costs and delay our ability to offer Groupon vouchers or other products or services in certain jurisdictions pending receipt of any necessary licenses or registrations.

Risks Related to Our Capital Structure

Our access to capital and ability to successfully manage and raise capital in the future may be limited, which could prevent us from growing, adversely impact our liquidity and our existing credit agreement could restrict our business activities.

We may need additional capital in the future and to seek additional financing or covenant relief. Any such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. We have outstanding $230.0 million in aggregate principal amount of 1.125% convertible senior notes (the "2026 Notes") due March 2026. In addition, we are party to a $75.0 million amended and restated credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, dated as of May 14, 2019, as amended by the First Amendment to the Second Amended and Restated Credit Agreement, dated as of July 17, 2020 (the "First Amendment"), as further amended by the Second Amendment to the Second Amended and Restated Credit Agreement, dated as of March 22, 2021 (the "Second Amendment"), as further amended by the Third Amendment to the Second Amended and Restated Credit Agreement, dated as of September 28, 2022 (the "Third Amendment" and the revolving credit agreement, as amended the "Third Amendment Credit Agreement") and as further amended by the Fourth Amendment to the Second Amended and Restated Credit Agreement, dated as of March 13, 2023 (the "Fourth Amendment" and the revolving credit agreement, as amended the "Amended Credit Agreement"), which matures in May 2024.

The Amended Credit Agreement contains financial and other covenants that may restrict our business activities or our ability to execute our strategic objectives. Due to the impact of COVID-19 on our business, we entered into the First Amendment and Second Amendment to provide, among other things, covenant relief through the fourth quarter of 2021. We voluntarily elected to early terminate this covenant relief period as of the third quarter of 2021 and became subject to the ordinary course covenants under the Amended Credit Agreement (beginning in the third quarter of 2021). On September 28, 2022, we entered into the Third Amendment and subsequently on March 13, 2023, we entered into the Fourth Amendment, in each case to modify certain financial covenants, amongst other changes and provide for additional flexibility in our operations. In the future, these covenants could restrict our ability to access the full capacity of our credit facility or require us to repay amounts borrowed. In addition, if we are not able to comply with these covenants, we may need to seek additional covenant relief or modifications in the future. Failure to comply with the covenants contained in our Amended Credit Agreement (if not waived or further amended) could give rise to an event of default and, if not cured, entitle the lenders to accelerate the indebtedness outstanding thereunder and terminate our ability to borrow in the future under the Amended Credit Agreement. Further, acceleration of indebtedness under the Amended Credit Agreement could result in an event of default under the indenture (the "Indenture") governing our 2026 Notes. Any termination of our ability to borrow or event of default under our Amended Credit Agreement would have a material adverse impact on our liquidity.

Additionally, other general economic conditions and our future operating performance, could ultimately limit our access to funding under our Amended Credit Agreement and adversely affect our liquidity. Although we plan to continue to actively manage and optimize our cash balances and liquidity, working capital and operating expenses, there can be no assurances that we will be able to do so successfully. If we encounter unforeseen circumstances that place further constraints on our capital resources, including our access to funding under our Amended Credit Agreement, management will be required to take various additional measures to conserve liquidity, which could include, but not necessarily be limited to, reducing capital expenditures, controlling overhead expenses and raising additional sources of capital, such as monetizing certain existing assets. Furthermore, additional equity financing may dilute the interests of our common stockholders, and debt financing, if available, may involve restrictive covenants that could further restrict our business activities or our ability to execute our strategic objectives and could reduce our profitability. If we cannot access the full capacity of our credit facility or raise or borrow funds on acceptable terms or at all, it could adversely affect our liquidity, and we may not be able to grow our business or respond to competitive pressures.

Our financial statements contain a statement regarding a substantial doubt about the Company’s ability to continue as a going concern.

Our Consolidated Financial Statements as of and for the year ended December 31, 2022 are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued and based on an evaluation of the conditions described in Item 7, Liquidity and Capital Resources, such conditions raise substantial doubt about our ability to continue as a going concern.

In January 2023, our Board approved the second phase of the 2022 Restructuring Plan, which includes an overall reduction of approximately 500 positions globally. A substantial portion of these reductions occurred in January 2023 and the remaining are expected to occur by the end of the second quarter 2023. We estimate that the second phase of our 2022 Restructuring plan and related costs savings initiatives will result in approximately $100.0 million in annualized cost savings. Further, following the completion of our cloud migration project in February 2023, we have begun to accelerate our efforts to optimize our technology stack and cloud workloads resulting in additional cost savings and we plan to improve the efficiency of our marketing investment resulting in reductions to marketing expense for the remainder of 2023. Management will also take steps to minimize the risk certain payment processors will require reserves or holdback receivables. Based on the actions we have taken and those we plan to take, we believe we have alleviated the substantial doubt previously described and have sufficient liquidity to meet our obligations as they become due over the next twelve months, however, there can be no assurance, that we will be successful in completing such actions and realizing the anticipated cost savings.

We are also currently evaluating several different strategies to enhance our liquidity position. These strategies may include, but are not limited to, pursuing additional actions under our multi-phase cost-savings plan, seeking additional financing from both the public and private markets through the issuance of equity or debt securities, and monetizing certain assets.

The substantial doubt about our ability to continue as a going concern may affect the price of our common stock, may impact our relationship with third parties with whom we do business, including our customers, vendors, lenders and employees, may impact our ability to raise additional capital and may impact our ability to comply going forward with covenants in our debt agreements.

The actions we have taken and plan to take in the future to reduce operating costs, including as part of our 2022 Restructuring Plan, may negatively affect our brand reputation, ability to attract and retain employees, and our reputation and performance may suffer as a result.

We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes in cash, to repurchase the 2026 Notes upon a fundamental change or to repay the 2026 Notes in cash at their maturity (if not earlier converted, redeemed or repurchased), and our current and future debt may contain limitations on our ability to pay cash upon conversions of the 2026 Notes or at their maturity or to repurchase the 2026 Notes.

Holders of the 2026 Notes will have the right to require us to repurchase all or a portion of their 2026 Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the 2026 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2026 Notes being converted. Moreover, we will be required to repay the 2026 Notes in cash at their maturity unless earlier converted, redeemed or repurchased. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the 2026 Notes surrendered therefor or pay cash with respect to the 2026 Notes being converted or at their maturity.

In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversions of the 2026 Notes or at their maturity may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the 2026 Notes at a time when the repurchase is required by the Indenture governing the 2026 Notes or to pay cash upon conversions of the 2026 Notes or at their maturity as required by the Indenture would constitute a default under the Indenture. A default under the Indenture governing the 2026 Notes could also lead to a default under agreements governing our existing and future indebtedness, including our Amended Credit Agreement. Moreover, the occurrence of a fundamental change under the Indenture governing the 2026 Notes could constitute an event of default under our Amended Credit Agreement or any other such future agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase the 2026 Notes or pay cash with respect to the 2026 Notes being converted or at maturity of the 2026 Notes.

The terms of the 2026 Notes could delay or prevent an attempt to take over our Company.

The terms of the 2026 Notes require us to repurchase the 2026 Notes in the event of a fundamental change. A takeover of our Company would constitute a fundamental change. This could have the effect of delaying or preventing a takeover of our Company that may otherwise be beneficial to our stockholders.

The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2026 Notes is triggered, holders of the 2026 Notes will be entitled to convert their 2026 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2026 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of the 2026 Notes do not elect to convert their 2026 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2026 Notes, as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock is highly volatile.

The trading price of our common stock has fluctuated significantly since our initial listing on NASDAQ. We expect that the trading price of our stock will continue to be volatile due to variations in our operating results and also may change in response to other factors, including factors specific to technology and Internet commerce companies, many of which are beyond our control. Among the factors that could affect our stock price are:

- our financial results;
- any financial projections that we provide to the public, any changes in these projections or our failure for any reason to meet these projections or projections made by research analysts;
- the number of shares of our common stock that are available for sale;
- the relative success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC and announcements relating to litigation;
- the impact of macroeconomic conditions on our business;
- speculation about our business or investments in the press or the investment community;
- future sales of our common stock by our significant stockholders, officers and directors;
- announcements about any share repurchase program and purchases under the program;
- changes in our capital structure, such as any refinancing or future issuances of debt or equity securities;
- our entry into new markets or exits from existing markets;
- regulatory developments;
- strategic acquisitions, dispositions, partnerships, joint ventures, restructuring, financing or other transactions announced or consummated by us or our competitors;
- financing or other transactions announced or consummated by our minority investments;
- our ability to execute our strategy;
- our ability to complete the multi-phased cost savings plan and achieve the anticipated benefits from the plan;
- our executive leadership transitions; and
- changes in accounting principles.

We expect the stock price volatility to continue for the foreseeable future as a result of these and other factors.

If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts, and in the past, we have had changes in analyst ratings that have affected our stock price. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our shares, industry sector or products, our share price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends. As a result, stockholders can expect to receive a return on their investment in our common stock only if the market price of the stock increases.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- Our Board of Directors has the right to elect directors to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors.
- Special meetings of our stockholders may be called only by our Chairman of the Board of Directors, our Chief Executive Officer, our Board of Directors or holders of not less than the majority of our issued and outstanding common stock. This limits the ability of minority stockholders to take certain actions without an annual meeting of stockholders.
- Our stockholders may not act by written consent unless the action to be effected and the taking of such action by written consent is approved in advance by our Board of Directors. As a result, a holder, or holders, controlling a majority of our common stock would generally not be able to take certain actions without holding a stockholders' meeting.
- Our certificate of incorporation prohibits cumulative voting in the election of directors. This limits the ability of minority stockholders to elect director candidates.
- Stockholders must provide timely notice to nominate individuals for election to the Board of Directors or to propose matters that can be acted upon at an annual meeting of stockholders. These provisions may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company.
- Our Board of Directors may issue, without stockholder approval, shares of undesignated preferred stock. The ability to authorize undesignated preferred stock makes it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

The capped call transactions may affect the value of our 2026 Notes and our common stock.

In connection with the issuance of the 2026 Notes, we entered into capped call transactions. The capped call transactions cover, subject to customary adjustments, the number of shares of our common stock that initially underlie the 2026 Notes. The capped call transactions are expected to offset the potential dilution to our common stock as a result of conversion of the 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of the converted 2026 Notes, as the case may be, with such reduction and/or offset subject to a cap. In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates may have purchased shares of common stock and/or entered into various derivative transactions with respect to our common stock, including with certain investors in the 2026 Notes.

In addition, the counterparties or their respective affiliates may modify their hedge positions in the future by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2026 Notes. They are likely to do so on each exercise date for the capped call transactions, which are expected to occur during each 20 trading day period beginning on the 21st scheduled trading day prior to the maturity date of the 2026 Notes, or following any termination of any portion of the capped call transactions in connection with any repurchase, redemption or early conversion of the 2026 Notes. This activity could also cause or prevent an increase or decrease in the price of our common stock or the 2026 Notes, which could affect holders' ability to convert the 2026 Notes, and, to the extent the activity occurs during any observation period related to a conversion of the 2026 Notes, it could affect the amount and value of the consideration that holders will receive upon conversion of the 2026 Notes. The potential effect, if any, of these transactions on the price of our common stock or the 2026 Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

We are subject to counterparty risk with respect to the capped call transactions.

The counterparties to the capped call transactions are financial institutions, and we will be subject to the risk that one or more of the option counterparties may default, fail to perform or may exercise certain termination rights under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral.

Global economic conditions have in the past resulted in the actual or perceived failure of financial difficulties of many financial institutions. If a counterparty to the capped call transactions becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transactions. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations by a counterparty, the counterparty may fail to deliver the shares of common stock required to be delivered to us under the capped call transactions and we may suffer adverse tax consequences or experience more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the counterparties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2022, we owned no property and leased 24 facilities throughout the world. Our corporate headquarters is located in Chicago, Illinois. We believe that our properties are in good condition and meet the needs of our business, and that suitable additional or alternative space will be available as needed to accommodate our business operations.

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Item 8, Note 9, *Commitments and Contingencies,* to the Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been listed on the NASDAQ Global Select Market under the symbol "GRPN" since November 4, 2011.

Holders

As of March 13, 2023, there were 93 holders of record of our common stock. Each holder of our common stock is entitled to one vote per share on any matter that is submitted to a vote of stockholders.

Recent Sales of Unregistered Securities

During the year ended December 31, 2022, we did not issue any unregistered equity securities.

Issuer Purchases of Equity Securities

In May 2018, the Board authorized us to repurchase up to $300.0 million of our common stock under our share repurchase program. During the year ended December 31, 2022, we did not purchase any shares under the repurchase program. As of December 31, 2022, up to $245.0 million of common stock remained available for purchase under our program. The timing and amount of share repurchases, if any, will be determined based on market conditions, limitations under the Amended Credit Agreement, share price, available cash and other factors, and the share repurchase program may be terminated at any time. We will fund the repurchases, if any, through cash on hand, future cash flows and borrowings under our credit facility. Repurchases will be made in compliance with SEC rules and other legal requirements and may be made in part under a Rule 10b5-1 plan, which permits stock repurchases when we might otherwise be precluded from doing so.

Since the inception of our share repurchase programs in August 2013 through December 31, 2022, we have repurchased 10,294,117 shares of our common stock for an aggregate purchase price of $922.7 million (including fees and commissions).

The following table provides information about purchases of shares of our common stock during the three months ended December 31, 2022 related to shares withheld upon vesting of restricted stock units for minimum tax withholding obligations:

Date	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under Program
October 1-31, 2022	16,853	$ 6.82	—	—
November 1-30, 2022	9,768	8.19	—	—
December 1-31, 2022	35,594	7.16	—	—
Total	62,215	$ 7.23	—	—

(1) Total number of shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of stock-based compensation awards.

Stock Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference into any filing of Groupon, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing. Our stock price performance shown in the graph below is not indicative of our future stock price performance.

The graph set forth below compares the cumulative total return on our common stock with the cumulative total return of the Nasdaq Composite Index and the Nasdaq 100 Index, resulting from an initial investment of $100 in each and assuming the reinvestment of any dividends, based on closing prices on the last trading day of each year end period for 2018, 2019, 2020, 2021, and 2022.

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/30/2022
Groupon	$100	$75	$59	$36	$13
Nasdaq Composite	$100	$135	$194	$236	$158
Nasdaq 100	$100	$138	$204	$258	$173

ITEM 6. SELECTED FINANCIAL DATA

Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our Consolidated Financial Statements and related notes included under Item 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under Item 1A, *Risk Factors,* and elsewhere in this Annual Report. See Part I, *Forward-Looking Statements*, for additional information. For further discussion regarding operating and financial data for the year ended December 31, 2021 as compared to the year ended December 31, 2020, refer to Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Overview

Groupon is a global scaled two-sided marketplace that connects consumers to merchants. Consumers access our marketplace through our mobile applications and our websites. We operate in two segments, North America and International, and in three categories, Local, Goods and Travel. See Item 8, Note 18, *Segment Information,* for additional information.

Currently, we generate service revenue from Local, Travel, and Goods categories. Service revenue primarily represents the net commissions earned from selling goods or services on behalf of third-party merchants. Service revenue is reported on a net basis as the purchase price collected from the customer less the portion of the purchase price that is payable to the third-party merchant. We also earn commissions when customers make purchases with retailers using digital coupons accessed through our websites and mobile applications.

We fully transitioned to a third-party Goods marketplace in North America in 2020 and in International in 2021. In prior periods, we generated product revenue from our sales of first-party Goods inventory and product revenue was reported on a gross basis as the purchase price received from the customer.

Strategy

Our strategy is to be the trusted marketplace where customers go to buy local services and experiences. We plan to grow our revenue by building long-term relationships with local merchants to improve our inventory selection and improving the customer experience through inventory curation and improved convenience in order to drive customer demand and purchase frequency.

Macroeconomic Conditions

The COVID-19 pandemic has changed the environment that our business operates in, which includes changes in consumer behavior and macroeconomic impacts affecting both us and our merchants. Certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time. Impacts to our operations may be caused by macroeconomic trends such as inflationary pressures, higher labor costs, labor shortages and resulting changes in consumer and merchant behavior.

2022 Cost Savings Plan

In August 2022, we initiated a multi-phase cost savings plan designed to reduce our expense structure to align with our go-forward business and financial objectives (the “2022 Cost Savings Plan”). The 2022 Cost Savings Plan included a restructuring plan, approved by our Board on August 5, 2022 (the “2022 Restructuring Plan”), as well as other planned savings to be achieved through other actions, such as future reductions in our facilities footprint at natural lease terminations (or by exercising existing options in leases) and elective decisions to eliminate vacant positions rather than rehire. We estimate that the first phase of the 2022 Cost Savings Plan could result in approximately $150.0 million in run-rate cost savings by the end of 2023.

The first phase of the 2022 Restructuring Plan includes an overall reduction of approximately 500 positions globally, with the majority of these reductions completed by the end of 2022 and the remainder in early 2023. In connection with these actions, we expect to record total pre-tax charges of $10.0 million to $20.0 million.

In January 2023, the Board approved the second phase of the 2022 Restructuring Plan, which includes an overall reduction of approximately 500 positions globally, with the majority of these reductions expected to occur by the end of the second quarter 2023. In connection with the second phase, we expect to record total pre-tax charges of $10.0 million to $20.0 million. We estimate that the payroll actions under the second phase of the 2022 Restructuring Plan could result in approximately $70.0 million in annualized cost savings. We also intend to implement other non-payroll actions outlined within the 2022 Cost Savings Plan, including reducing technology, software, and certain professional services costs. We estimate that these non payroll actions under the second phase of the 2022 Cost Savings Plan could result in approximately $30.0 million in annualized cost savings.

How We Measure Our Business

We use several operating and financial metrics to assess the progress of our business and make decisions on where to allocate capital, time and technology investments. Certain of the financial metrics are reported in accordance with U.S. GAAP and certain of those metrics are considered non-GAAP financial measures. As our business evolves, we may make changes to the key financial and operating metrics that we use to measure our business. For further information and reconciliations to the most applicable financial measures under U.S. GAAP, refer to our discussion under Non-GAAP Financial Measures in the *Results of Operations* section.

Operating Metrics

- *Gross billings* is the total dollar value of customer purchases of goods and services. Gross billings is presented net of customer refunds, order discounts and sales and related taxes. The substantial majority of our service revenue transactions are comprised of sales of vouchers and similar transactions in which we collect the transaction price from the customer and remit a portion of the transaction price to the third-party merchant who will provide the related goods or services. For these transactions, gross billings differs from revenue reported in our Consolidated Statements of Operations, which is presented net of the merchant's share of the transaction price. As noted above in *Overview*, beginning in 2021 for our North America segment and 2022 for our International segment, gross billings from our Goods category is primarily reported on a net basis within service revenue. Gross billings is an indicator of our growth and business performance as it measures the dollar volume of transactions generated through our marketplaces. Tracking gross billings on service revenue transactions also allows us to monitor the percentage of gross billings that we are able to retain after payments to merchants. However, we are focused on achieving long-term gross profit and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") growth.
- *Units* are the number of purchases during the reporting period, before refunds and cancellations, made either through one of our online marketplaces, a third-party marketplace, or directly with a merchant for which we earn a commission. We do not include purchases with retailers using digital coupons accessed through our websites or mobile applications in our units metric. We consider units to be an important indicator of the total volume of business conducted through our marketplaces. We report units on a gross basis prior to the consideration of customer refunds and therefore units are not always a good proxy for gross billings.
- *Active customers* are 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. 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. We do not include consumers who solely make purchases with retailers using digital coupons accessed through our websites or mobile applications in our active customer metric, nor do we include consumers who solely make purchases of our inventory through third-party marketplaces with which we partner.

Our gross billings, units and TTM active customers for the years ended December 31, 2022 and 2021 were as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Gross billings	$ 1,822,902	$ 2,335,148
Units	50,614	69,040
TTM Active customers	18,780	23,259

Financial Metrics

- *Revenue* is currently earned through service revenue transactions which we generate commissions by selling goods or services on behalf of third-party merchants. Service revenue from those transactions is reported on a net basis as the purchase price collected from the customer for the offering less an agreed upon portion of the purchase price paid to the third-party merchant. Service revenue also includes commissions we earn when customers make purchases with retailers using digital coupons accessed through our digital properties. In prior periods, we generated product revenue from our sales of first-party Goods inventory. Our product revenue from these first-party transactions, which were direct sales of merchandise inventory, was the purchase price received from the customer. As noted above in *Overview*, beginning in 2021 for our North America segment and 2022 for our International segment, revenue from our Goods category is primarily reported on a net basis within service revenue.

- *Gross profit* reflects the net margin we earn after deducting our cost of revenue from our revenue. In prior periods for our International segment, there is a lack of comparability between product revenue, which was reported on a gross basis, and service revenue, which primarily consists of transactions reported on a net basis. Due to the lack of comparability of revenue generated from our Goods category in prior periods, we believe that gross profit is an important measure for evaluating our performance.
- *Adjusted EBITDA* is a non-GAAP financial 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. For further information and a reconciliation to Income (loss) from continuing operations, refer to our discussion under Non-GAAP Financial Measures in the *Results of Operations* section.
- *Free cash flow* is a non-GAAP financial measure that comprises net cash provided by (used in) operating activities from continuing operations less purchases of property and equipment and capitalized software. For further information and a reconciliation to Net cash provided by (used in) operating activities from continuing operations, refer to our discussion in the *Liquidity and Capital Resources* section.

The following table presents the above financial metrics for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31,	
	2022	2021
Revenue	$ 599,085	$ 967,108
Gross profit	522,824	737,116
Adjusted EBITDA	(15,113)	143,228
Free cash flow	(172,155)	(173,588)

Operating Expenses

- *Marketing* expense consists primarily of online marketing costs, such as search engine marketing, advertising on social networking sites and affiliate programs, and offline marketing costs, such as television. Additionally, compensation expense for marketing employees is classified within marketing expense. We record these costs within Marketing on the Consolidated Statements of Operations when incurred. From time to time, we have offerings from well-known national merchants for customer acquisition and activation purposes, for which the amount we owe the merchant for each voucher sold exceeds the transaction price paid by the customer. Our gross billings from those transactions generate no service revenue and our net cost (i.e., the excess of the amount owed to the merchant over the amount paid by the customer) is classified as marketing expense. We evaluate marketing expense as a percentage of gross profit because it gives us an indication of how well our marketing spend is driving gross profit performance.

- *Selling, general and administrative* ("SG&A") expenses include selling expenses such as sales commissions and other compensation expenses for sales representatives, as well as costs associated with supporting the sales function such as technology, telecommunications and travel. General and administrative expenses include compensation expense for employees involved in customer service, operations, technology and product development, as well as general corporate functions, such as finance, legal and human resources. Additional costs in general and administrative include depreciation and amortization, rent, professional fees, litigation costs, travel and entertainment, recruiting, maintenance, certain technology costs and other general corporate costs. We evaluate SG&A expense as a percentage of gross profit because it gives us an indication of our operating efficiency.

- *Restructuring and related charges* represent severance and benefit costs for workforce reductions, impairments and certain facilities-related costs and professional advisory fees. See Item 8, Note 13, *Restructuring and Related Charges*, for additional information about our restructuring plans.

Factors Affecting Our Performance

Attracting and retaining local merchants. As we focus on our local experiences marketplace, we depend on our ability to attract and retain merchants who are willing to offer their experiences on our platform. Merchants can withdraw their offerings from our marketplace at any time, and their willingness to continue offering services through our marketplace depends on the effectiveness of our marketplace offering.

Re-engaging and retaining customers to drive purchase frequency. To re-engage and retain customers to drive purchase frequency, we are focused on strengthening our core marketplace by improving inventory density, the customer experience and trust. In addition to our efforts to improve our inventory density we are exploring opportunities to differentiate our inventory.

Impact of macroeconomic conditions. We have been, and may continue to be, impacted by adverse consequences of the macroeconomic environment, including but not limited to, inflationary pressures, higher labor costs, labor shortages, supply chain challenges and resulting changes in consumer and merchant behavior. We will continue to monitor the impact of macroeconomic conditions on our business.

Results of Operations

North America

Operating Metrics

North America segment gross billings, units and TTM active customers for the years ended December 31, 2022 and 2021 were as follows (in thousands, except percentages):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Gross billings			
Service gross billings:			
Local	$ 1,019,960	$ 1,264,581	(19.3)%
Goods	133,262	230,129	(42.1)
Travel	84,988	118,515	(28.3)
Total service gross billings	1,238,210	1,613,225	(23.2)
Product gross billings - Goods	—	626	(100.0)
Total gross billings	$ 1,238,210	$ 1,613,851	(23.3)
Units			
Local	24,986	34,146	(26.8)%
Goods	5,289	9,891	(46.5)
Travel	387	642	(39.7)
Total units	30,662	44,679	(31.4)
TTM Active customers	11,277	14,785	(23.7)%

Comparison of the Years Ended December 31, 2022 and 2021:

North America gross billings, units and TTM active customers decreased by $375.6 million, 14.0 million and 3.5 million for the year ended December 31, 2022 compared with the prior year. These declines were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Financial Metrics

North America segment revenue, cost of revenue and gross profit for the years ended December 31, 2022 and 2021 were as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Revenue			
Service revenue:			
Local	$ 390,449	$ 530,468	(26.4)%
Goods	28,785	51,568	(44.2)
Travel	17,035	24,393	(30.2)
Total service revenue	436,269	606,429	(28.1)
Product revenue - Goods	—	626	(100.0)
Total revenue	$ 436,269	$ 607,055	(28.1)
Cost of revenue			
Service cost of revenue:			
Local	$ 52,693	$ 58,192	(9.4)%
Goods	5,249	7,790	(32.6)
Travel	4,173	4,952	(15.7)
Total service cost of revenue	62,115	70,934	(12.4)
Product cost of revenue - Goods	—	458	(100.0)
Total cost of revenue	$ 62,115	$ 71,392	(13.0)
Gross profit			
Service gross profit:			
Local	$ 337,756	$ 472,276	(28.5)%
Goods	23,536	43,778	(46.2)
Travel	12,862	19,441	(33.8)
Total service gross profit	374,154	535,495	(30.1)
Product gross profit - Goods	—	168	(100.0)
Total gross profit	$ 374,154	$ 535,663	(30.2)
Service margin (1)	35.2 %	37.6 %	
% of Consolidated revenue	*72.8*	*62.8*	
% of Consolidated cost of revenue	*81.5*	*31.0*	
% of Consolidated gross profit	*71.6*	*72.7*	

(1) Represents the percentage of service gross billings that we retained after deducting the merchant's share.

Comparison of the Years Ended December 31, 2022 and 2021:

North America revenue, cost of revenue and gross profit decreased by $170.8 million, $9.3 million and $161.5 million for the year ended December 31, 2022 compared with the prior year. These declines were primarily attributable to a decline in engagement on our platform that resulted in fewer unit sales and lower gross billings.

Marketing and Contribution Profit

We define contribution profit as gross profit less marketing expense. North America contribution profit for the years ended December 31, 2022 and 2021 was as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	**2021**	**2022 vs 2021**
Marketing	$ 103,862	$ 138,025	(24.8)%
% of Gross Profit	27.8 %	25.8 %	
Contribution Profit	$ 270,292	$ 397,638	(32.0)%

Comparison of the Years Ended December 31, 2022 and 2021:

North America marketing expense decreased for the year ended December 31, 2022 compared with the prior year primarily driven by accelerated traffic declines and lower spend in our online marketing. North America marketing expense as a percentage of gross profit increased for the year ended December 31, 2022 compared with the prior year driven primarily by a decrease in gross profit.

North America contribution profit decreased for the year ended December 31, 2022 compared with the prior year primarily due to a decrease in gross profit.

International

Operating Metrics

International segment gross billings, units and TTM active customers for the years ended December 31, 2022 and 2021 were as follows (in thousands, except percentages and gross billings per unit):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Gross billings			
Service gross billings:			
Local	$ 402,192	$ 393,495	2.2 %
Goods	123,863	96,524	28.3
Travel	58,637	59,591	(1.6)
Total service gross billings	584,692	549,610	6.4
Product gross billings - Goods	—	171,687	(100.0)
Total gross billings	$ 584,692	$ 721,297	(18.9)
Units			
Local	14,381	12,640	13.8 %
Goods	5,210	11,332	(54.0)
Travel	361	389	(7.2)
Total units	19,952	24,361	(18.1)
TTM Active customers	7,503	8,474	(11.5)%

Comparison of the Years Ended December 31, 2022 and 2021:

International gross billings, units and TTM active customers decreased by $136.6 million, 4.4 million and 1.0 million for the year ended December 31, 2022 compared with the prior year. These declines were primarily attributable to a de-emphasis on our Goods category, partially offset by higher demand in our Local category and improved customer refund levels. In addition, there was a $65.9 million unfavorable impact on gross billings from year-over-year changes in foreign currency exchange rates.

Financial Metrics

International segment revenue, cost of revenue and gross profit for the years ended December 31, 2022 and 2021 were as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Revenue			
Service revenue:			
Local	$ 128,295	$ 155,866	(17.7)%
Goods	23,742	19,477	21.9
Travel	10,779	13,023	(17.2)
Total service revenue	162,816	188,366	(13.6)
Product revenue - Goods	—	171,687	(100.0)
Total revenue	$ 162,816	$ 360,053	(54.8)
Cost of revenue			
Service cost of revenue:			
Local	$ 10,647	$ 8,962	18.8 %
Goods	2,080	986	111.0
Travel	1,419	1,138	24.7
Total service cost of revenue	14,146	11,086	27.6
Product cost of revenue - Goods	—	147,514	(100.0)
Total cost of revenue	$ 14,146	$ 158,600	(91.1)
Gross profit			
Service gross profit:			
Local	$ 117,648	$ 146,904	(19.9)%
Goods	21,662	18,491	17.1
Travel	9,360	11,885	(21.2)
Total service gross profit	148,670	177,280	(16.1)
Product gross profit - Goods	—	24,173	(100.0)
Total gross profit	$ 148,670	$ 201,453	(26.2)
Service margin [(1)]	27.8 %	34.3 %	
% of Consolidated revenue	*27.2 %*	*37.2 %*	
% of Consolidated cost of revenue	*18.5*	*69.0*	
% of Consolidated gross profit	*28.4*	*27.3*	

(1) Represents the percentage of service gross billings that we retained after deducting the merchant's share from revenue.

Comparison of the Years Ended December 31, 2022 and 2021:

International revenue, cost of revenue and gross profit decreased by $197.2 million, $144.5 million and $52.8 million for the year ended December 31, 2022 compared with the prior year. Those decreases were primarily due to the transition of Goods to a third-party marketplace model and lower variable consideration from unredeemed vouchers, partially offset by an increase in Local gross billings and improved customer refund levels. Revenue and gross profit also had unfavorable impacts of $18.4 million and $16.9 million from year-over-year changes in foreign currency exchange rates.

Marketing and Contribution Profit

International contribution profit for the years ended December 31, 2022 and 2021 were as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Marketing	$ 45,369	$ 50,755	(10.6)%
% of Gross Profit	30.5 %	25.2 %	
Contribution Profit	$ 103,301	$ 150,698	(31.5)%

Comparison of the Years Ended December 31, 2022 and 2021:

International marketing expense decreased for the year ended December 31, 2022 compared with the prior year primarily due to accelerated traffic declines, a lower spend in our online marketing and a favorable impact of $5.6 million from year-over-year changes in foreign currency exchange rates. Marketing expense as a percentage of gross profit increased for the year ended December 31, 2022 compared with the prior year due to a decrease in gross profit.

International contribution profit decreased for the year ended December 31, 2022 compared with the prior year primarily due to a decrease in gross profit.

Consolidated Operating Expenses

Operating expenses for the years ended December 31, 2022 and 2021 were as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Marketing	$ 149,231	$ 188,780	(20.9)%
Selling, general and administrative	481,375	511,096	(5.8)
Goodwill impairment	35,424	—	NM
Long-lived asset impairment	12,259	—	NM
Restructuring and related charges	12,350	41,895	(70.5)
Total Operating expenses	$ 690,639	$ 741,771	(6.9)
% of Gross profit:			
Marketing	28.5 %	25.6 %	
Selling, general and administrative	92.1 %	69.3 %	

Comparison of the Years ended December 31, 2022 and 2021:

Marketing expense decreased for the year ended December 31, 2022 compared with the prior year due to accelerated traffic declines and a lower spend in our online marketing. Marketing expense as a percentage of gross profit increased for the year ended December 31, 2022 compared to the prior year due to a decrease in consolidated gross profit.

SG&A decreased for the year ended December 31, 2022 compared with the prior year primarily due to lower payroll-related expenses, partially offset by higher cloud costs. SG&A as a percentage of gross profit increased for the year ended December 31, 2022 compared with the prior year primarily due to a decrease in consolidated gross profit.

During the year ended December 31, 2022, we recognized goodwill and long-lived asset impairment. See Item 8, Note 4, *Goodwill and Other Intangible Assets,* Note 3, *Property, Equipment and Software, Net* and Note 8, *Leases* for additional information. We had no similar activity in the prior year period.

Restructuring and related charges decreased for the year ended December 31, 2022 compared with the prior year due to the substantial completion of the actions of our Board approved multi-phase restructuring plan ("2020 Restructuring Plan") in the year 2021, partially offset by the costs incurred on the 2022 Restructuring Plan. See Item I, Note 13, *Restructuring and Related Charges*, for additional information.

Consolidated Other Income (Expense), Net

Other income (expense), net includes interest income, interest expense, gains and losses on fair value option investments, impairments of investments, loss on extinguishment of debt and foreign currency gains and losses, primarily resulting from intercompany balances with our subsidiaries that are denominated in foreign currencies.

Other income (expense), net for the years ended December 31, 2022 and 2021 was as follows (dollars in thousands):

	Year Ended December 31,	
	2022	2021
Other income (expense), net	$ (24,155)	$ 92,680

Comparison of the Years Ended December 31, 2022 and 2021:

The change in Other income (expense), net for the year ended December 31, 2022 compared with the prior year is primarily related to an unrealized gain of $89.1 million recorded in 2021 as a result of an upward adjustment for an observable price change on an other equity investment and changes in foreign currency gains and losses.

Provision (Benefit) for Income Taxes

Comparison of the Years Ended December 31, 2022 and 2021:

Provision (benefit) for income taxes for the years ended December 31, 2022 and 2021 was as follows (dollars in thousands):

	Year Ended December 31,		% Change
	2022	2021	2022 vs 2021
Provision (benefit) for income taxes	$ 42,410	$ (32,323)	NM
Effective tax rate	(22.1)%	(36.7)%	

Our U.S. Federal income tax rate was 21% for the years ended December 31, 2022 and 2021.

The primary factors impacting the effective tax rate for the year ended December 31, 2022 were the pretax losses incurred in jurisdictions that have a valuation allowance against their net deferred tax assets, the reversal of reserves for uncertain tax positions due to closure of applicable statutes of limitations, the non-deductible goodwill impairment, and the valuation allowance recorded against our federal and state deferred tax assets.

The primary factors impacting the effective tax rate for the year ended December 31, 2021 were the release of a portion of the U.S. valuation allowance against our federal and state deferred tax assets, pretax losses incurred in jurisdictions that have a valuation allowance against their net deferred tax assets, and the non-taxable unrealized gain on the observable price change recorded on an other equity investment.

See Item 8, Note 14, *Income Taxes*, for additional information relating to tax audits and assessments and regulatory and legal developments that may impact our business and results of operations in the future.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. GAAP, we have provided the following non-GAAP financial measures: Adjusted EBITDA, free cash flow and foreign currency exchange rate neutral operating results. Those 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 those 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, those non-GAAP financial measures are not intended to be a substitute for those reported in accordance with U.S. GAAP.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP performance measure that we define as Income (loss) from continuing operations excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation 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.

We exclude stock-based compensation expense and depreciation and amortization because they are primarily non-cash in nature and we believe that non-GAAP financial measures excluding those items provide meaningful supplemental information about our operating performance and liquidity. For the year ended December 31, 2022, special charges and credits included charges related to our 2022 and 2020 restructuring plans and goodwill and long-lived asset impairments. For the year ended December 31, 2021, special charges and credits included charges related to our 2020 restructuring plan. 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.

The following is a reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP financial measure, Income (loss) from continuing operations for the years ended December 31, 2022 and 2021 (dollars in thousands):

	Year Ended December 31,	
	2022	2021
Income (loss) from continuing operations	$ (234,380)	$ 120,348
Adjustments:		
Stock-based compensation	30,006	33,169
Depreciation and amortization	62,663	72,819
Restructuring and related charges (1)	12,350	41,895
Goodwill impairment	35,424	—
Long-lived asset impairment	12,259	—
Other (income) expense, net (2)	24,155	(92,680)
Provision (benefit) for income taxes	42,410	(32,323)
Total adjustments	219,267	22,880
Adjusted EBITDA	$ (15,113)	$ 143,228

(1) Includes $3.0 million of right-of-use assets - operating leases impairment for the year ended December 31, 2022 and $7.7 million of right-of-use assets - operating leases and leasehold improvement impairments for the year ended December 31, 2021. Refer to Item 2, Note 8, *Leases* and Note 13, *Restructuring and Related Charges,* for additional information.

(2) Includes a $32.3 million cumulative foreign currency translation adjustment gain that was reclassified into earnings for the year ended December 31, 2021 as a result of the substantial liquidation of our subsidiary in Japan as part of our restructuring actions and an $89.1 million unrealized gain due to an upward adjustment for an observable price change of an other equity investment for the year ended December 31, 2021. Refer to Item 8, Note 13, *Restructuring and Related Charges* and Note 5, *Investments,* for additional information.

Free cash flow. 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. 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.

Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. In addition, free cash flow reflects the impact of the timing difference between when we are paid by customers and when we pay merchants and suppliers. Therefore, we believe it is important to view free cash flow as a complement to our Consolidated Statements of Cash Flows. For a reconciliation of free cash flow to the most comparable U.S. GAAP financial measure, see *Liquidity and Capital Resources* below.

Foreign currency exchange rate neutral operating results. Foreign currency 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. Those measures are intended to facilitate comparisons to our historical performance.

The following table represents the effect on our Consolidated Statements of Operations from changes in exchange rates versus the U.S. dollar for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	At Avg. 2021 Rates (1)	Exchange Rate Effect (2)	As Reported	At Avg. 2020 Rates (1)	Exchange Rate Effect (2)	As Reported
Gross billings	$ 1,888,919	$ (66,017)	$ 1,822,902	$ 2,306,416	$ 28,732	$ 2,335,148
Revenue	617,559	(18,474)	599,085	948,096	19,012	967,108
Cost of revenue	77,813	(1,552)	76,261	218,439	11,553	229,992
Gross profit	539,746	(16,922)	522,824	729,657	7,459	737,116
Marketing	154,803	(5,572)	149,231	187,293	1,487	188,780
Selling, general and administrative	499,905	(18,530)	481,375	502,697	8,399	511,096
Goodwill impairment	39,518	(4,094)	35,424	—	—	—
Long-lived asset impairment	13,704	(1,445)	12,259	—	—	—
Restructuring charges	12,884	(534)	12,350	40,845	1,050	41,895
Income (loss) from operations	$ (181,068)	$ 13,253	$ (167,815)	$ (1,178)	$ (3,477)	$ (4,655)

(1) Represents the financial statement balances that would have resulted had exchange rates in the reporting period been the same as those in effect in the prior year period.

(2) Represents the increase or decrease in the reported amount resulting from changes in exchange rates from those in effect in the prior year period.

Liquidity and Capital Resources

Our principal source of liquidity is our cash balance, which includes outstanding borrowings under the Third Amendment Credit Agreement, totaling $281.3 million as of December 31, 2022.

Our net cash flows from operating, investing and financing activities from continuing operations for the years ended December 31, 2022 and 2021 were as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Cash provided by (used in):		
Operating activities	$ (135,987)	$ (123,958)
Investing activities	(38,845)	(45,811)
Financing activities	$ (34,407)	$ (183,850)

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. Our free cash flow for the years ended December 31, 2022 and 2021 and reconciliations to the most comparable U.S. GAAP financial measure, Net cash provided by (used in) operating activities from continuing operations, for those periods are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Net cash provided by (used in) operating activities from continuing operations	$ (135,987)	$ (123,958)
Purchases of property and equipment and capitalized software from continuing operations	(36,168)	(49,630)
Free cash flow	$ (172,155)	$ (173,588)

Our revenue-generating transactions are primarily structured such that we collect cash up-front from customers and pay third-party merchants at a later date, either based upon the customer's redemption of the related voucher or fixed payment terms, which are generally biweekly, throughout the term of the merchant's offering.

Our cash balances fluctuate significantly throughout the year based on many variables, including gross billings growth rates, the timing of payments to merchants and suppliers and the mix of transactions between Goods and Local.

Net cash provided by (used in) operating activities

For the year ended December 31, 2022, our net cash used in operating activities from continuing operations was $136.0 million as compared with the prior year period of $124.0 million. The change in net cash used in operating activities was primarily due to lower cash inflows from customers, as a result of lower bookings during the year ended December 31, 2022. The timing of customer purchase to redemption cycles remained relatively consistent year-on-year. This change in net cash used in operating activities was partially offset by a decrease in Marketing spending, a decrease in Selling, general and administrative costs as a result of the impacts of the 2020 Restructuring Plan and the 2022 Cost Savings Plan, and Restructuring and related charges as the actions and costs of the 2020 Restructuring Plan were substantially completed as of December 31, 2021 and the costs related to the first phase of the 2022 Restructuring Plan were less than the costs of the 2020 Restructuring Plan.

For the year ended December 31, 2021, our net cash used in operating activities from continuing operations was $124.0 million, as compared with our $120.3 million income from continuing operations. That difference was primarily attributable to a $224.4 million net decrease from changes in working capital and other non-current assets and liabilities. The working capital impact was largely related to a shortening of the customer purchase to redemption cycle relative to year-end 2020 when redemption patterns were more heavily impacted by COVID-19, resulting in higher merchant payment outflows for the year. The difference between our net cash used in operating activities and our net income from continuing operations is also due to $46.6 million of non-cash items, including $95.6 million of changes in fair value of our investments, $50.7 million of changes in our valuation allowance and a $32.3 million foreign currency translation adjustment gain that was reclassified into earnings as a result of the substantial liquidation of our subsidiary in Japan, partially offset by depreciation and amortization and stock-based compensation.

Net cash provided by (used in) investing activities

For the year ended December 31, 2022, our net cash used in investing activities from continuing operations was $38.8 million, which included purchases of property and equipment and capitalized software of $36.2 million.

For the year ended December 31, 2021, our net cash used in investing activities from continuing operations was $45.8 million, which included purchases of property and equipment and capitalized software of $49.6 million, partially offset by proceeds from the sale of an other equity investment of $7.0 million.

Net cash provided by (used in) financing activities

For the year ended December 31, 2022, our net cash used in financing activities was $34.4 million. Our net cash used in financing activities included $40.0 million in proceeds under our revolving credit agreement, $65.0 million in payments of borrowings under our revolving credit facility and $6.1 million in taxes paid related to net share settlements of stock-based compensation awards.

For the year ended December 31, 2021, our net cash used in financing activities was $183.9 million. Our net cash used in financing activities included payments of $254.0 million for the repurchase of the Atairos Notes, $100.0 million of repayments of borrowings under our revolving credit facility, $27.4 million related to the purchase of capped call transactions, $19.8 million in taxes paid related to net share settlements of stock-based compensation awards and $7.7 million in cash paid for issuance costs for the 2026 Notes, as discussed below, partially offset by $230.0 million of proceeds received from the issuance of the 2026 Notes.

In July 2020, we entered into an amendment to the revolving credit agreement (the "First Amendment") which permanently reduced borrowing capacity under our senior secured revolving credit facility from $400.0 million to $225.0 million. In March 2021, we entered into a second amendment to the revolving credit agreement (the "Second Amendment") to, among other things, permit the issuance of the 2026 Notes and related capped call transactions. In September 2022, we entered into a third amendment to the Second Amendment Credit Agreement (the "Third Amendment" and the Second Amendment Credit Agreement as amended, the "Third Amendment Credit Agreement") which reduced borrowing capacity under our senior secured revolving credit facility from $225.0 million to $150.0 million. We remained in compliance with the applicable covenants as of December 31, 2022 under our Third Amendment Credit Agreement. In March 2023, we entered into a fourth amendment to the Third Amendment Credit Agreement (the "Fourth Amendment" and the Third Amendment Credit Agreement as amended, the "Amended Credit Agreement"), which reduces borrowing capacity under our senior secured revolving credit facility from $150.0 million to $75.0 million. In connection with the Fourth Amendment, we repaid $25.0 million of outstanding borrowing. Prior to entering into the Fourth Amendment, our access to the full capacity of our Third Amendment Credit Agreement was partially restricted and our liquidity impacted accordingly. There are no assurances that we will be able to continue to have access to the full capacity of our Fourth Amendment Credit Agreement and our liquidity could be impacted accordingly. Additionally, we have contracts in place with multiple payment processors, which give our payment processors in certain instances discretion to impose receivable holdbacks or reserve requirements based on changes to our business model or material changes in our financial condition. Any material increase in receivable holdbacks or reserve requirements could have a material impact on our cash flow and available liquidity.

The accompanying Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. In accordance with ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued.

Our Net cash used in operating activities was $136.0 million and $124.0 million for the years ended December 31, 2022 and December 31, 2021. Cash and cash equivalents were $281.3 million as of December 31, 2022. While we were in compliance with the covenants of our Third Amendment Credit Agreement as of December 31, 2022, our borrowing capacity was restricted and downward revisions to our 2023 forecast indicated we may not be in compliance in future periods. We took steps to amend the credit facility to provide us covenant relief and flexibility in our operations as described in Note 7, *Financing Arrangements*. These conditions and events raised substantial doubt about our ability to continue as a going concern.

In January 2023, our Board approved the second phase of the 2022 Restructuring Plan, which includes an overall reduction of approximately 500 positions globally. A substantial portion of these reductions occurred in January 2023 and the remaining are expected to occur by the end of the second quarter 2023. We estimate that the second phase of our 2022 Restructuring plan and related costs savings initiatives will result in approximately $100.0 million in annualized cost savings. Further, following the completion of our cloud migration project in February 2023, we have begun to accelerate our efforts to optimize our technology stack and cloud workloads resulting in additional cost savings and we plan to improve the efficiency of our marketing investment resulting in reductions to marketing expense for the remainder of 2023. Management will also take steps to minimize the risk certain payment processors will require reserves or holdback receivables. We believe management's plans as described above are probable of being achieved to alleviate substantial doubt about our ability to continue as a going concern and we will have sufficient liquidity to meet our obligations as they become due over the next twelve months.

We are also currently evaluating several different strategies to enhance our liquidity position. These strategies may include, but are not limited to, pursuing additional actions under our multi-phase cost-savings plan, seeking additional financing from both the public and private markets through the issuance of equity or debt securities, and monetizing certain assets.

As of December 31, 2022, we had $44.2 million in cash held by our international subsidiaries, which is primarily denominated in Euros, British Pounds Sterling, Canadian dollars, and, to a lesser extent, Australian dollars. In general, it is our practice and intention to re-invest the earnings of our non-U.S. subsidiaries in those operations or remit such earnings in a tax-efficient manner. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business.

In May 2018, the Board authorized us to repurchase up to $300.0 million of our common stock under our share repurchase program. As of December 31, 2022, up to $245.0 million of common stock remained available for purchase under our program. The timing and amount of share repurchases, if any, will be determined based on market conditions, limitations under the Amended Credit Agreement, share price, available cash and other factors, and the share repurchase program may be terminated at any time. Repurchases will be made in compliance with SEC rules and other legal requirements and may be made, in part, under a Rule 10b5-1 plan, which permits share repurchases when we might otherwise be precluded from doing so.

Contractual Obligations and Commitments

For additional information on our commitments for other financing arrangements, future lease payments and purchase obligations, see Item 8, Note 7, *Financing Arrangements*, Note 8, *Leases* and Note 9, *Commitments and Contingencies* for additional information.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2022.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. Our significant accounting policies are discussed in Item 8, Note 2, *Summary of Significant Accounting Policies*, in the notes to the Consolidated Financial Statements.

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenue and expenses, and related disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates under different assumptions or conditions.

We believe that the estimates and assumptions related to going concern, revenue recognition, impairment assessments and income taxes have the greatest potential impact on our Consolidated Financial Statements. Therefore, we consider these to be our critical accounting estimates.

Going Concern

In accordance with ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued.

Determining the extent to which conditions or events raise substantial doubt about our ability to continue as a going concern and the extent to which mitigating plans sufficiently alleviate any such substantial doubt requires significant judgment and estimation by us. Our significant estimates related to this analysis may include identifying business factors such as size, growth and profitability used in the forecasted financial results and liquidity. Further, we make assumptions about the probability that management's plans will be effectively implemented and alleviate substantial doubt and our ability to continue as a going concern. We believe that the estimated values used in our going concern analysis are based on reasonable assumptions. However, such assumptions are inherently uncertain and actual results could differ materially from those estimates. See Item 8, Note 2, *Summary of Significant Accounting Policies,* for more information about our going concern assessment.

Revenue Recognition

We make significant estimates related to revenue recognition including estimates for refund reserve, variable consideration from vouchers that will not ultimately be redeemed, and breakage income from customer credits that are not expected to be used. We estimate future refunds, voucher redemptions, and customer credit redemptions using historical refund and redemption experience. We also consider trends, such as changes to our policies or in general economic conditions that may impact customer behavior, when making those estimates. We reevaluate our estimate as facts and circumstances change.

These estimates rely on judgments regarding future expectations of customer behavior. While the basis of our estimates is historical data, customer behavior may not always be predictable. If actual refunds or redemptions differ from our estimates, the effects could be material to the Consolidated Financial Statements.

See Item 8, Note 2, *Summary of Significant Accounting Policies* and Item 8, Note 12, *Revenue Recognition*, for information about our revenue recognition accounting policies.

Impairment Assessments

Impairment assessment estimates apply to goodwill, long-lived assets, right-of-use assets and investments.

Goodwill is allocated to our reporting units at the date the goodwill is initially recorded. We evaluate goodwill for impairment annually on October 1 or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. We review our long-lived assets, such as property, equipment and software, intangible assets, right-of-use assets and investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Significant judgment and estimates are required when determining the fair value of these assets for impairment tests.

When determining fair values in impairment tests, we use the income approach (including discounted cash flows). Our significant estimates in those fair value measurements may include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples. Further, when measuring fair value based on discounted cash flows, we make assumptions about risk-adjusted discount rates; rates of increase in revenue, cost of revenue and operating expenses; weighted average cost of capital; rates of long-term growth; working capital levels; and income tax rates. Valuations are performed by management or third-party valuation specialists under management's supervision, where appropriate. We believe that the estimated fair values used in impairment tests are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ materially from those estimates. See Item 8, Note 3, *Property, Equipment and Software, Net,* Note 4, *Goodwill and Other Intangible Assets,* Note 5, *Investments* and Note *8, Leases* for more information about our impairment assessments.

Future changes in our assumptions or the interrelationship of the assumptions described above may negatively impact future valuations. In future measurements of fair value, adverse changes in assumptions could result in impairments of goodwill or long-lived assets that would require non-cash charges to the Consolidated Statements of Operations and those charges could have a material effect on our financial condition and operating results.

See Item 8, Note 2, *Summary of Significant Accounting Policies* for information about our accounting policies relating to impairment of goodwill and long-lived assets.

Income Taxes

We account for income taxes using the asset and liability method and assess whether it is more likely than not that the deferred tax assets will be realized. We are also subject to taxation in the United States, various states and foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording the related income tax assets and liabilities.

To assess whether it is more likely than not that deferred tax assets will be realized and whether a valuation allowance needs to be recorded against them, we consider the following four sources of taxable income for each tax jurisdiction: (a) future reversals of existing taxable temporary differences, (b) projected future earnings, (c) taxable income in carryback years, and (d) tax planning strategies.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be adversely affected by earnings being lower than anticipated in countries where it has lower statutory rates and higher than anticipated in countries where it has higher statutory rates, by changes in foreign currency exchange rates, by changes in the valuation of deferred tax assets and liabilities, by changes in the measurement of uncertain tax positions, by changes affecting transfer pricing or by changes in the relevant laws, regulations, principles and interpretations.

See Item 8, Note 2, *Summary of Significant Accounting Policies*, and Note 14, *Income Taxes*, for information about our income tax accounting policies.

Recently Issued Accounting Standards

For a description of recently issued accounting standards, please see Item 8, Note 2, *Summary of Significant Accounting Policies.*

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various foreign currencies other than the U.S. dollar, principally the Euro, British pound sterling, Canadian dollar and Australian dollar, which exposes us to foreign currency risk. For the year ended December 31, 2022, we derived approximately 27.2% of our revenue from our International segment. Revenue and related expenses generated from our international operations are generally denominated in the local currencies of the corresponding countries. The functional currencies of our subsidiaries that either operate or support these markets are generally the same as the corresponding local currencies. However, the results of operations of, and certain of our intercompany balances associated with, our international operations are exposed to foreign currency exchange rate fluctuations. Upon consolidation, as exchange rates vary, our revenue and other operating results may differ materially from expectations, and we may record significant gains or losses on the re-measurement of intercompany balances.

We assess our foreign currency exchange risk based on hypothetical changes in rates utilizing a sensitivity analysis that measures the potential impact on working capital based on a 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities. The primary assumption used in this model is a hypothetical 10% weakening or strengthening of the U.S. dollar against those currency exposures as of December 31, 2022 and 2021.

As of December 31, 2022, our net working capital deficit (defined as current assets less current liabilities) from subsidiaries that are subject to foreign currency translation risk was $111.9 million. The potential increase in this working capital deficit from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be $11.2 million. This compares with a $69.2 million working capital deficit subject to foreign currency exposure as of December 31, 2021, for which a 10% adverse change would have resulted in a potential increase in this working capital deficit of $6.9 million.

Interest Rate Risk

Our cash balance as of December 31, 2022 consists of bank deposits, so exposure to market risk for changes in interest rates is limited. In March and April 2021, we issued the 2026 Notes with an aggregate principal amount of $230.0 million (see Item 8, Note 7, *Financing Arrangements*). The 2026 Notes bear interest at a fixed rate, so we have no financial statement impact from changes in interest rates. However, changes in market interest rates impact the fair value of the 2026 Notes along with other variables such as our credit spreads and the market price and volatility of our common stock. Our Third Amendment Credit Agreement provided for aggregate principal borrowings of up to $150.0 million. As of December 31, 2022, we had $75.0 million of borrowings outstanding and $24.9 million of outstanding letters of credit under the Third Amendment Credit Agreement. In connection with entering into the Fourth Amendment to our Third Amendment Credit Agreement in March 2023, our borrowing capacity under the Amended Credit Agreement was reduced from $150.0 million to $75.0 million and consequently we repaid $25.0 million of these outstanding amounts in connection with the Fourth Amendment. See Item 7, *Liquidity and Capital Resources,* for additional information. Because borrowings under the Amended Credit Agreement bear interest at a variable rate, we are exposed to market risk relating to changes in interest rates if we borrow under the Amended Credit Agreement. We also have $46.8 million of lease obligations as of December 31, 2022. Interest rates on existing leases typically do not change unless there is a modification to a lease agreement and, as such, we do not believe that the interest rate risk on the lease obligations is significant.

Inflation Risk

In light of the current inflationary environment, our business is being affected by changes to our merchants' and customers' discretionary spend. We expect such discretionary spend limitations to continue, and if we do not see increased overall demand for discounted goods and services to help offset these limitations on individual merchants and customers, our business, financial condition and results of operations could be adversely impacted. Additionally, increased inflation could negatively impact our business by driving up our operating costs. Our costs are subject to inflationary pressures, and if those pressures become significant, we may not be able to offset such higher costs through price increases or other cost efficiency measures. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Groupon, Inc.
Consolidated Financial Statements
As of December 31, 2022 and 2021 and for the Years Ended December 31, 2022, 2021 and 2020

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Groupon, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Groupon, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes and the schedule listed in the Index at Item 15(2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2023, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Going Concern – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company has suffered recurring losses from operations resulting in net cash outflows from operating activities of $136 million for the year ended December 31, 2022. While the Company was in compliance with the covenants of the Third Amendment Credit Agreement as of December 31, 2022, the borrowing capacity was restricted and downward revisions to the 2023 forecast indicated that the Company may not be in compliance in future periods.
To assess their ability to meet obligations as they come due and assess future compliance with debt covenants for at least twelve months from the issuance date of the financial statements, the Company has forecasted future financial results which requires significant judgment and estimation. Additionally, there is significant judgment

involved in determining that it is probable that management’s plans will be effectively implemented and alleviate substantial doubt about the Company’s ability to continue as a going concern.

Auditing management’s conclusion that it is probable that the Company's plans will be achieved and alleviate substantial doubt about the Company's ability to continue as a going concern and auditing the Company's disclosure regarding liquidity and going concern, specifically the judgments and estimates in the Company’s forecasted financial results involved especially subjective judgment and significant audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company’s evaluation and disclosure of liquidity and going concern included the following, among others:

- We tested the effectiveness of internal controls over the Company’s going concern evaluation, including the inputs, estimates and assumptions used in their forecasted financial results.

- We evaluated the Company’s forecasted financial results and ability to meet obligations as they come due for at least twelve months from the issuance date of these financial statements by:

    - Testing management’s key assumptions, including ability to achieve forecasted results through executing a transformation strategy which includes cost savings from restructuring actions.

    - Obtaining the Company’s amended debt agreements and assessing whether the terms were appropriately considered when concluding on the Company’s debt covenant compliance.

    - Comparing the Company’s forecasted future financial results to (1) historical results and previous forecasts, (2) internal communications to management and the Board of Directors, (3) historical variances in forecasted balances against actual results including first two months of 2023 and (4) macroeconomic factors.

- We evaluated the completeness of the Company’s future obligations and evaluated consistency of evidence obtained in other areas of the audit.

- We evaluated management’s plans, including the estimated cost savings and probability that the Company will be able to successfully implement these plans to alleviate substantial doubt about the Company’s ability to continue as a going concern.

Variable Consideration Revenue Recognition –Refer to Notes 2 and 12 to the financial statements

Critical Audit Matter Description

In accordance with the measurement principles of the revenue recognition accounting standard, the Company estimates variable consideration and includes such estimates in its determination of the transaction price that is recognized as revenue. The Company’s estimate of variable consideration each period is associated with gross billings for vouchers that are ultimately not redeemed by customers and for which the Company’s payment terms to merchants are upon redemption. For vouchers with redemption payment terms, the merchant is not paid its share of the sale price for a voucher sold unless and until the customer redeems the related voucher. If the voucher is never redeemed by the customer, the Company retains the full amount paid for the voucher and is not required to remit to the merchant its portion of the voucher’s sales proceeds.

Evaluating management’s model and assumptions used to estimate variable consideration revenue involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to evaluating the Company’s model and assumptions used to estimate the variable consideration revenue amount included the following, among others:

- We tested the effectiveness of controls over the estimation of the variable consideration revenue.

- We evaluated the Company's model used to measure the variable consideration revenue amount by considering if it conforms with the objectives and measurement principles of the revenue recognition standard related to variable consideration.

- We evaluated whether the Company used the proper data in the model. We also tested the completeness and accuracy of the data used in the model.

- We evaluated the assumptions used in the model, specifically the estimated redemption rates for cohorts of vouchers, by comparing the assumed redemption rates used in the model to historical redemption rates for similar vouchers.

Income Taxes—Foreign Tax Position—Refer to Notes 2 and 14 to the financial statements

Critical Audit Matter Description

The Company received a proposed income tax assessment from the tax authority in one foreign jurisdiction in the amount of $113.5 million, inclusive of estimated incremental interest from the original assessment. The Company believes the assessment, which primarily relates to transfer pricing on transactions occurring in 2011, is without merit and it intends to vigorously defend itself.

Given the complexity of the relevant tax laws and regulations, auditing management's evaluation and accounting for the tax position associated with the foreign income tax assessment involved especially subjective and complex judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting for the tax position associated with the foreign income tax assessment included the following, among others:

- We tested the effectiveness of controls over income taxes, including those over accounting for uncertain tax positions.

- With the assistance of our foreign and US income tax specialists, we evaluated management's analysis regarding the likelihood of sustaining its foreign tax position upon examination by the relevant foreign tax authorities; and, we evaluated management's estimate of the amount of tax benefit recognized.

- We assessed the basis of the Company's analysis and measurement by:

    - Obtaining, reading, and evaluating the outside legal opinion received by the Company supporting its foreign tax position

    - Obtaining, reading, and evaluating the written response from the outside legal counsel representing the Company provided to us as part of our annual legal inquiry process

    - Obtaining, reading, and evaluating management's written analysis supporting the accounting position

    - Making direct inquiries of the outside legal counsel representing the Company in this proposed assessment by the foreign tax authority

    - Evaluating any developments in the matter during the current fiscal year through inquiry of Company personnel and their outside legal counsel.

Goodwill—Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

The Company’s annual and periodic evaluations of goodwill impairment involve the comparison of the fair value of each of the Company’s reporting units to its carrying value. The Company determines the fair value of its reporting units primarily using the income approach (including discounted cash flows). With respect to the income approach, management makes significant estimates and assumptions related to forecasts of future performance, including revenues, cost of revenue, and operating expenses and risk-adjusted discount rates. The goodwill balance subject to the impairment test was $178.7 million as of December 31, 2022. As discussed in Note 4, the Company performed an interim quantitative assessment to evaluate goodwill for impairment during the first, second, and fourth quarter of 2022 due to continued downward revisions to the forecast. As a result of the Q2 2022 interim quantitative assessment, an impairment of $35.4 million was recognized, representing the full impairment of goodwill for the international reporting unit.

Auditing the estimates and assumptions that impacted the valuation of the reporting units involved especially subjective judgment, specifically related to the forecasts of revenues, cost of revenue, and operating expenses and selection of risk-adjusted discount rates.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company’s forecasts of revenues, cost of revenue, and operating expenses and its selection of risk-adjusted discount rates included the following, among others:

- We tested the effectiveness of controls over the annual and periodic goodwill impairment assessments, including those over the forecasts.

- We evaluated management’s ability to reliably forecast by comparing actual results to management’s historical forecasts.

- We evaluated the reasonableness of management’s forecasts by comparing the forecasts to (1) historical results and previous forecasts, (2) internal communications to management and the Board of Directors, (3) macroeconomic forecasts, and (4) forecasts utilized in other areas of the audit to evaluate consistency, where appropriate. Additionally, we obtained and evaluated management’s written analysis supporting the forecasted cash flows.

- With the assistance of fair value specialists, we evaluated the reasonableness of the 1) valuation methodology, 2) risk-adjusted discount rates, and 3) the long-term growth rate by:

    ◦ Evaluating whether the fair value models being used are appropriate considering the Company’s circumstances and valuation premise identified

    ◦ Testing the source information and the mathematical accuracy of the calculation underlying the determination of the risk-adjusted discount rates, and developing a range of independent estimates and comparing those to the risk-adjusted discount rates selected by management.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 16, 2023

We have served as the Company's auditor since 2017.

GROUPON, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31,	
	2022	**2021**
Assets		
Current assets:		
Cash and cash equivalents	$ 281,279	$ 498,726
Accounts receivable, net	44,971	36,755
Prepaid expenses and other current assets	41,101	52,570
Total current assets	367,351	588,051
Property, equipment and software, net	56,731	73,581
Right-of-use assets - operating leases, net	12,127	47,958
Goodwill	178,685	216,393
Intangible assets, net	17,641	24,310
Investments	119,541	119,541
Deferred income taxes	13,550	62,945
Other non-current assets	27,491	25,102
Total assets	$ 793,117	$ 1,157,881
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$ 75,000	$ 100,000
Accounts payable	59,568	22,165
Accrued merchant and supplier payables	225,420	269,509
Accrued expenses and other current liabilities	171,452	239,313
Total current liabilities	531,440	630,987
Convertible senior notes, net	224,923	223,403
Operating lease obligations	9,310	58,747
Other non-current liabilities	18,586	34,448
Total liabilities	784,259	947,585
Commitments and contingencies (see Note 9)		
Stockholders' equity		
Common stock, par value $0.0001 per share, 100,500,000 shares authorized; 40,786,996 shares issued and 30,492,879 shares outstanding at December 31, 2022; 40,007,255 shares issued and 29,713,138 shares outstanding at December 31, 2021	4	4
Additional paid-in capital	2,322,672	2,294,215
Treasury stock, at cost, 10,294,117 shares at December 31, 2022 and December 31, 2021	(922,666)	(922,666)
Accumulated deficit	(1,394,477)	(1,156,868)
Accumulated other comprehensive income (loss)	2,942	(4,813)
Total Groupon, Inc. stockholders' equity	8,475	209,872
Noncontrolling interests	383	424
Total equity	8,858	210,296
Total liabilities and equity	$ 793,117	$ 1,157,881

See Notes to Consolidated Financial Statements.

GROUPON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenue:			
Service	$ 599,085	$ 794,795	643,653
Product	—	172,313	773,215
Total revenue	599,085	967,108	1,416,868
Cost of revenue:			
Service	76,261	82,020	79,296
Product	—	147,972	660,278
Total cost of revenue	76,261	229,992	739,574
Gross profit	522,824	737,116	677,294
Operating expenses:			
Marketing	149,231	188,780	154,534
Selling, general and administrative	481,375	511,096	603,185
Goodwill impairment	35,424	—	109,486
Long-lived asset impairment	12,259	—	22,351
Restructuring and related charges	12,350	41,895	64,836
Total operating expenses	690,639	741,771	954,392
Income (loss) from operations	(167,815)	(4,655)	(277,098)
Other income (expense), net	(24,155)	92,680	(16,968)
Income (loss) from continuing operations before provision (benefit) for income taxes	(191,970)	88,025	(294,066)
Provision (benefit) for income taxes	42,410	(32,323)	(7,504)
Income (loss) from continuing operations	(234,380)	120,348	(286,562)
Income (loss) from discontinued operations, net of tax	—	—	382
Net income (loss)	(234,380)	120,348	(286,180)
Net (income) loss attributable to noncontrolling interests	(3,229)	(1,680)	(1,751)
Net income (loss) attributable to Groupon, Inc.	$ (237,609)	$ 118,668	$ (287,931)
Basic net income (loss) per share:			
Continuing operations	$ (7.88)	$ 4.04	$ (10.08)
Discontinued operations	—	—	0.01
Basic net income (loss) per share	$ (7.88)	$ 4.04	$ (10.07)
Diluted net income (loss) per share:			
Continuing operations	$ (7.88)	$ 3.68	$ (10.08)
Discontinued operations	—	—	0.01
Diluted net income (loss) per share	$ (7.88)	$ 3.68	$ (10.07)
Weighted average number of shares outstanding:			
Basic	30,166,100	29,365,880	28,604,115
Diluted	30,166,100	33,513,440	28,604,115

See Notes to Consolidated Financial Statements.

GROUPON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Income (loss) from continuing operations	$ (234,380)	$ 120,348	$ (286,562)
Other comprehensive income (loss) from continuing operations:			
Net change in unrealized gain (loss) on foreign currency translation adjustments	7,755	(40,195)	(35,972)
Reclassification of cumulative foreign currency translation adjustments (See Note 13)	—	32,273	—
Other comprehensive income (loss) from continuing operations	7,755	(7,922)	(35,972)
Comprehensive income (loss) from continuing operations	(226,625)	112,426	(322,534)
Income (loss) from discontinued operations	—	—	382
Comprehensive income (loss) from discontinued operations	—	—	382
Comprehensive income (loss)	(226,625)	112,426	(322,152)
Comprehensive income attributable to noncontrolling interests	(3,229)	(1,680)	(1,751)
Comprehensive income (loss) attributable to Groupon, Inc.	$ (229,854)	$ 110,746	$ (323,903)

See Notes to Consolidated Financial Statements.

GROUPON, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Groupon, Inc. Stockholders' Equity									
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Groupon, Inc. Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount		Shares	Amount					
Balance at December 31, 2019	38,584,854	$ 4	$ 2,310,393	(10,294,117)	$ (922,666)	$ (1,032,876)	$ 39,081	$ 393,936	$ 1,110	$ 395,046
Cumulative effect of change in accounting principle due to adoption of ASC Topic 326, net of tax	—	—	—	—	—	(79)	—	(79)	—	(79)
Comprehensive income (loss)	—	—	—	—	—	(287,931)	(35,972)	(323,903)	1,751	(322,152)
Vesting of restricted stock units and performance share units	784,385	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	69,371	—	1,791	—	—	—	—	1,791	—	1,791
Tax withholdings related to net share settlements of stock-based compensation awards	(295,714)	—	(9,754)	—	—	—	—	(9,754)	—	(9,754)
Stock-based compensation on equity-classified awards	—	—	45,684	—	—	—	—	45,684	—	45,684
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(2,862)	(2,862)
Balance at December 31, 2020	39,142,896	$ 4	$ 2,348,114	(10,294,117)	$ (922,666)	$ (1,320,886)	$ 3,109	$ 107,675	$ (1)	$ 107,674
Cumulative effect of change in accounting principle due to adoption of ASU 2020-06, net of tax	—	—	(64,319)	—	—	45,350	—	(18,969)	—	(18,969)
Comprehensive income (loss)	—	—	—	—	—	118,668	(7,922)	110,746	1,680	112,426
Vesting of restricted stock units and performance share units	1,319,695	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	49,399	—	1,128	—	—	—	—	1,128	—	1,128
Tax withholdings related to net share settlements of stock-based compensation awards	(504,735)	—	(19,834)	—	—	—	—	(19,834)	—	(19,834)
Purchase of capped call transactions, net of tax	—	—	(20,502)	—	—	—	—	(20,502)	—	(20,502)
Settlement of convertible note hedges, net of tax	—	—	14,511	—	—	—	—	14,511	—	14,511
Settlement of warrants	—	—	(1,752)	—	—	—	—	(1,752)	—	(1,752)
Stock-based compensation on equity-classified awards	—	—	36,869	—	—	—	—	36,869	—	36,869
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(1,255)	(1,255)
Balance at December 31, 2021	40,007,255	$ 4	$ 2,294,215	(10,294,117)	$ (922,666)	$ (1,156,868)	$ (4,813)	$ 209,872	$ 424	$ 210,296
Comprehensive income (loss)	—	—	—	—	—	(237,609)	7,755	(229,854)	3,229	(226,625)
Vesting of restricted stock units and performance share units	1,101,375	—	—	—	—	—	—	—	—	—
Shares issued under employee stock purchase plan	83,551	—	1,105	—	—	—	—	1,105	—	1,105
Tax withholdings related to net share settlements of stock-based compensation awards	(405,185)	—	(6,043)	—	—	—	—	(6,043)	—	(6,043)
Stock-based compensation on equity-classified awards	—	—	33,395	—	—	—	—	33,395	—	33,395
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(3,270)	(3,270)
Balance at December 31, 2022	40,786,996	$ 4	$ 2,322,672	(10,294,117)	$ (922,666)	$ (1,394,477)	$ 2,942	$ 8,475	$ 383	$ 8,858

See Notes to Consolidated Financial Statements.

GROUPON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Operating activities			
Net income (loss)	$ (234,380)	$ 120,348	$ (286,180)
Less: Income (loss) from discontinued operations, net of tax	—	—	382
Income (loss) from continuing operations	(234,380)	120,348	(286,562)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property, equipment and software	54,170	63,925	77,792
Amortization of acquired intangible assets	8,493	8,894	9,730
Impairment of goodwill	35,424	—	109,486
Impairment of long-lived assets	12,259	—	22,351
Restructuring-related impairment	2,949	7,651	21,622
Stock-based compensation	30,006	33,169	39,010
Changes in fair value of investments	—	(95,623)	8,089
Deferred income taxes	49,099	(33,985)	(7,101)
Amortization of debt discount on convertible senior notes	1,520	1,601	14,621
(Gain) loss on early lease termination	(4,471)	—	—
Foreign currency translation adjustments reclassified into earnings	—	(32,273)	—
Foreign currency (gains) losses, net	10,934	26,730	(22,351)
Change in assets and liabilities:			
Accounts receivable	(10,088)	5,432	13,524
Prepaid expenses and other current assets	9,812	(13,472)	42,249
Right-of-use assets - operating leases	16,986	19,919	22,463
Accounts payable	37,540	(10,302)	11,414
Accrued merchant and supplier payables	(39,428)	(133,849)	(142,624)
Accrued expenses and other current liabilities	(71,804)	(45,015)	36,159
Operating lease obligations	(30,295)	(31,801)	(36,864)
Other, net	(14,713)	(15,307)	3,394
Net cash provided by (used in) operating activities from continuing operations	(135,987)	(123,958)	(63,598)
Net cash provided by (used in) operating activities from discontinued operations	—	—	—
Net cash provided by (used in) operating activities	(135,987)	(123,958)	(63,598)
Investing activities			
Purchases of property and equipment and capitalized software	(36,168)	(49,630)	(48,711)
Proceeds from sale or divestment of investment	—	6,950	31,605
Acquisitions of intangible assets and other investing activities	(2,677)	(3,131)	(4,240)
Net cash provided by (used in) investing activities from continuing operations	(38,845)	(45,811)	(21,346)
Net cash provided by (used in) investing activities from discontinued operations	—	—	1,224
Net cash provided by (used in) investing activities	(38,845)	(45,811)	(20,122)
Financing activities			
Proceeds from borrowings under revolving credit agreement	40,000	—	200,000
Payments of borrowings under revolving credit agreement	(65,000)	(100,000)	—
Proceeds from issuance of 2026 convertible notes	—	230,000	—
Issuance costs for 2026 convertible notes and revolving credit agreement	(490)	(7,747)	(1,686)
Purchase of capped call transactions	—	(27,416)	—
Payments for the repurchase of Atairos convertible notes	—	(254,000)	—
Proceeds from the settlement of convertible note hedges	—	2,315	—
Payments for the settlement of warrants	—	(1,345)	—
Taxes paid related to net share settlements of stock-based compensation awards	(6,065)	(19,834)	(10,607)
Payments of finance lease obligations	(687)	(5,302)	(8,930)
Other financing activities	(2,165)	(521)	(1,979)
Net cash provided by (used in) financing activities	(34,407)	(183,850)	176,798
Effect of exchange rate changes on cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	(8,548)	2,017	6,574
Net increase (decrease) in cash, cash equivalents and restricted cash, including cash classified within current assets of discontinued operations	(217,787)	(351,602)	99,652
Less: Net increase (decrease) in cash classified within current assets of discontinued operations	—	—	1,224
Net increase (decrease) in cash, cash equivalents and restricted cash	(217,787)	(351,602)	98,428
Cash, cash equivalents and restricted cash, beginning of period [1]	499,483	851,085	752,657
Cash, cash equivalents and restricted cash, end of period [1]	$ 281,696	$ 499,483	$ 851,085

See Notes to Consolidated Financial Statements.

GROUPON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Supplemental disclosure of cash flow information			
Cash paid for interest	5,940	13,866	12,749
Income tax payments	$ 5,184	$ 11,145	$ 3,262
Increase (decrease) in liabilities related to purchases of property and equipment and capitalized software	$ 3,325	$ 672	$ 637
Supplemental cash flow information on our leasing obligations			
Cash paid for amounts included in the measurement of operating lease liabilities	31,508	33,079	36,864
Right-of-use assets obtained in exchange for operating lease liabilities	$ 2,635	$ 683	$ 16,415

(1) The following table provides a reconciliation of cash, cash equivalents and restricted cash shown above to amounts reported within the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020 (in thousands):

	December 31, 2022	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 281,279	$ 498,726	$ 850,587
Restricted cash included in prepaid expenses and other current assets	417	757	498
Cash, cash equivalents and restricted cash	$ 281,696	$ 499,483	$ 851,085

See Notes to Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company Information

Groupon, Inc. and its subsidiaries, which commenced operations in October 2008, is a global scaled two-sided marketplace that connects consumers to merchants by offering goods and services, generally at a discount. Consumers access those marketplaces through our mobile applications and our websites.

Our operations are organized into two segments: North America and International. See Note 18, *Segment Information,* for more information.

Macroeconomic Conditions and COVID-19 Pandemic

The COVID-19 pandemic has changed the environment that our business operates in, which includes changes in consumer behavior and macroeconomic impacts affecting both us and our merchants. Certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time. Impacts to our operations may be caused by macroeconomic trends such as inflationary pressures, higher labor costs, labor shortages and resulting changes in consumer and merchant behavior.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Groupon, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Consolidated Financial Statements were prepared in accordance with U.S. GAAP and include the assets, liabilities, revenue and expenses of all wholly-owned subsidiaries and majority-owned subsidiaries over which we exercise control and variable interest entities for which we have determined that we are the primary beneficiary. Outside stockholders' interests in subsidiaries are shown on the Consolidated Financial Statements as Noncontrolling interests. Investments in entities in which we do not have a controlling financial interest are accounted for at fair value, as available-for-sale securities or at cost adjusted for observable price changes and impairments, as appropriate.

Going Concern

The accompanying Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. In accordance with ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued.

Our Net cash used in operating activities was $136.0 million and $124.0 million for the years ended December 31, 2022 and December 31, 2021. Cash and cash equivalents were $281.3 million as of December 31, 2022. While we were in compliance with the covenants of our Third Amendment Credit Agreement as of December 31, 2022, our borrowing capacity was restricted and downward revisions to our 2023 forecast indicated we may not be in compliance in future periods. We took steps to amend the credit facility to provide us covenant relief and flexibility in our operations as described in Note 7, *Financing Arrangements*. These conditions and events raised substantial doubt about our ability to continue as a going concern.

In January 2023, our Board approved the second phase of the 2022 Restructuring Plan, which includes an overall reduction of approximately 500 positions globally. A substantial portion of these reductions occurred in January 2023 and the remaining are expected to occur by the end of the second quarter 2023. We estimate that the second phase of our 2022 Restructuring plan and related costs savings initiatives will result in approximately $100.0 million in annualized cost savings. Further, following the completion of our cloud migration project in February 2023, we have begun to accelerate our efforts to optimize our technology stack and cloud workloads resulting in additional cost savings and we plan to improve the efficiency of our marketing investment resulting in reductions to marketing expense for the remainder of 2023. Management will also take steps to minimize the risk certain payment processors will require reserves or holdback receivables. We believe management's plans as described above are probable of being achieved to alleviate substantial doubt about our ability to continue as a going concern and we will have sufficient liquidity to meet our obligations as they become due over the next twelve months.

We are also currently evaluating several different strategies to enhance our liquidity position. These strategies may include, but are not limited to, pursuing additional actions under our multi-phase cost-savings plan, seeking additional financing from both the public and private markets through the issuance of equity or debt securities, and monetizing certain assets.

Adoption of New Accounting Standards

There were no new accounting standards adopted during the year ended December 31, 2022.

Reclassifications

Certain reclassifications have been made to the Consolidated Financial Statements of prior periods and the accompanying notes to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates in our financial statements include, but are not limited to, the following: variable consideration from unredeemed vouchers; income taxes; leases; initial valuation and subsequent impairment testing of goodwill, other intangible assets and long-lived assets; investments; receivables; customer refunds and other reserves; contingent liabilities; and the useful lives of property, equipment and software and intangible assets. Actual results could differ materially from those estimates.

Cash, Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Accounts Receivable, Net

Accounts receivable primarily represents the net cash due from credit card and other payment processors and from merchants and performance marketing networks for commissions earned on consumer purchases. The carrying amount of receivables is reduced by an allowance for expected credit losses that reflects management's best estimate of amounts that will not be collected. We establish an allowance for expected credit losses on accounts receivable based on identifying the following customer risk characteristics: size, type of customer, and payment terms offered in the normal course of business. Receivables with similar risk characteristics are grouped into pools. For each pool, we consider the historical credit loss experience, current economic conditions, bankruptcy filings, published or estimated credit default rates, age of the receivable and any recoveries in assessing the lifetime expected credit losses.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets within Selling, general and administrative expense on the Consolidated Statements of Operations. Generally, the useful lives are three to five years for computer hardware, office equipment, furniture and fixtures and the shorter of the term of the lease or the expected life of the underlying asset for leasehold improvements.

Internal-Use Software

We incur costs related to internal-use software and website development, including purchased software and internally-developed software. Costs incurred in the planning and evaluation stage of internally-developed software and website development are expensed as incurred. Costs incurred and accumulated during the application development stage are capitalized and included within Property, equipment and software, net on the Consolidated Balance Sheets. Amortization of internal-use software is recorded on a straight-line basis over the two-year estimated useful life of the assets within Cost of revenue and Selling, general and administrative expense on the Consolidated Statements of Operations.

Cloud Computing Costs

We have entered into non-cancelable cloud computing hosting arrangements for which we incur implementation costs. Costs incurred in the planning and evaluation stage of the cloud computing hosting arrangement are expensed as incurred. Costs incurred during the application development stage related to implementation of the hosting arrangement are capitalized and included within Prepaid expenses and other current assets and Other non-current assets on the Consolidated Balance Sheets. Amortization of implementation costs is recorded on a straight-line basis over the term of the associated hosting arrangement for each module or component of the related hosting arrangement when it is ready for its intended use. Amortization costs are recorded in Selling, general and administrative expense on the Consolidated Statements of Operations.

Goodwill

Goodwill is allocated to our reporting units at acquisition. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill.

We evaluate goodwill for impairment annually on October 1 or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. We have the option to assess goodwill for impairment by first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If it is determined that the reporting unit fair value is more-likely-than-not less than its carrying value, or if we do not elect the option to perform an initial qualitative assessment, we perform a quantitative assessment of the reporting unit's fair value. If the fair value of the reporting unit is in excess of its carrying value, the related goodwill is not impaired. If the fair value is less than the carrying value, we recognize an impairment equal to the difference between the carrying value of the reporting unit and its fair value, not to exceed the carrying value of goodwill.

Investments

Investments in equity shares without a readily determinable fair value and for which we do not have the ability to exercise significant influence are accounted for at cost adjusted for observable price changes and impairments, with changes in the measurement recognized through Other income (expense), net on the Consolidated Statements of Operations. Those investments are classified within Investments on the Consolidated Balance Sheets.

We have investments in common stock or in-substance common stock for which we have the ability to exercise significant influence and we have made an irrevocable election to account for those investments at fair value. Those investments are classified within Investments on the Consolidated Balance Sheets.

We classify our debt securities as available-for-sale securities, which are classified within Investments on the Consolidated Balance Sheets. Available-for-sale securities are recorded at fair value each reporting period. Unrealized gains and losses, net of the related tax effects, are excluded from earnings and recorded as a separate component within Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets until realized. Interest income from available-for-sale securities is reported within Other income (expense), net on the Consolidated Statements of Operations. We conduct reviews of our available-for-sale investments with unrealized losses on a quarterly basis to evaluate whether those impairments are other-than-temporary. Investments with unrealized losses that are determined to be other-than-temporary are written down to fair value with a charge to earnings. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in Accumulated other comprehensive income (loss) for available-for-sale securities on the Consolidated Balance Sheets.

Income Taxes

We account for income taxes using the asset and liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. We regularly review deferred tax assets to assess whether it is more likely than not that the deferred tax assets will be realized and, if necessary, establish a valuation allowance for portions of such assets to reduce the carrying value.

For purposes of assessing whether it is more likely than not that deferred tax assets will be realized, we consider the following four sources of taxable income for each tax jurisdiction: (a) future reversals of existing taxable temporary differences, (b) projected future earnings, (c) taxable income in carryback years, to the extent that carrybacks are permitted under the tax laws of the applicable jurisdiction, and (d) tax planning strategies, which represent prudent and feasible actions that a company ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused. To the extent that evidence about one or more of these sources of taxable income is sufficient to support a conclusion that a valuation allowance is not necessary, other sources need not be considered. Otherwise, evidence about each of the sources of taxable income is considered in arriving at a conclusion about the need for and amount of a valuation allowance.

We are subject to taxation in the United States, various states and foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording the related income tax assets and liabilities. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be adversely affected by earnings being lower than anticipated in countries where it has lower statutory rates and higher than anticipated in countries where it has higher statutory rates, by changes in foreign currency exchange rates, by changes in the valuation of deferred tax assets and liabilities, by changes in the measurement of uncertain tax positions or by changes in the relevant laws, regulations, principles and interpretations. We account for uncertainty in income taxes by recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not criteria, the amount recognized in the Consolidated Financial Statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Lease Obligations

We have entered into various non-cancelable operating lease agreements for our offices and data centers. Significant judgment is required when determining whether a contract is or contains a lease. We review contracts to determine whether the language conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

We classify leases at their commencement as either operating or finance leases. We recognize a right-of-use asset and lease liability for all of our leases at the commencement of the lease, which is the date we have the right to control the asset. Lease liabilities are measured based on the present value of the minimum lease payments discounted by a rate determined as of the date of commencement. The discount rate used to calculate the present value for lease payments is the rate implicit in the lease, unless that rate cannot be readily determined. For leases in which the rate implicit in the lease is not readily determinable, the discount rate is our incremental borrowing rate, which is determined based on information available at lease commencement and is equal to the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term as the lease. Right-of-use assets are measured based on the lease liability adjusted for any initial direct costs, prepaid rent, or lease incentives. Minimum lease payments made under operating leases are apportioned between interest expense and a reduction of the related operating lease obligations. Operating lease costs, including interest expense on operating leases, are generally presented within Selling, general and administrative expense on the Consolidated Statements of Operations and the related operating lease obligation is presented within Accrued expenses and other current liabilities and Operating lease obligations on the Consolidated Balance Sheets. Short term leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed in the period in which they are incurred.

We may receive renewal or expansion options, rent holidays, leasehold improvements or other incentives on certain lease agreements. We assess whether it is reasonably certain that we will exercise an option to renew or terminate a lease by considering factors that create an economic incentive or disincentive.

Certain lease agreements include variable lease costs which are primarily related to costs that are dependent on our usage of the underlying asset or lease payments that are dependent on an index when that index has changed since lease commencement. Those costs are expensed in the period in which they are incurred.

We have also subleased certain office facilities under operating lease agreements, for which we recognize sublease income on a straight-line basis over their respective lease terms. Sublease income is generally presented within Restructuring and related charges on the Consolidated Statements of Operations.

Revenue Recognition

We recognize revenue when we satisfy a performance obligation by transferring a promised good or service to a customer. Substantially all of our performance obligations are satisfied at a point in time rather than over time. We offer goods and services through our online marketplaces in three primary categories: Local, Goods and Travel.

Service and Product Revenue

Service revenue primarily represents the net commissions earned from selling goods or services on behalf of third-party merchants. Those transactions generally involve a customer's purchase of a voucher through one of our online marketplaces that can be redeemed by the customer with a third-party merchant for goods or services (or for discounts on goods or services). Service revenue from those transactions is reported on a net basis as the purchase price collected from the customer less the portion of the purchase price that is payable to the third-party merchant. We recognize revenue from those transactions when our commission has been earned, which occurs when a sale through one of our online marketplaces is completed and the related voucher has been made available to the customer. We believe that our remaining obligations to remit payment to the merchant and to provide information about vouchers sold are administrative activities that are immaterial in the context of the contract with the merchant. Revenue from hotel reservation offerings is recognized at the time the reservation is made, net of an allowance for estimated cancellations.

We also earn commissions when customers make purchases with retailers using digital coupons accessed through our websites and mobile applications. We recognize those commissions as revenue in the period in which the underlying transactions between the customer and the third-party merchant are completed. Additionally, we earn advertising revenue when the advertiser's logo or website link has been included on our websites or in specified email distributions for the requisite period of time as set forth in the agreement with the advertiser.

Historically, we generated product revenue from our sales of first-party Goods transactions, which were direct sales of merchandise inventory. For product revenue transactions, we were the primary party responsible for providing the good to the customer, we had inventory risk and we had discretion in establishing prices. As such, product revenue was reported on a gross basis as the purchase price received from the customer. Product revenue, including associated shipping revenue, was recognized when title passed to the customer upon delivery of the product. We fully transitioned to a third party marketplace in North America in 2020 and in International in the fourth quarter of 2021. In a third-party marketplace model, our merchants generally assume inventory and refund risk and for those transactions we record revenue on a net basis within service revenue.

Variable Consideration for Unredeemed Vouchers

For merchant agreements with redemption payment terms, the merchant is not paid its share of the sale price for a voucher sold through one of our online marketplaces until the customer redeems the related voucher. If the customer does not redeem a voucher with such merchant payment terms, we retain all of the gross billings for that voucher, rather than retaining only our net commission. We estimate the variable consideration from vouchers that will not ultimately be redeemed using our historical voucher redemption experience and recognize that amount as revenue at the time of sale. We apply a constraint to ensure it is probable that a significant reversal of revenue will not occur in future periods. If actual redemptions differ from our estimates, the effects could be material to the Consolidated Financial Statements.

Refunds

Refunds are recorded as a reduction of revenue. The liability for estimated refunds is included within Accrued expenses and other current liabilities on the Consolidated Balance Sheets.

We estimate our refund reserve using historical refund experience by category. We assess the trends that could affect our estimates on an ongoing basis and make adjustments to the refund reserve calculations if it appears that changes in circumstances, including changes to our refund policies or general economic conditions, may cause future refunds to differ from our initial estimates. If actual refunds differ from our estimates, the effects could be material to the Consolidated Financial Statements.

Discounts, Customer Credits and Other Consideration Payable to Customers

We provide discount offers to encourage purchases of goods and services through our online marketplaces. We record discounts as a reduction of revenue.

Additionally, we issue credits to customers that can be applied to future purchases through our online marketplaces. Credits are primarily issued as consideration for refunds. To a lesser extent, credits are issued for customer relationship purposes. Credits issued to satisfy refund requests are applied as a reduction to the refund reserve and customer credits issued for relationship purposes are classified as a reduction of revenue. Breakage income from customer credits that are not expected to be used is estimated and recognized as revenue in proportion to the pattern of redemption for customer credits that are used.

Customer credits can be redeemed through our online marketplaces for goods or services provided by a third-party merchant. When customer credits are redeemed for goods or services provided by a third-party merchant, service revenue is recognized on a net basis as the difference between the carrying amount of the customer credit liability derecognized and the amount due to the merchant for the related transaction. Customer credits are primarily used within one year of issuance.

Sales and Related Taxes

Sales, use, value-added and related taxes that are imposed on specific revenue-generating transactions are presented on a net basis and excluded from revenue.

Costs of Obtaining Contracts

Incremental costs to obtain contracts with third-party merchants, such as sales commissions, are deferred and recognized on a straight-line basis over the expected period of the merchant arrangement, generally from 12 to 18 months. Those costs are classified within Selling, general and administrative expense in the Consolidated Statements of Operations.

Cost of Revenue

Cost of revenue is comprised of direct and certain indirect costs incurred to generate revenue. Costs incurred to generate revenue, which include credit card processing fees, editorial costs, compensation expense for technology support personnel who are responsible for maintaining the infrastructure of our websites, amortization of internal-use software relating to customer-facing applications, web hosting and other processing fees are attributed to the cost of service.

Impairment of Long-Lived Assets

We review our long-lived assets, such as property, equipment and software, intangible assets and right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If circumstances require that a long-lived asset or asset group to be held and used be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that long-lived asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Long-lived assets or disposal groups classified as held for sale are recorded at the lower of their carrying amount or fair value less estimated selling costs. Long-lived assets are not depreciated or amortized while classified as held for sale.

Stock-Based Compensation

We measure stock-based compensation cost at fair value. Expense is generally recognized on a straight-line basis over the service period during which awards are expected to vest, except for awards with both performance conditions and a graded vesting schedule, which are recognized using the accelerated method. We present stock-based compensation expense within the Consolidated Statements of Operations based on the classification of the respective employees' cash compensation.

Foreign Currency

Balance sheet accounts of our operations outside of the United States are translated from foreign currencies into U.S. dollars at exchange rates as of the Consolidated Balance Sheet dates. Revenue and expenses are translated at average exchange rates during the period. Foreign currency translation adjustments and foreign currency gains and losses on intercompany balances that are of a long-term investment nature are included within Accumulated other comprehensive income on the Consolidated Balance Sheets. Foreign currency gains and losses resulting from transactions that are denominated in currencies other than the entity's functional currency, including foreign currency gains and losses on intercompany balances that are not of a long-term investment nature, are included within Other income (expense), net on the Consolidated Statements of Operations.

Recently Issued Accounting Standards

There are no accounting standards that have been issued but not yet adopted that we believe could have a material impact on our Consolidated Financial Statements.

3. PROPERTY, EQUIPMENT AND SOFTWARE, NET

The following summarizes property, equipment and software, net as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Furniture and fixtures and other	3,384	5,524
Leasehold improvements	18,428	23,576
Computer hardware and purchased software	110,338	118,659
Internally-developed software [1]	334,079	309,018
Total property, equipment and software, gross	466,229	456,777
Less: accumulated depreciation and amortization	(409,498)	(383,196)
Property, equipment and software, net	$ 56,731	$ 73,581

(1) The net carrying amount of internally-developed software was $48.6 million and $54.7 million as of December 31, 2022 and 2021.

We evaluated long-lived assets for impairment, due to the events described below, which indicated that the carrying amount of certain asset groups were not recoverable. The asset impairments were written down to fair value based on the discounted cash flow method under the income approach that uses Level 3 inputs. The significant estimates used in the discounted cash flow models are the risk-adjusted discount rates; forecasted revenue, cost of revenue and operating expenses; forecasted capital expenditures and working capital needs; weighted-average cost of capital; rates of long-term growth; and income tax rates.

During the first quarter of 2022, we determined the impact to our business from the new variant of COVID-19 required us to evaluate our long-lived assets for impairment. Our interim quantitative assessment for the first quarter of 2022 did not identify any long-lived asset impairment.

During the second quarter of 2022, we determined a downward revision of our forecast required us to evaluate our long-lived assets for impairment. As a result of our interim quantitative assessment, we recognized long-lived asset impairment related to certain asset groups within our International reporting unit. See details in the table below.

During the fourth quarter of 2022, we determined a further downward revision of our forecast required us to evaluate our long-lived assets for impairment. As a result of our interim quantitative assessment, we recognized long-lived asset impairment related to certain asset groups within our International reporting unit. Additionally, during the fourth quarter of 2022, we determined that certain internally developed software was no longer in use. As a result, we recognized long-lived asset impairment related to internally developed software. See details in the table below.

During the third quarter of 2021, we recognized long-lived asset impairments for certain leasehold improvements under our 2020 Restructuring Plan and during the first quarter 2020 for property, equipment and software, net under our 2020 Restructuring Plan. See details in the table below and Note 13, *Restructuring and Related Charges*, for more information.

The following table summarizes impairment charges for property, equipment and software that are presented within Restructuring and related charges and Long-lived asset impairment on the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Long-lived asset impairment:			
North America	$ 753	$ —	$ —
International	3,736	—	9,565
Long-lived asset impairment	4,489	—	9,565
Restructuring and related charges:			
North America	—	602	—
International	—	268	5,613
Restructuring and related charges impairment	—	870	5,613
Total property, equipment and software impairment	$ 4,489	$ 870	$ 15,178

The following table summarizes impairment for long-lived assets by asset type for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
Long-Lived Asset Category	2022	2021	2020
Property, equipment and software, net			
Leasehold improvements	1,747	870	8,419
Computer hardware	1,498	—	2,842
Internally-developed software	753	—	2,988
Other Property, equipment and software, net	491	—	929
Total	$ 4,489	$ 870	$ 15,178

Depreciation and amortization expense on property, equipment and software is classified as follows in the accompanying Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Service cost of revenue	$ 32,554	$ 32,354	$ 28,443
Product cost of revenue	—	378	9,434
Selling, general and administrative	21,616	31,193	39,915
Total	$ 54,170	$ 63,925	$ 77,792

The above amounts include amortization of internally-developed software of $44.2 million, $50.5 million and $58.8 million, and amortization expense on assets under finance leases of $0.5 million, $3.6 million and $6.7 million, for the years ended December 31, 2022, 2021 and 2020.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes goodwill activity by segment for the years ended December 31, 2022 and 2021 (in thousands):

	North America	International [(1)]	Consolidated
Balance as of December 31, 2020	$ 178,685	$ 36,014	$ 214,699
Other [(2)]	—	3,776	3,776
Foreign currency translation	—	(2,082)	(2,082)
Balance as of December 31, 2021	$ 178,685	$ 37,708	$ 216,393
Goodwill impairment	—	(35,424)	(35,424)
Foreign currency translation	—	(2,284)	(2,284)
Balance as of December 31, 2022	$ 178,685	$ —	$ 178,685

(1) As of December 31, 2021, and 2020, the International reporting unit had a negative carrying value.

(2) Represents the reclassification between Right-of-use assets - operating leases, net and Goodwill due to an adjustment in the allocation of impairments recorded in 2020 between those two accounts.

We evaluated goodwill for impairment, due to the events described below, which indicated that the carrying amount of certain reporting units' were in excess of their estimated fair value. In determining the fair values of our reporting units, we used the discounted cash flow method under the income approach that uses Level 3 inputs.

During the first quarter of 2022, we determined the impact to our business from the new variant of COVID-19 required us to evaluate our goodwill for impairment. Our interim quantitative assessment for the first quarter of 2022 did not identify any goodwill impairment.

During the second quarter of 2022, we determined a downward revision of our forecast required us to evaluate our goodwill for impairment. As a result of our interim quantitative assessment, we recognized goodwill impairment within our International reporting unit, representing a full impairment of goodwill for that reporting unit.

We performed our annual goodwill impairment assessment as of October 1, 2022. Our annual assessment determined that no reporting units' carrying values were in excess of their estimated fair values and, therefore, we did not recognize goodwill impairment for either of our reporting units. During the fourth quarter of 2022, subsequent to our annual goodwill impairment assessment, we determined a further downward revision of our forecast required us to evaluate our goodwill for impairment. Our interim quantitative assessment did not identify any goodwill impairment.

During the third quarter of 2021, we determined the prolonged recovery from the COVID-19 pandemic and the sustained decrease in our stock price required us to evaluate our goodwill for impairment. Additionally, we performed our annual goodwill impairment assessment as of October 1, 2021. Our assessments determined that no reporting units' carrying values were in excess of their estimated fair values. Therefore, we did not recognize goodwill impairment for either of our reporting units during the year ended December 31, 2021.

During the first quarter 2020, we determined the significant deterioration in our financial performance due to the disruption in our operations from COVID-19 and the sustained decrease in our stock price required us to evaluate our goodwill for impairment, which resulted in goodwill impairment of $109.5 million within our International segment related to our EMEA operations. We did not recognize any goodwill impairment in our North America or Asia Pacific reporting units.

During the third quarter 2020, we exited our operations in Japan and New Zealand as part of our restructuring plan, which represented the majority of the countries in our Asia Pacific reporting unit. As a result, we combined the remainder of the Asia Pacific reporting unit and the EMEA reporting unit into a single International reporting unit, consistent with how management reviews the operating results of the business. As a result of the change in reporting units, we performed a qualitative assessment of potential goodwill impairment for the new International reporting unit and performed separate qualitative assessments of potential goodwill impairment for our Asia Pacific and EMEA reporting units immediately prior to the change. Based on those assessments, we determined that the likelihood of a goodwill impairment did not reach the more-likely-than-not threshold. Accordingly, we concluded that goodwill related to those reporting units were not impaired and further quantitative testing was not required to be performed. Additionally, we performed our annual goodwill impairment assessment as of October 1, 2020. Our assessment determined that no reporting units' carrying values were in excess of their estimated fair values. Therefore, we did not recognize goodwill impairment for either of our reporting units for the annual impairment test during the year ended December 31, 2020.

The following table summarizes intangible assets as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022			December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	17,912	14,327	3,585	19,976	12,554	7,422
Trade names	9,340	8,382	958	9,604	8,215	1,389
Patents	13,341	6,701	6,640	12,455	5,712	6,743
Other intangible assets	17,517	11,059	6,458	17,573	8,817	8,756
Total	$ 58,110	$ 40,469	$ 17,641	$ 59,608	$ 35,298	$ 24,310

Amortization of intangible assets is computed using the straight-line method over their estimated useful lives, which range from 1 to 10 years. Amortization expense from continuing operations related to intangible assets was $8.5 million, $8.9 million and $9.7 million for the years ended December 31, 2022, 2021 and 2020.

As of December 31, 2022, our estimated future amortization expense related to intangible assets is as follows (in thousands):

2023	$ 7,550
2024	4,076
2025	2,601
2026	1,739
2027	1,066
Thereafter	609
Total	$ 17,641

5. INVESTMENTS

The following table summarizes our percentage ownership in our investments for the periods noted below:

	December 31, 2022 and 2021		
Other equity investments	1%	to	19%
Available-for-sale securities	1%	to	19%
Fair value option investments	10%	to	19%

Other Equity Investments

Other equity investments represent equity investments without readily determinable fair values. We have elected to record equity investments without readily determinable fair values at cost adjusted for observable price changes in orderly transactions and impairments.

As of December 31, 2022, the balance for our other equity investments was $119.5 million and there was no activity recorded for the year ended December 31, 2022. The following table summarizes other equity investment activity for the year ended December 31, 2021 (in thousands):

Balance as of December 31, 2020	$	37,671
Upward adjustment for observable price change		89,083
Dispositions		(410)
Foreign currency translation		(6,803)
Balance as of December 31, 2021	$	119,541

We hold a 2.29% non-controlling equity interest in SumUp Holdings S.a.r.l. ("SumUp"), a privately-held mobile payments company. During the third quarter 2021, we adjusted the carrying value of our other equity investment in SumUp due to observable price changes in orderly transactions, which resulted in an unrealized gain of $89.1 million for the year ended December 31, 2021. The unrealized gain is presented within Other income (expense), net on the Consolidated Statements of Operations. During the first quarter 2020, we also sold 50% of our shares in this investment for total cash consideration of $34.0 million.

During the third quarter 2021, we also sold 100% of our shares in one of our other equity investments for total cash consideration of $2.6 million and recognized a gain of $2.2 million. During the second quarter 2021, we divested our shares in one of our other equity investments and recognized a gain and total cash consideration of $4.2 million. The gains on our investments have been presented within Other income (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2021.

During the first quarter 2020, we recorded a $6.7 million impairment to one of our other equity method investments as a result of revised cash flow projections and a deterioration in financial condition due to COVID-19. This impairment is presented within Other income (expense), net on the Consolidated Statements of Operations.

Available-for-Sale Securities

Our available-for-sale securities had a fair value of $0.0 million as of December 31, 2022 and 2021 and no financial statement activity was recorded for the years ended December 31, 2022, 2021 and 2020.

During the fourth quarter 2021, one of our available-for-sale security investments completed a merger transaction in which we received equity in the surviving company as merger consideration. We determined that the fair value of the transferred investment was zero.

Fair Value Option Investments

In connection with the dispositions of controlling stakes in Ticket Monster, an entity based in the Republic of Korea, and Groupon India in prior periods, we obtained minority investments in Monster Holdings LP ("Monster LP") and in Nearbuy Pte Ltd. ("Nearbuy"). We made an irrevocable election to account for both of those investments at fair value with changes in fair value reported in earnings. We elected to apply fair value accounting to those investments because we believe that fair value is the most relevant measurement attribute for those investments, as well as to reduce operational and accounting complexity. Our election to apply fair value accounting to those investments has and may continue to cause fluctuations in our earnings from period to period.

The fair value of both of these investments was $0.0 million as of December 31, 2022 and 2021 and no activity was recorded in those years.

During the first quarter 2020, we recognized a $1.4 million loss from changes in the fair value of our investment in Nearbuy due to revised cash flow projections and an increase in the discount rate applied to those forecasts. The revisions to the financial projections were due to the deterioration in the financial condition of Nearbuy as a result of COVID-19, which resulted in underperformance as compared with prior projections and an increase to financial projection risk.

6. SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS INFORMATION

The following table summarizes Other income (expense), net for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Interest income	$ 9,533	$ 5,116	$ 6,351
Interest expense	(14,380)	(17,206)	(33,192)
Changes in fair value of investments (1)	—	95,623	(8,089)
Loss on extinguishment of debt	—	(5,090)	—
Foreign currency gains (losses), net and other (2)	(19,308)	14,237	17,962
Other income (expense), net	$ (24,155)	$ 92,680	$ (16,968)

(1) Includes an $89.1 million unrealized gain due to an upward adjustment for an observable price change of SumUp for the year ended December 31, 2021.

(2) Includes a $32.3 million cumulative foreign currency translation adjustment gain that was reclassified into earnings for the year ended December 31, 2021 as a result of the substantial liquidation of our subsidiary in Japan as part of our 2020 Restructuring Plan.

The following table summarizes Prepaid expenses and other current assets as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Prepaid expenses	$ 16,048	$ 28,550
Income taxes receivable	6,691	7,711
Deferred cloud implementation cost	9,362	6,476
Other	9,000	9,833
Total prepaid expenses and other current assets	$ 41,101	$ 52,570

The following table summarizes Other non-current assets as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Deferred contract acquisition costs	$ 4,815	$ 7,080
Deferred cloud implementation costs	17,684	11,986
Other	4,992	6,036
Total other non-current assets	$ 27,491	$ 25,102

The following table summarizes Accrued expenses and other current liabilities as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Refund reserve	$ 11,072	$ 19,601
Compensation and benefits	15,005	30,367
Accrued marketing	19,596	37,900
Restructuring-related liabilities	4,782	11,349
Customer credits	36,220	56,558
Operating lease obligations	37,525	32,062
Other [(1)]	47,252	51,476
Total accrued expenses and other current liabilities	$ 171,452	$ 239,313

(1) Includes certain payroll taxes deferred under the Coronavirus Aid, Relief and Economic Security ("CARES") Act of $2.7 million as of December 31, 2021 and 2022. This balance was paid in January 2023.

The following table summarizes Other non-current liabilities as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Contingent income tax liabilities	$ 11,213	$ 24,213
Deferred income taxes	3,100	2,802
Other	4,273	7,433
Total other non-current liabilities	$ 18,586	$ 34,448

7. FINANCING ARRANGEMENTS

3.25% Convertible Senior Notes due 2022

In April 2016, we issued $250.0 million in aggregate principal amount of convertible senior notes (the "Atairos Notes") in a private placement to A-G Holdings, L.P.

On January 1, 2021, we adopted ASU 2020-06 using the modified retrospective method. This ASU eliminates the requirement to separately recognize an equity component when accounting for convertible debt in certain circumstances, removes certain conditions for equity classification of related contracts and amends the related guidance as to the computation of income (loss) per share.

As a result of adopting ASU 2020-06, we recorded a $67.0 million net reduction to Additional paid-in capital, a $19.0 million increase to Convertible senior notes, net and a $48.0 million reduction to our opening Accumulated deficit in our Consolidated Balance Sheets as of January 1, 2021. In the fourth quarter of 2021, we recorded an additional $2.7 million adjustment to our opening Accumulated deficit and Additional paid-in capital related to tax impacts of our bond hedges.

Prior to the adoption of ASU 2020-06, the difference between the principal amount of the Atairos Notes and the liability component of the Atairos Notes was recognized in equity, effectively resulting in a debt discount. The debt discount was amortized to interest expense over the terms of the Atairos Notes which, combined with cash interest, resulted in an effective interest rate of 9.75%.

Following the adoption of ASU 2020-06, the previously bifurcated equity component of our Atairos Notes was recombined with the liability component, resulting in a single liability-classified instrument. The carrying value of the Atairos Notes at the transition was determined by recalculating the basis of the notes as if the conversion option had not been bifurcated at issuance. Transaction costs related to the issuance of the Atairos Notes that were allocated to the equity component were reclassified out of Additional paid-in capital and the amortization and the related debt discount associated with these costs was recalculated through the transition date. This resulted in an effective interest rate of 3.76%.

In May 2021, we repurchased the Atairos Notes for an aggregate purchase price equal to $255.0 million, consisting of the $250.0 million outstanding principal amount, $1.0 million of accrued interest through the repurchase date and a $4.0 million prepayment penalty. In connection with the repurchase of the Atairos Notes, we recognized a $5.1 million loss on the early extinguishment, which is presented in Other income (expense), net on the Consolidated Statements of Operations.

During the years ended December 31, 2021 and 2020, we recognized interest costs on the Atairos Notes as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Contractual interest (3.25% of the principal amount per annum)	$ 3,024	$ 8,128
Amortization of debt discount	451	14,621
Total	$ 3,475	$ 22,749

Note Hedges and Warrants

In May 2016, we purchased convertible note hedges with respect to our common stock for a cost of $59.1 million from certain bank counterparties. The convertible note hedges were intended to reduce the potential economic dilution upon conversion of the Atairos Notes. We also sold warrants for total cash proceeds of $35.5 million to certain bank counterparties.

Under the if-converted method, the shares of common stock underlying the conversion option in the Atairos Notes are included in the diluted income (loss) per share denominator and the interest expense and amortization of the transaction costs on the Atairos Notes, net of tax, is added to the numerator. Taken together, the purchase of the convertible note hedges and sale of warrants offset any actual dilution from the conversion of the Atairos Notes and increased the overall conversion price from $108.00 to $170.00 per share.

In connection with the repurchase of the Atairos Notes, we entered into agreements (collectively "the Unwind Agreements") with each of the bank counterparties in May 2021 to unwind the convertible note hedges and warrants. Pursuant to the terms of the Unwind Agreements, we received cash proceeds of $2.3 million for the settlement of the convertible note hedges and paid cash consideration of $1.3 million for the settlement of the warrants.

1.125% Convertible Senior Notes due 2026

In March and April 2021, we issued $230.0 million aggregate principal amount of convertible senior notes due 2026 (the "2026 Notes") in a private offering to qualified institutional buyers. The net proceeds from this offering were $222.1 million. The 2026 Notes bear interest at a rate of 1.125% per annum, payable semiannually in arrears on March 15 and September 15 of each year, which began on September 15, 2021. The 2026 Notes will mature on March 15, 2026, subject to earlier repurchase, redemption or conversion.

We used $27.4 million of the net proceeds from the offering to pay the cost of certain related capped call transactions and used the remaining net proceeds, together with cash on hand, to repurchase the Atairos Notes.

Each $1,000 of principal amount of the 2026 Notes initially is convertible into 14.6800 shares of common stock, which is equivalent to an initial conversion price of $68.12 per share, subject to adjustment upon the occurrence of specified events. In addition, upon the occurrence of a make-whole fundamental change, as defined in the Indenture governing the 2026 Notes (the "Indenture"), or if we issue a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its 2026 Notes in connection with such make-whole fundamental change or redemption.

Upon conversion, we can elect to settle the conversion value in cash, shares of our common stock, or any combination of cash and shares of our common stock. Subject to certain conditions, holders of the 2026 Notes may convert the 2026 Notes at their option at any time until the close of business on the scheduled trading day immediately preceding the maturity date. In addition, if specified corporate events occur prior to the maturity date, we may be required to increase the conversion rate for holders who elect to convert based on the effective date of such event and the applicable stock price attributable to the event. Based on the closing price of the common stock of $8.58 as of December 31, 2022, the if-converted value of the 2026 Notes was less than the principal amount.

Certain conditions apply to the conversion by holders and redemption by us of the 2026 Notes, which are set forth in the Indenture governing the 2026 Notes. In addition, upon the occurrence of a fundamental change (as defined in the Indenture) prior to the maturity date, holders may require us to repurchase all or a portion of the 2026 Notes for cash.

The 2026 Notes are our senior unsecured obligations and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2026 Notes; equal in right of payment to any of our unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities of current or future subsidiaries (including trade payables).

The Indenture includes customary events of default, including that acceleration of indebtedness under the Amended Credit Agreement could result in an event of default under the Indenture. If an event of default, as defined in the Indenture, occurs and is continuing, the principal amount of the 2026 Notes and any accrued and unpaid interest may be declared immediately due and payable. In the case of bankruptcy or insolvency, the principal amount of the 2026 Notes and any accrued and unpaid interest would automatically become immediately due and payable. We account for the 2026 Notes as a single liability-classified instrument measured at amortized cost. The carrying value of the 2026 Notes was determined by deducting transaction costs incurred in connection with the issuance of the 2026 Notes of $7.8 million from the principal amount. Those transaction costs were recorded as a debt discount in the Consolidated Balance Sheets and are amortized to interest expense. Together with the cash interest, this results in an effective interest rate of 1.83% over the term of the 2026 Notes. We have presented the 2026 Notes in Convertible senior notes, net in the accompanying Consolidated Balance Sheets.

The carrying amount of the 2026 Notes consisted of the following as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Principal amount	$ 230,000	$ 230,000
Less: debt discount	(5,077)	(6,597)
Net carrying amount of liability	$ 224,923	$ 223,403

We classified the fair value of the 2026 Notes as a Level 3 measurement due to the lack of observable market data over fair value inputs such as our stock price volatility over the term of the 2026 Notes and our cost of debt. The estimated fair value of the 2026 Notes as of December 31, 2022 and 2021 was $133.1 million and $183.3 million and was determined using a lattice model.

During the years ended December 31, 2022 and 2021, we recognized interest costs on the 2026 Notes as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Contractual interest	$ 2,588	$ 2,001
Amortization of debt discount	1,520	1,150
Total	$ 4,108	$ 3,151

Capped Call Transactions

In March and April 2021, in connection with the offering of the 2026 Notes, we entered into privately-negotiated capped call transactions with each of Barclays Bank PLC, BNP Paribas and Mizuho Markets Americas LLC. The capped call transactions cover, subject to customary adjustments, the number of shares of common stock initially underlying the 2026 Notes. The capped call transactions are expected generally to reduce potential dilution to our common stock upon any conversion of the 2026 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, with such reduction and/or offset subject to a cap initially equal to $104.80 (which represents a premium of 100% over the last reported sale price of our common stock on The Nasdaq Global Select Market on March 22, 2021), subject to certain adjustments under the terms of the capped call transactions.

The capped call transactions are accounted for as freestanding derivatives and recorded at the initial fair value, net of tax, in Additional paid-in-capital in the Consolidated Balance Sheets with no recorded subsequent change to fair value as long as they meet the criteria for equity classification.

Under the if-converted method, the shares of common stock underlying the conversion option in the 2026 Notes are included in the diluted income (loss) per share denominator and the interest expense and amortization of the debt discount on the 2026 Notes, net of tax, are added to the numerator. However, upon conversion, there will be minimized economic dilution from the 2026 Notes, as exercise of the capped call transactions reduces dilution from the 2026 Notes that would have otherwise occurred when the price of our common stock exceeds the conversion price. The capped call transactions are intended to offset actual dilution from the conversion of the 2026 Notes and to effectively increase the overall conversion price from $68.12 to $104.80 per share.

Revolving Credit Agreement

In May 2019, we entered into a second amended and restated senior secured revolving credit agreement which provided for aggregate principal borrowings of up to $400.0 million (prior to the amendments described below) and matures in May 2024. In July 2020, we entered into an amendment to the revolving credit agreement (the "First Amendment") which permanently reduced borrowing capacity under our senior secured revolving credit facility from $400.0 million to $225.0 million. In March 2021, we entered into a second amendment to the revolving credit agreement (the "Second Amendment", as amended by the First Amendment and the Second Amendment, the "Second Amendment Credit Agreement") to, among other things, permit the issuance of the 2026 Notes and related capped call transactions. The Second Amendment also permanently removed requirements that we maintain (i) a maximum senior secured indebtedness to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio and (ii) unrestricted cash of not less than $250.0 million. Further, the Second Amendment changed the requirement to maintain a minimum fixed charge coverage ratio to a requirement to maintain a minimum interest coverage ratio.

In September 2022, we entered into a third amendment to the revolving credit agreement (the "Third Amendment" and the Second Amendment Credit Agreement as amended, the "Third Amendment Credit Agreement") to modify certain financial covenants and provide for additional flexibility in our operations, including certain modifications to our requirement to maintain (i) a maximum funded indebtedness to EBITDA ratio and (ii) a monthly minimum liquidity balance. In addition to the modifications described below, the Third Amendment reduced our borrowing capacity under our senior secured revolving credit facility from $225.0 million to $150.0 million.

In March 2023, we entered into a fourth amendment to the revolving credit agreement (the "Fourth Amendment" and the Third Amendment Credit Agreement as amended, the "Amended Credit Agreement" to modify certain financial covenants and provide for additional flexibility in its operations, among other changes, including certain modifications to (i) our requirements to maintain monthly minimum liquidity balance (including any undrawn amounts under the revolving credit facility) of at least $50.0 million, (ii) the calculation of EBITDA under the Amended Credit Agreement, (iii) mandatory prepayment requirements and (iv) certain affirmative covenants. In addition to the modifications described below, the Fourth Amendment reduced our borrowing capacity under our senior secured revolving credit facility from $150.0 million to $75.0 million.

We deferred debt issuance costs of $4.0 million in aggregate in connection with the Third Amendment Credit Agreement. Deferred debt issuance costs are included within Other non-current assets on the Consolidated Balance Sheets as of December 31, 2022 and are amortized to interest expense over the term of the respective agreement.

In addition, under the Amended Credit Agreement, we are subject to various covenants, including customary restrictive covenants that limit our ability to, among other things: incur additional indebtedness; make dividend and other restricted payments, including limiting the amount of our share repurchases; enter into sale and leaseback transactions; make investments, loans or advances; grant or incur liens on assets; sell assets; engage in mergers, consolidations, liquidations or dissolutions; and engage in transactions with related parties and other affiliates. The Fourth Amendment imposes additional restrictions on our ability to make certain investments, to incur certain additional indebtedness and to designate unrestricted subsidiaries..

As of December 31, 2022, we were in compliance with the applicable covenants under the Third Amendment Credit Agreement. Non-compliance with the covenants under the Amended Credit Agreement may result in termination of the commitments thereunder and any then outstanding borrowings may be declared due and payable immediately. We have the right to terminate the Amended Credit Agreement or reduce the available commitments at any time.

Borrowings under the Second Amendment Credit Agreement bore (a) interest at a rate per annum equal to (i) an adjusted LIBO rate or (ii) a customary base rate (with loans denominated in certain currencies bearing interest at rates specific to such currencies) plus an additional margin ranging between 0.50% and 2.00% and (b) commitment fees ranging from 0.25% to 0.35% on the daily amount of unused commitments. The Second Amendment Credit Agreement also includes a replacement mechanism for the discontinuation of the adjusted LIBO rate.

The Third Amendment replaced LIBOR as a benchmark interest rate under the Second Amendment Credit Agreement with Term Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment of 10 basis points. The Third Amendment also provides that, from the date of the Third Amendment through the fiscal quarter ending June 30, 2023, the Alternate Base Rate ("ABR") and Canadian prime spreads shall be raised to 1.50%, the fixed rate spreads to 2.50% and the commitment fee to 0.4% on the daily amount of the unused commitments under the Amended Credit Agreement. After June 30, 2023, the applicable spreads and commitment fee will revert to the levels set by the Second Amendment Credit Agreement, with the addition of a new tier that is applicable when the ratio of funded indebtedness to EBITDA exceeds 3.00:1.00 and provides for ABR and Canadian prime spreads of 1.25%, fixed rate spreads of 2.25% and a commitment fee of 0.4% on the daily amount of the unused commitments under the Amended Credit Agreement.

In addition, the Amended Credit Agreement provides for the issuance of up to $75.0 million in letters of credit, provided that the sum of outstanding borrowings and letters of credit do not exceed the maximum funding commitment of $75.0 million.

The Amended Credit Agreement is secured by substantially all of our tangible and intangible assets, including a pledge of 100% of the outstanding capital stock of substantially all of our direct and indirect domestic subsidiaries and 65% of the shares or equity interests of first-tier foreign subsidiaries and each U.S. entity whose assets substantially consist of capital stock and/or intercompany debt of one or more foreign subsidiaries, subject to certain exceptions. Certain of our domestic and foreign subsidiaries are guarantors under the Amended Credit Agreement.

We had $75.0 million of outstanding borrowings and $24.9 million of letters of credit outstanding as of December 31, 2022, and $100.0 million of outstanding borrowings and $25.8 million of letters of credit outstanding as of December 31, 2021 under the Third Amendment Credit Agreement. In connection with entering into the Fourth Amendment to our Third Amendment Credit Agreement in March 2023, our borrowing capacity under the Amended Credit Agreement was reduced from $150.0 million to $75.0 million and consequently we repaid $25.0 million of these outstanding amounts in connection with the Fourth Amendment.

8. LEASES

Our operating leases primarily consist of leases for real estate throughout the world with lease expirations between 2023 and 2027. These arrangements typically do not transfer ownership of the underlying asset as we do not assume, nor do we intend to assume, the risks and rewards of ownership. Our finance leases were related to property and equipment, primarily computer hardware, all of which were expired as of December 31, 2022.

We lease our headquarters located in Chicago, Illinois ("600 West Chicago"). During the year ended December 31, 2022, we reassessed the term of our 600 West Chicago operating lease as we were reasonably certain to exercise our option to early terminate the lease. As a result, our expected future minimum lease payments related to that lease were modified. Our reassessment included an increase in our Accrued expenses and other current liabilities of $11.6 million, a decrease to our long-term Operating lease obligations of $25.6 million, a decrease to our Right-of-use assets - operating leases, net of $9.5 million in the Consolidated Balance Sheets and a gain of $4.5 million in Restructuring and related charges in the Consolidated Statements of Operations. Refer to Note 13, *Restructuring and Related Charges* for additional information on the gain recognized.

In January 2023, we exercised our option to early terminate our lease at 600 West Chicago effective on January 31, 2024, which required us to pay a penalty of $9.6 million with our early termination notice. Prior to exercising our option to early terminate, the expiration of 600 West Chicago was January 31, 2026.

We sublease a portion of 600 West Chicago to Uptake, Inc., a Lightbank LLC portfolio company as a related party transaction. The sublease was a market rate transaction on terms that we believe are no less favorable than would have been reached with an unrelated party. As part of our reassessment of 600 West Chicago and early termination option noted above, we modified the sublease term to expire on January 30, 2024, as well. Uptake is contractually obligated to pay $2.5 million in future sublease payments, however, the collectability of our sublease income is not reasonably assured. Given the uncertainty of collectability of our sublease income, we recognized impairment of $1.8 million related to that portion of the right-of-use assets - operating leases for the year ended December 31, 2022, which is presented in Restructuring and related charges on the Consolidated Statements of Operations. We have also subleased other office facilities under operating lease agreements with expirations in 2023 for future sublease income of $2.1 million.

The following summarizes right-of-use assets as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022	December 31, 2021
Right-of-use assets - operating leases	$ 60,204	$ 91,934
Right-of-use assets - finance leases (1)	—	3,299
Total right-of-use assets, gross	60,204	95,233
Less: accumulated depreciation and amortization	(48,077)	(46,041)
Right-of-use assets, net	$ 12,127	$ 49,192

(1) Right-of-use assets for finance leases are included in Property, equipment and software, net on the Consolidated Balance Sheet.

For the year ended December 31, 2022, we determined a downward revision of our forecast in the second quarter of 2022 and further downward revision in the fourth quarter of 2022 each required us to evaluate our long-lived assets for impairment. As a result of our interim quantitative assessments, we recognized impairment related to our right-of-use assets - operating leases of $7.8 million within our International segment, which is presented in Long-lived asset impairments on the Consolidated Statements of Operations. We also recognized impairment for our right-of-use assets - operating leases related to our 2020 Restructuring Plan of $1.2 million, which is presented in Restructuring and related charges on the Consolidated Statements of Operations. See Note 13, *Restructuring and Related Charges*, for more information

Due to actions taken under our 2020 Restructuring Pl an, we recognized impairment of $6.8 million and $16.0 million related to right-of-use assets - operating leases for the years ended December 31, 2021 and 2020, which are presented in Restructuring and related charges on the Consolidated Statements of Operations. See Note 13, *Restructuring and Related Charges*, for more information.

For the year ended December 31, 2020, we determined the significant deterioration in our financial performance due to the disruption in our operations from COVID-19 and the sustained decrease in our stock price required us to evaluate our long-lived assets for impairment, and we recognized impairment related to right-of-use assets - operating leases of $10.5 million and right-of-use assets - finance leases of $1.3 million within our International segment, which are presented in Long-lived asset impairments on the Consolidated Statements of Operations.

The following table summarizes our lease costs and sublease income for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Financing lease cost:			
Amortization of right-of-use assets	$ 543	$ 3,621	$ 6,737
Interest on lease liabilities	12	120	522
Total finance lease cost	555	3,741	7,259
Operating lease cost (1)	20,880	25,346	30,870
Variable lease cost (2)	7,966	6,378	8,143
Short-term lease cost	57	83	313
Sublease income, gross (3)	(3,949)	(4,650)	(4,693)
Total lease cost	$ 25,509	$ 30,898	$ 41,892

(1) Operating lease costs presented as Selling, general and administrative and Restructuring and related charges in the Consolidated Statements of Operations totaled $15.7 million and $5.2 million for the year ended December 31, 2022, $17.6 million and $7.8 million for the year ended December 31, 2021 and $23.1 million and $7.8 million for the year ended December 31, 2020.

(2) Variable lease costs presented as Selling, general and administrative and Restructuring and related charges in the Consolidated Statements of Operations totaled $5.6 million and $2.4 million for the year ended December 31, 2022, $4.7 million and $1.7 million for the year ended December 31, 2021 and $7.0 million and $1.1 million for the year ended December 31, 2020.

(3) Sublease income, gross presented entirely as Restructuring and related charges in the Consolidated Statements of Operations for the years ended December 31, 2022 and December 31, 2021 and presented as Selling, general and administrative and Restructuring and related charges in the Consolidated Statements of Operations totaled $1.2 million and $3.5 million for the year ended December 31, 2020.

As of December 31, 2022, the future payments under operating leases for each of the next five years and thereafter are as follows (in thousands):

	Operating Leases
2023	38,733
2024	6,640
2025	2,473
2026	437
2027	75
Thereafter	—
Total minimum lease payments	48,358
Less: Amount representing interest	(1,523)
Present value of net minimum lease payments	46,835
Less: Current portion of lease obligations	(37,525)
Total long-term lease obligations	$ 9,310

As of December 31, 2022, we do not have any material non-cancelable operating lease commitments that have not yet commenced.

As of December 31, 2022 and 2021, the weighted-average remaining lease term and weighted-average discount rate for our operating leases were as follows:

	December 31, 2022	December 31, 2021
Weighted-average lease term	1 year	3 years
Weighted-average discount rate	6.4 %	5.4 %

9. COMMITMENTS AND CONTINGENCIES

Purchase Obligations

We have entered into non-cancelable arrangements with third-parties, primarily related to cloud computing and other information technology services. As of December 31, 2022, future payments under these contractual obligations were as follows (in thousands):

2023	$ 11,530
2024	17,615
2025	18,000
2026	—
2027	—
Thereafter	—
Total purchase obligations	$ 47,145

Legal Matters and Other Contingencies

From time to time, we are party to various legal proceedings incident to the operation of our business. For example, we currently are involved in proceedings brought by merchants, employment and related matters, intellectual property infringement suits, customer lawsuits, stockholder claims relating to U.S. securities law, consumer class actions and suits alleging, among other things, violations of state consumer protection or privacy laws.

On April 28, 2020, an individual plaintiff filed a securities fraud class action complaint in the United States District Court for the Northern District of Illinois, and in July 2020, another individual was appointed as lead plaintiff ("Securities Lawsuit"). The lawsuit covers the time period from July 30, 2019 through February 18, 2020. The lead plaintiff alleges that Groupon and certain of its officers made materially false and/or misleading statements or omissions regarding its business, operations and prospects, specifically as it relates to reiterating its full year guidance on November 4, 2019 and the Groupon Select program. On May 6, 2022, the parties reached an agreement to settle this matter in its entirety for $13.5 million and signed a term sheet memorializing preliminary terms. On June 27, 2022, the District Court granted preliminary approval of the settlement. On October 28, 2022, the District Court granted final approval of the settlement class with no class members opting out and no objections. Now that the settlement class has been confirmed and the case is fully resolved with no opt outs, all class members must follow a claims process administered by a third party and will be barred from filing future lawsuits based on these events. The full amount of the $13.5 million settlement is covered under Groupon's insurance policies and was paid into an escrow fund by Groupon's insurance carriers on July 26, 2022. The settlement accrual and insurance receivable were settled as of December 31, 2022.

In addition, four shareholders have filed separate shareholder derivative lawsuits in relation to the same events that are subject to the securities litigation described above (collectively, the “Derivative Lawsuits”). First, on September 9, 2021, a shareholder named Jonathan Frankel filed a federal derivative lawsuit in the United States District Court for District of Delaware. Second, on January 19, 2022, a shareholder named Alyssa Estreen filed a derivative lawsuit in the Court of Chancery in the State of Delaware. Third, on January 24, 2022, a shareholder named Saman Khoury filed a derivative lawsuit, also in the Court of Chancery in the State of Delaware. Finally, on May 9, 2022 a shareholder named Moriah Anders filed a lawsuit, also in the Court of Chancery in the State of Delaware. All four lawsuits name Groupon and certain of the Company's former and current officers and directors. The allegations in all four Derivative Lawsuits relate to the same time period and events that are the subject of the Securities Lawsuit and allege that the Company and its shareholders have sustained damages as a result of the conduct of certain current and former officers and directors. The Plaintiffs in each of these Derivative Lawsuits seek unspecified damages they allege were sustained by the Company, injunctive and equitable relief and attorneys' fees. All four matters have been stayed pending settlement discussions. On February 2, 2023, the Parties to all four Derivative Lawsuits executed a Stipulation of Settlement that was filed in Delaware Chancery Court. Under the settlement, Groupon has agreed to undertake certain corporate reforms. The Settlement requires notice to shareholders and Court approval. Counsel for the Plaintiffs will submit a petition to the Court to be awarded attorneys' fees, the amount of which is at the discretion of the Court. Any attorney fee award will be covered under Groupon's directors and officers insurance policies.

In addition, third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to intellectual property disputes, including patent infringement claims, and expect that we will continue to be subject to intellectual property infringement claims as our services expand in scope and complexity. In the past, we have litigated such claims, and we are presently involved in several patent infringement and other intellectual property-related claims, including pending litigation or trademark disputes relating to, for example, our Goods category, some of which could involve potentially substantial claims for damages or injunctive relief. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act are interpreted by the courts, and we become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws may be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and often costly to resolve, could require expensive changes in our methods of doing business or the goods we sell, or could require us to enter into costly royalty or licensing agreements.

We also are subject to consumer claims or lawsuits relating to alleged violations of consumer protection or privacy rights and statutes, some of which could involve potentially substantial claims for damages, including statutory or punitive damages. Consumer and privacy-related claims or lawsuits, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, fines and penalties, injunctive relief or increased costs of doing business through adverse judgment or settlement, or require us to change our business practices, sometimes in expensive ways.

We are also subject to, or in the future may become subject to, a variety of regulatory inquiries, audits, and investigations across the jurisdictions where we conduct our business, including, for example, inquiries related to consumer protection, employment matters and/or hiring practices, marketing practices, tax, unclaimed property and privacy rules and regulations. Any regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, fines and penalties, injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources, materially damage our brand or reputation, or otherwise harm our business.

We establish an accrued liability for loss contingencies related to legal and regulatory matters when the loss is both probable and reasonably estimable. Those accruals represent management's best estimate of probable losses and, in such cases, there may be an exposure to loss in excess of the amounts accrued. For certain of the matters described above, there are inherent and significant uncertainties based on, among other factors, the stage of the proceedings, developments in the applicable facts of law, or the lack of a specific damage claim. However, we believe that the amount of reasonably possible losses in excess of the amounts accrued for those matters would not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows. Our accrued liabilities for loss contingencies related to legal and regulatory matters may change in the future as a result of new developments, including, but not limited to, the occurrence of new legal matters, changes in the law or regulatory environment, adverse or favorable rulings, newly discovered facts relevant to the matter, or changes in the strategy for the matter. Regardless of the outcome, litigation and other regulatory matters can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In October 2016, we completed a strategic review of our international markets and decided to pursue strategic alternatives for our operations in 12 countries, which were primarily based in Asia and Latin America. In connection with the disposition of our operations in Latin America in 2017, we recorded $5.4 million in indemnification liabilities for certain tax and other matters upon the closing of the transactions as an adjustment to the net loss on the dispositions within discontinued operations at their fair value. We estimated the indemnification liabilities using a probability-weighted expected cash flow approach. In 2020, we decreased our indemnification liabilities due to the expiration of certain contingent liabilities under our indemnification obligations. The resulting benefit of $0.4 million is recorded within Income (loss) from discontinued operations, net of tax on the Consolidated Statements of Operations for the year ended December 31, 2020. Our remaining indemnification liabilities were $2.8 million as of December 31, 2022. We estimate that the total amount of obligations that are reasonably possible to arise under the indemnifications in excess of amounts accrued as of December 31, 2022 is approximately $11.7 million.

In the normal course of business to facilitate transactions related to our operations, we indemnify certain parties, including employees, lessors, service providers, merchants, and counterparties to investment agreements and asset and stock purchase agreements with respect to various matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims made against those parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. We are also subject to increased exposure to various claims as a result of our divestitures and acquisitions. We may also become more vulnerable to claims as we expand the range and scope of our services and are subject to laws in jurisdictions where the underlying laws with respect to potential liability are either unclear or less favorable. In addition, we have entered into indemnification agreements with our officers, directors and underwriters, and our bylaws contain similar indemnification obligations that cover officers, directors, employees and other agents.

Except as noted above, it is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, any payments that we have made under these agreements have not had a material impact on our operating results, financial position or cash flows.

10. STOCKHOLDERS' EQUITY

Preferred Stock

Our Board of Directors has the authority, without approval by the stockholders, to issue up to a total of 50,000,000 shares of preferred stock in one or more series. The Board may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred stock. The Board could authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or rights of the holders of our common stock. As of December 31, 2022 and 2021, there were no shares of preferred stock outstanding.

Common Stock

Pursuant to our restated certificate of incorporation, as of December 31, 2022, the Board had the authority to issue up to a total of 100,500,000 shares of common stock. Each holder of common stock is entitled to one vote per share on any matter that is submitted to a vote of stockholders. In addition, holders of our common stock will vote as a single class of stock on any matter that is submitted to a vote of stockholders.

Share Repurchase Program

In May 2018, the Board authorized us to repurchase up to $300.0 million of our common stock under our share repurchase program. During the year ended December 31, 2022, we did not repurchase any shares under the program. As of December 31, 2022, $245.0 million of common stock remained available for purchase under our program. The timing and amount of share repurchases, if any, will be determined based on market conditions, limitations under the Amended Credit Agreement, share price, available cash and other factors, and the share repurchase program may be terminated at any time.

11. COMPENSATION ARRANGEMENTS

Groupon, Inc. Stock Plan

In August 2011, we established the Groupon, Inc. 2011 Stock Plan (the "2011 Plan"), as amended in November 2013, May 2014, June 2016, April 2019, and June 2022, under which options, restricted stock units and performance stock units for up to 11,875,000 shares of common stock were authorized for future issuance to employees, consultants and directors.

The 2011 Plan is administered by the Compensation Committee of the Board (the "Compensation Committee"). As of December 31, 2022, 3,266,298 shares of common stock were available for future issuance under the 2011 Plan.

The stock-based compensation expense related to stock awards issued under the 2011 Plan and acquisition-related awards are presented within the following line items of the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 395	$ 585	$ 662
Marketing	1,054	748	1,522
Selling, general and administrative	28,557	31,836	36,826
Restructuring and related charges	—	—	1,735
Total stock-based compensation expense	$ 30,006	$ 33,169	$ 40,745

We capitalized $3.4 million, $3.7 million and $4.5 million of stock-based compensation for the years ended December 31, 2022, 2021 and 2020, in connection with internally-developed software and cloud computing arrangements.

Employee Stock Purchase Plan

The Groupon, Inc. 2012 Employee Stock Purchase Plan, as amended, authorizes us to grant up to 1,000,000 shares of common stock under that plan. For the years ended December 31, 2022, 2021 and 2020, 83,551, 49,399 and 69,371 shares of common stock were issued under the ESPP.

Restricted Stock Units

The restricted stock units granted under the 2011 Plan generally have vesting periods between one and four years and are amortized on a straight-line basis over their requisite service period.

The table below summarizes restricted stock unit activity under the 2011 Plan for the year ended December 31, 2022:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value (per share)
Unvested at December 31, 2021	2,205,235	$ 31.06
Granted	2,720,990	16.95
Vested	(1,080,881)	32.22
Forfeited	(969,255)	24.82
Unvested at December 31, 2022	2,876,089	$ 19.33

The weighted-average grant date fair value of restricted stock units granted in 2021 and 2020 was $31.48 and $24.92. The fair value of restricted stock units that vested during each of the three years ended December 31, 2022, 2021 and 2020 was $15.6 million, $48.8 million and $19.2 million. As of December 31, 2022, $39.3 million of unrecognized compensation costs related to unvested employee restricted stock units are expected to be recognized over a remaining weighted-average period of 1 year.

Performance Share Units

We have previously granted performance share units under the 2011 Plan that vest in shares of our common stock upon the achievement of financial and operational targets specified in the respective award agreement ("Performance Share Units"). Our existing Performance Share Units are subject to continued employment through the performance period dictated by the award and certification by the Compensation Committee of the Board that the specified performance conditions have been achieved.

The table below summarizes Performance Share Unit activity under the 2011 Plan for the year ended December 31, 2022:

	Performance Share Units	Weighted-Average Grant Date Fair Value (per unit)
Unvested at December 31, 2021	37,763	$ 28.39
Granted	—	—
Vested	(20,494)	31.97
Forfeited	—	—
Unvested at December 31, 2022	17,269	$ 24.13
Maximum shares issuable upon vesting at December 31, 2022	17,269	

As of December 31, 2022, we have recognized substantially all expense related to the unvested Performance Share Units, which vested in the first quarter of 2023.

We have also previously granted performance share units subject to a market condition ("Market-based Performance Share Units"). As of December 31, 2022, 24,335 Market-based Performance Share Units were forfeited and 33,333 Market-based Performance Share Units expired as the market conditions were not met. No Market-based Performance Share Units remain unvested and all related compensation costs have been recognized as of December 31, 2022.

Defined Contribution Plans

We have a 401(k) defined contribution retirement savings plan covering substantially all domestic employees. Each participant may elect to defer a portion of his or her compensation subject to certain limitations. We contribute up to 50% of the first 6% of eligible compensation contributed to the plan, subject to a 3 year graded vesting schedule. We also have several foreign defined contribution plans, which require us to contribute a percentage of participating employee's salary according to local regulations. During the years ended December 31, 2022, 2021 and 2020, our contributions for all plans were $5.8 million, $6.7 million and $6.6 million.

12. REVENUE RECOGNITION

See Note 18, *Segment Information*, for revenue summarized by reportable segment and category.

Contract Balances

Our deferred revenue relates to gift card revenue and is recognized upon customer redemption. For prior periods, deferred revenue also included product sales and was recognized as the products were delivered to customers, generally within two weeks following the balance sheet date. Our deferred revenue was $1.6 million as of December 31, 2022. As of December 31, 2021 and 2020, our deferred revenue was $3.5 million and $11.2 million, all of which was recognized during the years ended December 31, 2022 and 2021, respectively.

Customer Credits

The following table summarizes the activity in the liability for customer credits for the years ended December 31, 2022 and 2021 (in thousands):

	Customer Credits
Balance as of December 31, 2020	$ 61,006
Credits issued	217,407
Credits redeemed [1]	(178,720)
Breakage revenue recognized [2]	(41,800)
Foreign currency translation	(1,335)
Balance as of December 31, 2021	$ 56,558
Credits issued	134,317
Credits redeemed [1]	(128,247)
Breakage revenue recognized	(25,802)
Foreign currency translation	(606)
Balance as of December 31, 2022	$ 36,220

(1) Historically, customer credits have primarily been used within one year of issuance; however, usage patterns were impacted from changes in customer behavior due to COVID-19.

(2) The increase in our breakage revenue recognized was largely due to a change in estimate due to lower customer usage patterns from COVID-19.

Cost of Obtaining Contracts

Deferred contract acquisition costs are presented in Prepaid expenses and other current assets and Other non-current assets on the Consolidated Balance Sheets. As of December 31, 2022 and 2021, deferred contract acquisition costs were $5.9 million and $8.0 million.

The amortization of deferred contract acquisition costs is classified within Selling, general and administrative expense in the Consolidated Statements of Operations. For the years ended December 31, 2022, 2021 and 2020, we amortized $10.7 million, $10.5 million and $15.3 million of deferred contract acquisition costs.

Allowance for Expected Credit Losses on Accounts Receivable

The following table summarizes the activity in the allowance for expected credit losses on accounts receivables for the year ended December 31, 2022 (in thousands):

	Allowance for Expected Credit Losses
Balance as of December 31, 2020	$ 9,756
Change in provision	(28)
Write-offs	(1,875)
Foreign currency translation	121
Balance as of December 31, 2021	$ 7,974
Change in provision	(1,335)
Write-offs	(1,618)
Foreign currency translation	(483)
Balance as of December 31, 2022	$ 4,538

Variable Consideration for Unredeemed Vouchers

During the years ended December 31, 2022 and 2021, we recognized $9.1 million and $31.4 million of variable consideration from unredeemed vouchers that were sold in a prior year. During the year ended December

31, 2021, the substantial majority of vouchers sold at the onset of the COVID-19 pandemic reached expiration at redemption rates lower than our historical estimates. Although redemption rates for vouchers sold in more recent periods have improved, the impact of macroeconomic conditions on redemption behavior in future periods is still uncertain. When actual redemptions differ from our estimates, the effects could be material to the Consolidated Financial Statements.

13. RESTRUCTURING AND RELATED CHARGES

In August 2022 and April 2020, we initiated Board-approved restructuring plans. Costs incurred related to the restructuring plans are classified as Restructuring and related charges on the Consolidated Statements of Operations. The restructuring activities are summarized by plan in the sections below.

2022 Restructuring Plan

In August 2022, we initiated a multi-phase cost savings plan designed to reduce our expense structure to align with our go-forward business and financial objectives (the “2022 Cost Savings Plan”). The 2022 Cost Savings Plan included a restructuring plan, approved by our Board on August 5, 2022 (the “2022 Restructuring Plan”). The first phase of the 2022 Restructuring Plan includes an overall reduction of approximately 500 positions globally, with the majority of these reductions completed by the end of 2022 and the remainder expected in 2023. In connection with the first phase, we expect to record total pre-tax charges of $10.0 million to $20.0 million. Substantially all of the pre-tax charges are expected to be paid in cash and will relate to employee severance and compensation benefits, with an immaterial amount of charges related to other exit costs. We have incurred total pretax charges of $9.6 million since the inception of the 2022 Restructuring Plan.

The following tables summarize costs incurred by segment related to the 2022 Restructuring Plan for the year ended December 31, 2022 (in thousands):

	Year Ended December 31, 2022		
	Employee Severance and Benefit Costs (Credits) (1)	Other Exit Costs	Total Restructuring Charges (Credits)
North America	$ 8,024	$ 161	$ 8,185
International	1,464	—	1,464
Consolidated	$ 9,488	$ 161	$ 9,649

(1) The employee severance and benefits costs for the year ended December 31, 2022 are related to the termination of approximately 380 employees, of which 16 are still completing their notice period and legally-required severance and benefits have been recognized as of December 31, 2022. Additional severance and benefits costs related to the remaining 16 employees may be incurred in future periods.

The following table summarizes restructuring liability activity for the 2022 Restructuring Plan (in thousands):

	Employee Severance and Benefit Costs	Other Exit Costs	Total
Balance as of December 31, 2021	$ —	$ —	$ —
Charges payable in cash	9,488	161	9,649
Cash payments	(9,315)	(161)	(9,476)
Foreign currency translation	2	—	2
Balance as of December 31, 2022 (1)	$ 175	$ —	$ 175

(1) Substantially all of the remaining cash payments for the 2022 Restructuring Plan costs are expected to be disbursed through 2023.

In January 2023, the Board approved the second phase of the 2022 Restructuring Plan, which is expected to include an overall reduction of approximately 500 positions globally, with the majority of these reductions expected to occur by the end of the second quarter 2023. In connection with the second phase, we expect to record total pre-tax charges of $10.0 million to $20.0 million. A majority of the pre-tax charges for the second phase are expected to be paid in cash and primarily relate to employee severance and compensation benefits, with an immaterial amount of charges related to other exit costs.

2020 Restructuring Plan

In April 2020, the Board approved a multi-phase restructuring plan related to our previously-announced strategic shift and as part of the cost cutting measures implemented in response to the impact of COVID-19 on our business (the "2020 Restructuring Plan"). We have incurred total pretax charges of $109.4 million since the inception of the 2020 Restructuring Plan. Our actions under this plan were substantially completed by December 31, 2021, and our current and future charges or credits will be from changes in estimates. Our 2020 Restructuring Plan included workforce reductions of approximately 1,600 positions globally, the exit or discontinuation of the use of certain leases and other assets, impairments of our right-of-use and other long-lived assets, and the exit of our operations in New Zealand and Japan. In the first quarter 2021, we substantially liquidated our subsidiary in Japan and reclassified $32.3 million of cumulative foreign currency translation gains into earnings, which is presented in Other income (expense), net on the Consolidated Statements of Operations for the year ended December 31, 2021.

The following tables summarize costs incurred by segment related to the 2020 Restructuring Plan for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31, 2022				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 1	$ 155	$ —	$ 418	$ 574
International	(95)	92	—	2,130	2,127
Consolidated	$ (94)	$ 247	$ —	$ 2,548	$ 2,701

	Year Ended December 31, 2021				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 458	$ 1,696	$ 602	$ 7,278	$ 10,034
International	28,345	681	268	2,567	31,861
Consolidated	$ 28,803	$ 2,377	$ 870	$ 9,845	$ 41,895

	Year Ended December 31, 2020				
	Employee Severance and Benefit Costs (Credits)	Legal and Advisory Costs	Property, Equipment and Software Impairments	Right-of-Use Asset Impairments and Lease-related Charges (Credits)	Total Restructuring Charges (Credits)
North America	$ 17,322	$ 1,308	$ 5,322	$ 13,775	$ 37,727
International	20,679	829	291	5,310	27,109
Consolidated	$ 38,001	$ 2,137	$ 5,613	$ 19,085	$ 64,836

As a part of our 2020 Restructuring Plan, we terminated or modified several of our leases. In other cases we vacated our leased facilities, and some of those facilities are being actively marketed for sublease or we are in negotiations with the landlord to potentially terminate or modify those leases. For the year ended December 31, 2022, we recognized long-lived asset impairment related to those leases of $1.8 million and $1.2 million in our North America and International segments. In addition, during the year ended December 31, 2022, we recognized a gain of $4.5 million for one of our previously-impaired leases in our North America segment due to our reassessment of our 600 West Chicago lease given our option to early terminate. For the year ended December 31, 2021, we recognized long-lived asset impairment of $5.5 million and $2.2 million in our North America and International segments. For the year ended December 31, 2020, we recognized long-lived asset impairment of $18.1 million and $3.5 million in our North America and International segments. See Note 3, *Property, Equipment and Software, Net* and Note 8, *Leases* for additional information. Rent expense, including amortization of the right-of-use asset and accretion of the operating lease liability, sublease income, termination and modification gains and losses, and other variable lease costs related to the leased facilities vacated as part of our 2020 Restructuring Plan are presented within Restructuring and related charges in the Consolidated Statements of Operations. The current and non-current liabilities associated with these leases continue to be presented within Accrued expenses and other current liabilities and Operating lease obligations in the Consolidated Balance Sheets.

The following table summarizes restructuring liability activity for the years ended December 31, 2022 and 2021 (in thousands):

	Employee Severance and Benefit Costs	Other Exit Costs	Total
Balance as of December 31, 2020	$ 13,297	$ 834	$ 14,131
Charges payable in cash	28,803	2,376	31,179
Cash payments	(30,100)	(2,897)	(32,997)
Foreign currency translation	(962)	(2)	(964)
Balance as of December 31, 2021	$ 11,038	$ 311	$ 11,349
Charges payable in cash	(94)	247	153
Cash payments	(6,096)	(212)	(6,308)
Foreign currency translation	(542)	(45)	(587)
Balance as of December 31, 2022 (1)	$ 4,306	$ 301	$ 4,607

(1) Substantially all of the remaining cash payments for the 2020 Restructuring Plan costs are expected to be disbursed by the end of 2023.

14. INCOME TAXES

The components of pretax income (loss) from continuing operations for the years ended December 31, 2022, 2021 and 2020 were as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
United States	$ (65,256)	$ 60,875	$ (55,699)
International	(126,714)	27,150	(238,367)
Income (loss) from continuing operations before provision (benefit) for income taxes	$ (191,970)	$ 88,025	$ (294,066)

The Provision (benefit) for income taxes for the years ended December 31, 2022, 2021 and 2020 consisted of the following components (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Current taxes:			
U.S. federal	$ 161	$ 2,354	$ (180)
State	704	1,629	1,719
International	(7,554)	(2,321)	(1,942)
Total current taxes	(6,689)	1,662	(403)
Deferred taxes:			
U.S. federal	31,132	(15,254)	32
State	20,307	(16,864)	114
International	(2,340)	(1,867)	(7,247)
Total deferred taxes	49,099	(33,985)	(7,101)
Provision (benefit) for income taxes (1)	$ 42,410	$ (32,323)	$ (7,504)

(1) Amounts included in the Provision (benefit) for income taxes related to continuing operations.

The items accounting for differences between the income tax provision (benefit) from continuing operations computed at the U.S. federal statutory rate and the Provision (benefit) for income taxes for the years ended December 31, 2022, 2021 and 2020 were as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
U.S. federal income tax provision (benefit) at statutory rate	$ (40,314)	$ 18,485	$ (61,805)
Foreign income and losses taxed at different rates [1]	9,035	5,000	8,608
State income taxes, net of federal benefits, and state tax credits	4,133	4,897	6,487
Change in valuation allowances	64,328	(50,695)	(4,474)
Effect of income tax rate changes on deferred items	443	815	618
Adjustments related to uncertain tax positions	(13,062)	2,588	(15,518)
Non-deductible stock-based compensation expense	2,191	2,727	3,803
Tax (windfalls)/shortfalls on stock-based compensation awards	2,741	(1,762)	3,876
Federal research and development credits, net of adjustments	(812)	(396)	6,043
Forgiveness of intercompany liabilities	1,468	(62)	(2,863)
Tax attribute expiration	5,519	—	19,962
Goodwill impairment	7,213	—	23,202
Observable price change on an other equity investment	—	(17,955)	—
Non-deductible or non-taxable items	(473)	4,035	4,557
Provision (benefit) for income taxes	$ 42,410	$ (32,323)	$ (7,504)

(1) Tax rates in foreign jurisdictions were generally lower than the U.S. federal statutory rate through December 31, 2022. This resulted in an adverse impact to the Provision (benefit) for income taxes in this rate reconciliation for the years ended December 31, 2022, 2021 and 2020 prior to the impact of valuation allowances, due to the net pretax losses from continuing operations in certain foreign jurisdictions with lower tax rates.

The deferred income tax assets and liabilities consisted of the following components as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Accrued expenses and other liabilities	$ 37,397	$ 45,532
Operating lease obligation	5,602	10,890
Stock-based compensation	3,886	4,014
Net operating loss and tax credit carryforwards	135,743	140,787
Intangible assets, net	19,139	20,357
Investments	20,360	20,581
Convertible senior notes	4,638	5,929
Unrealized foreign currency exchange losses	—	1,078
Capitalized research and development costs (1)	9,994	—
Other	312	244
Total deferred tax assets	237,071	249,412
Less: Valuation allowances	(204,462)	(145,105)
Deferred tax assets, net of valuation allowance	32,609	104,307
Deferred tax liabilities:		
Prepaid expenses and other assets	(11,983)	(14,605)
Property, equipment and software, net	(1,470)	(9,511)
Right-of-use asset	(679)	(7,293)
Deferred revenue	(8,027)	(12,755)
Total deferred tax liabilities	(22,159)	(44,164)
Net deferred tax asset (liability)	$ 10,450	$ 60,143

(1) The 2017 Tax Cuts and Jobs Act amended Internal Revenue Cost Section 174 to require taxpayers to capitalize certain research and experimental expenditures. This regulatory change is effective for amounts paid or incurred in tax years beginning after December 31, 2021. A new deferred tax asset has been established in relation to this law change and the capitalized Section 174 costs must be amortized over five years.

We recognize deferred tax assets to the extent that they will be realizable through future reversals of existing taxable temporary differences, through taxable income in carryback years for the applicable jurisdictions or based on projections of future income for those jurisdictions that have achieved sustained profitability. In evaluating the need for a valuation allowance, management considers both positive and negative evidence that could affect its view of the future realization of deferred tax assets and places greater weight on recent and objectively verifiable current information.

As of December 31, 2022, we were in a cumulative pre-tax loss position, adjusted for certain permanent items, in the U.S. Additionally, we do not have any sources of income that support utilization of our U.S. deferred tax assets. In analyzing all available evidence, management determined that it is not more likely than not that the U.S. deferred tax assets will be realized due to the significant negative evidence outweighing the positive evidence. As a result, for the year ended December 31, 2022, we recognized a valuation allowance against all U.S. federal and state deferred tax assets, which resulted in a $51.9 million charge to income tax expense. We continue to maintain a valuation allowance against substantially all of our foreign deferred tax assets. At December 31, 2021, we had demonstrated profit, which was considered to be a source of positive evidence. In analyzing all available evidence at the time, management determined there was sufficient positive evidence outweighing negative evidence to conclude that it was more likely than not that a portion of the U.S. deferred tax assets were realizable. As such, for the year ended December 31, 2021, we released $57.7 million of the valuation allowance against a portion of our U.S. federal and state deferred tax assets, resulting in a $50.3 million reduction to expense, and a $7.4 million adjustment to equity.

We had $19.9 million of federal net operating loss carryforwards as of December 31, 2022 which will begin expiring in 2027. We had $82.3 million of state net operating loss carryforwards as of December 31, 2022, which will begin expiring in 2023. As of December 31, 2022, we had $533.1 million of foreign net operating loss carryforwards, a significant portion of which carry forward for an indefinite period.

We are subject to taxation in the United States, state jurisdictions and foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording the related income tax assets and liabilities. We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not criterion, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The following table summarizes activity related to our gross unrecognized tax benefits, excluding interest and penalties, for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Beginning Balance	$ 49,502	$ 48,960	$ 64,361
Increases related to prior year tax positions	—	5,105	8,389
Decreases related to prior year tax positions	(124)	(3,138)	(22,541)
Increases related to current year tax positions	3,028	1,887	1,994
Decreases based on settlements with taxing authorities	(109)	—	—
Decreases due to lapse of statute limitations	(12,410)	(2,530)	(5,640)
Foreign currency translation	(715)	(782)	2,397
Ending Balance	$ 39,172	$ 49,502	$ 48,960

The total amount of unrecognized tax benefits as of December 31, 2022, 2021 and 2020 that, if recognized, would affect the effective tax rate are $9.8 million, $18.7 million and $19.9 million.

We recognized $0.8 million, $1.0 million and $1.0 million of interest and penalties within Provision (benefit) for income taxes on our Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020. Total accrued interest and penalties as of December 31, 2022 and 2021 were $2.1 million and $5.6 million, and are included within Other non-current liabilities in our Consolidated Balance Sheets.

We are currently under audit by several foreign jurisdictions. It is likely that the examination phase of some of those audits will conclude in the next 12 months. There are many factors, including factors outside of our control, which influence the progress and completion of those audits. We recognized income tax benefits of $12.5 million, $3.2 million and $8.9 million for the years ended December 31, 2022, 2021 and 2020, as a result of new information that impacted our estimates of the amounts that are more likely than not of being realized upon settlement of the related tax positions and due to expirations of the applicable statutes of limitations. We are subject to claims for tax assessments by foreign jurisdictions, including a proposed assessment for $113.5 million, inclusive of estimated incremental interest from the original assessment. We believe that the assessment, which primarily relates to transfer pricing on transactions occurring in 2011, is without merit and we intend to vigorously defend ourselves in that matter. In addition to any potential increases in our liabilities for uncertain tax positions from the ultimate resolution of that assessment, we believe that it is reasonably possible that reductions of up to $11.5 million in unrecognized tax benefits may occur within the 12 months following December 31, 2022 upon closing of income tax audits or the expiration of applicable statutes of limitations.

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations or remit such earnings in a tax-efficient manner. Additionally, an actual repatriation from our non-U.S. subsidiaries could be subject to foreign and U.S. state income taxes. Aside from limited exceptions for which the related deferred tax liabilities recognized as of December 31, 2022 and 2021 are immaterial, we do not intend to distribute earnings of foreign subsidiaries for which we have an excess of the financial reporting basis over the tax basis of our investments and therefore have not recorded any deferred taxes related to such amounts. The actual tax cost resulting from a distribution would depend on income tax laws and circumstances at the time of distribution. Determination of the amount of unrecognized deferred tax liability related to the excess of the financial reporting basis over the tax basis of our foreign subsidiaries is not practical due to the complexities associated with the calculation.

15. VARIABLE INTEREST ENTITY

We have an arrangement with a strategic partner to offer deals related to live events, and a limited liability company ("LLC") has been established to administer that arrangement. Groupon and the strategic partner each own 50% of the outstanding LLC interests, and income and cash flows of the LLC are allocated based on agreed upon percentages specified in the related LLC agreement.

Our obligations associated with our interests in the LLC are primarily administering transactions, contributing intellectual property, identifying deals and promoting the sale of deal offerings, coordinating the distribution of deal offerings and providing the record keeping.

Under the LLC agreement, as amended, the LLC shall be dissolved upon the occurrence of any of the following events: (1) either party becoming a majority owner; (2) July 2025; (3) certain elections of Groupon or the strategic partner based on the operational performance of the LLC or other changes to certain terms in the agreement; (4) election of either Groupon or the strategic partner in the event of bankruptcy by the other party; (5) sale of the LLC; or (6) a court's dissolution of the LLC.

We have determined that the LLC is a VIE and that we are its primary beneficiary. We consolidate the LLC because we have the power to direct the activities of the LLC that most significantly impact the LLC's economic performance. In particular, we identify and promote the deal offerings, provide all of the operational and back office support, present the LLC's deal offerings via our websites and mobile applications and provide the editorial resources that create the verbiage for the related deal offers.

16. FAIR VALUE MEASUREMENTS

Fair value is defined under U.S. GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability.

To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs in valuation methodologies used to measure fair value:

Level 1 - Measurements that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Measurements that include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. These fair value measurements require significant judgment.

In determining fair value, we use various valuation approaches within the fair value measurement framework. The valuation methodologies used for our assets and liabilities measured at fair value and their classification in the valuation hierarchy are summarized below:

Fair value option investments and available-for-sale securities. We have fair value option investments and available-for-sale securities that we measure using the income approach. We have classified these investments as Level 3 due to the lack of observable market data over fair value inputs such as cash flow projections and discount rates.

Contingent consideration. During the first quarter 2021, we settled a contingent consideration arrangement to the former owners of a business previously acquired in 2018. We use the income approach to value contingent consideration obligations based on future financial performance. We have previously classified our contingent consideration as Level 3 due to the lack of relevant observable market data over fair value inputs such as probability-weighting of payment outcomes.

There was no activity in the fair value of recurring Level 3 fair value measurements for the years ended December 31, 2022 and 2021. During the year ended December 31, 2020, we recognized a $1.4 million loss from changes in the fair value of one of our fair value option investments. See Note 5, *Investments*, for additional information.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis, including assets that are written down to fair value as a result of an impairment or modified due to an observable price change in an orderly transaction.

We recognized $35.4 million in non-cash impairment charges related to goodwill for the year ended December 31, 2022. We recognized $15.3 million in non-cash impairment charges related to long-lived assets for the year ended December 31, 2022, of which $3.0 million are included in Restructuring and related charges on our Consolidated Statements of Operations. We recognized $7.7 million in non-cash impairment charges related to Right-of-use assets - operating leases and leasehold improvements during the year ended December 31, 2021, which is included in Restructuring and related charges on our Consolidated Statements of Operations. We recognized $109.5 million in non-cash impairment charges related to goodwill and $44.0 million in non-cash impairment charges related to long-lived assets during the year ended December 31, 2020, of which $21.6 million is included in Restructuring and related charges on our Consolidated Statements of Operations. See Note 3, *Property, Equipment and Software, Net,* Note 4, *Goodwill and Other Intangible Assets,* Note 8, *Leases* and Note 13, *Restructuring and Related Charges*, for additional information.

During the year ended December 31, 2021, we adjusted the carrying value of an other equity investment, which resulted in an unrealized gain of $89.1 million, and sold shares in two other equity investments for a gain of $6.4 million. For the year ended December 31, 2020, we recognized a $6.7 million impairment related to an other equity method investment. See Note 5, *Investments*, for additional information.

Estimated Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

Our financial instruments not carried at fair value consist primarily of accounts receivable, restricted cash, short-term borrowings, accounts payable, accrued merchant and supplier payables and accrued expenses. The carrying values of those assets and liabilities approximate their respective fair values as of December 31, 2022 and 2021 due to their short-term nature.

17. INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities include restricted stock units, performance share units, ESPP shares, warrants, convertible senior notes and capped call transactions. If dilutive, those potentially dilutive securities are reflected in diluted net income (loss) per share using the treasury stock method, except for the convertible senior notes, which are subject to the if-converted method.

The following table sets forth the computation of basic and diluted net income (loss) per share of common stock for the years ended December 31, 2022, 2021 and 2020 (in thousands, except share amounts and per share amounts):

	Year Ended December 31,		
	2022	2021	2020
Basic and diluted net income (loss) per share:			
Numerator			
Income (loss) - continuing operations	$ (234,380)	$ 120,348	$ (286,562)
Less: Net income (loss) attributable to noncontrolling interests	3,229	1,680	1,751
Basic net income (loss) attributable to common stockholders - continuing operations	(237,609)	118,668	(288,313)
Net income (loss) attributable to common stockholders - discontinued operations	—	—	382
Basic net income (loss) attributable to common stockholders	$ (237,609)	$ 118,668	$ (287,931)
Diluted net income (loss) attributable to common stockholders - continuing operations	(237,609)	118,668	(288,313)
Net Income (loss) attributable to common stockholders - discontinued operations	—	—	382
Diluted net income (loss) attributable to common stockholders	(237,609)	118,668	(287,931)
Plus: Interest expense from assumed conversion of convertible senior notes	—	4,643	—
Net income (loss) attributable to common stockholders plus assumed conversions	$ (237,609)	$ 123,311	$ (287,931)
Denominator			
Shares used in computation of basic net income (loss) per share	30,166,100	29,365,880	28,604,115
Weighted-average effect of diluted securities:			
Restricted stock units	—	624,794	—
Performance share units and other stock-based compensation awards	—	89,065	—
Convertible senior notes due 2022	—	858,517	—
Convertible senior notes due 2026	—	2,575,184	—
Shares used in computation of diluted net income (loss) per share	30,166,100	33,513,440	28,604,115
Basic net income (loss) per share:			
Continuing operations	$ (7.88)	$ 4.04	$ (10.08)
Discontinued operations	—	—	0.01
Basic net income (loss) per share	$ (7.88)	$ 4.04	$ (10.07)
Diluted net income (loss) per share:			
Continuing operations	$ (7.88)	$ 3.68	$ (10.08)
Discontinued operations	—	—	0.01
Diluted net income (loss) per share	$ (7.88)	$ 3.68	$ (10.07)

The following weighted-average potentially dilutive instruments are not included in the diluted net income (loss) per share calculations above because they would have had an antidilutive effect on the net income (loss) per share from continuing operations:

	Year Ended December 31,		
	2022	2021	2020
Restricted stock units	2,587,585	500,763	1,887,322
Performance share units and other stock-based compensation awards	97,203	—	199,629
Convertible senior notes due 2022 (1)	—	—	2,314,815
Convertible senior notes due 2026 (1)	3,376,400	—	—
Warrants	—	877,595	2,314,815
Capped call transactions	3,376,400	2,575,184	—
Total	9,437,588	3,953,542	6,716,581

(1) We apply the if-converted method in computing the effect of our convertible senior notes on diluted net income (loss) per share, whereby the numerator of our diluted net income (loss) per share computations is adjusted for interest expense, net of tax, and the denominator is adjusted for the number of shares into which the convertible senior notes could be converted. The effect is only included in the calculation of income (loss) per share for those instruments for which it would reduce income (loss) per share. See Note 7, *Financing Arrangements*, for additional information.

As of December 31, 2022, no Market-based Performance Share Units remain unvested and outstanding, as the performance or market conditions were not met, and are excluded from the table above. See Note 11. *Compensation Arrangements*, for additional information.

18. SEGMENT INFORMATION

The segment information reported in the tables below reflects the operating results that are regularly reviewed by our chief operating decision maker to assess performance and make resource allocation decisions. Our operations are organized into two segments: North America and International. Our measure of segment profitability is contribution profit, defined as gross profit less marketing expense, which is consistent with how management reviews the operating results of the segments. Contribution profit measures the amount of marketing investment needed to generate gross profit. Other operating expenses are excluded from contribution profit as management does not review those expenses by segment. We completed a transition to a third-party goods marketplace in International in 2021, and therefore we no longer generate product revenue in our Goods category. For the year ended December 31, 2022, adjustments to accruals previously established in our Goods category related to product are presented within service.

The following table summarizes revenue by reportable segment and category for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
North America			
Service revenue:			
Local	$ 390,449	$ 530,468	$ 432,183
Goods	28,785	51,568	35,276
Travel	17,035	24,393	17,686
Total service revenue	436,269	606,429	485,145
Product revenue - Goods	—	626	333,479
Total North America revenue [(1)]	$ 436,269	$ 607,055	$ 818,624
International			
Service revenue:			
Local	$ 128,295	$ 155,866	$ 138,274
Goods	23,742	19,477	11,757
Travel	10,779	13,023	8,477
Total service revenue	162,816	188,366	158,508
Product revenue - Goods	—	171,687	439,736
Total International revenue [(1)]	$ 162,816	$ 360,053	$ 598,244

(1) North America includes revenue from the United States of $428.5 million, $597.6 million and $808.3 million for the years ended December 31, 2022, 2021 and 2020. International includes revenue from the United Kingdom of $120.8 million and $216.3 million for the years ended December 31, 2021 and 2020. There were no other individual countries that represented more than 10% of consolidated total revenue for the years ended December 31, 2022, 2021 and 2020. Revenue is attributed to individual countries based on the location of the customer.

The following table summarizes cost of revenue by reportable segment and category for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
North America			
Service cost of revenue:			
Local	$ 52,693	$ 58,192	$ 53,143
Goods	5,249	7,790	6,424
Travel	4,173	4,952	4,779
Total service cost of revenue	62,115	70,934	64,346
Product cost of revenue - Goods	—	458	278,647
Total North America cost of revenue	$ 62,115	$ 71,392	$ 342,993
International			
Service cost of revenue:			
Local	$ 10,647	$ 8,962	$ 12,362
Goods	2,080	986	1,261
Travel	1,419	1,138	1,327
Total service cost of revenue	14,146	11,086	14,950
Product cost of revenue - Goods	—	147,514	381,631
Total International cost of revenue	$ 14,146	$ 158,600	$ 396,581

The following table summarizes contribution profit by reportable segment for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
North America			
Revenue	$ 436,269	$ 607,055	$ 818,624
Cost of revenue	62,115	71,392	342,993
Marketing	103,862	138,025	96,039
Contribution profit	270,292	397,638	379,592
International			
Revenue	162,816	360,053	598,244
Cost of revenue	14,146	158,600	396,581
Marketing	45,369	50,755	58,495
Contribution profit	103,301	150,698	143,168
Consolidated			
Revenue	599,085	967,108	1,416,868
Cost of revenue	76,261	229,992	739,574
Marketing	149,231	188,780	154,534
Contribution profit	373,593	548,336	522,760
Selling, general and administrative	481,375	511,096	603,185
Goodwill impairment	35,424	—	109,486
Long-lived asset impairment	12,259	—	22,351
Restructuring and related charges	12,350	41,895	64,836
Income (loss) from operations	$ (167,815)	$ (4,655)	$ (277,098)

The following table summarizes total assets by reportable segment as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Total assets:		
North America (1)	$ 669,336	$ 964,523
International (1)	123,781	193,358
Consolidated total assets	$ 793,117	$ 1,157,881

(1) North America contains assets from the United States of $661.3 million and $951.8 million as of December 31, 2022 and 2021. International contains assets from the United Kingdom of $126.0 million as of December 31, 2021. There were no other individual countries that represented more than 10% of consolidated total assets as of December 31, 2022 and 2021.

The following table summarizes tangible property and equipment, net of accumulated depreciation and amortization, by reportable segment as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
North America (1)	$ 5,246	$ 10,836
International (1)	2,928	7,973
Consolidated total	$ 8,174	$ 18,809

(1) All tangible property and equipment within North America is located in the United States. There were no other individual countries located outside of the United States where tangible property and equipment, net is material as of December 31, 2022 and 2021.

The following table summarizes depreciation and amortization of property, equipment and software and intangible assets by reportable segment for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
North America	$ 52,077	$ 63,725	$ 78,805
International	10,586	9,094	8,717
Consolidated total	$ 62,663	$ 72,819	$ 87,522

The following table summarizes expenditures for additions to tangible long-lived assets by reportable segment for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year Ended December 31,		
	2022	2021	2020
North America	$ 1,323	$ 1,777	$ 2,000
International	2,565	4,562	2,707
Consolidated total	$ 3,888	$ 6,339	$ 4,707

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), as of December 31, 2022.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2022 due to a material weakness in our internal control over financial reporting, which is described below in “Management’s Report on Internal Control over Financial Reporting”.

Notwithstanding the material weakness in our internal control over financial reporting, our Chief Executive Officer and Chief Financial Officer have concluded that the Consolidated Financial Statements present fairly, in all material respects, our financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment and considering the material weakness described below, management concluded that, as of December 31, 2022, our internal control over financial reporting was not effective.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

During our fiscal 2022 financial statement close process, management identified a deficiency in the design of internal control over financial reporting related to a complex manual accounting calculation. An incorrect calculation caused the accrued merchant payable balance to be understated by an immaterial amount, and there is a reasonable possibility our existing controls would not have detected the error in a timely manner if it were to be material. The error did not affect payments to merchants.

A material weakness exists due to inadequate preventative and detective controls over complex manual calculations used to record certain month-end balances such that there is a reasonable possibility that a material misstatement would not be identified timely.

Our independent registered public accounting firm, Deloitte & Touche LLP, who audited the Consolidated Financial Statements as of and for the year ended December 31, 2022 included in this Annual Report on Form 10-K issued an adverse opinion on the effectiveness of our internal control over financial reporting. Deloitte & Touche LLP’s report is included herein.

Remediation Plan

With the oversight of senior management and our audit committee, management is in process of designing and implementing the following control activities related to complex manual calculations:

- Formalize a process to identify and address accounting implications for new initiatives.
- Design new controls and enhance existing controls for complex manual processes.
- Automate complex accounting calculations to minimize human error.

We are committed to maintaining a strong internal control environment and are implementing measures designed to help ensure that the material weakness is remediated. However, there cannot be any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. The material weakness will be fully remediated when these controls have operated effectively for a sufficient period of time and we have validated the operating effectiveness of these controls through testing.

Changes in Internal Control over Financial Reporting

Except for the identification of the material weakness described above, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Groupon, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Groupon, Inc. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022 of the Company and our report dated March 16, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and is included in management's assessment:

During the Company's fiscal 2022 financial statement close process, management identified a deficiency in the design of internal control over financial reporting related to a complex manual accounting calculation. An incorrect calculation caused the accrued merchant payable balance to be understated by an immaterial amount, and there is a reasonable possibility the existing controls would not have detected the error in a timely manner if it were to be material. The error did not affect payments to merchants. A material weakness exists due to inadequate preventative and detective controls over complex manual calculations used to record certain month-end balances such that there is a reasonable possibility that a material misstatement would not be identified timely. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2022, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 16, 2023

ITEM 9B. OTHER INFORMATION

On March 14, 2023, in connection with her retirement from General Motors, Deborah Wahl notified us of her intention to resign as a director, effective March 17, 2023. The departure of Ms. Wahl was not the result of any disagreement with us on any matter relating to its operations, policies or practices, and we thank her for her dedicated service to Groupon.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS

Not applicable.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our Directors is incorporated by reference from the information under the captions "Board of Directors" and "Corporate Governance at Groupon" in our Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2022 ("2023 Proxy Statement"). Information regarding our Audit Committee and its Financial Experts is incorporated by reference from the information under the captions "Board Committees" and "Audit Committee Report" in our 2023 Proxy Statement. Pursuant to General Instruction G(3) on Form 10-K, information regarding our Executive Officers can be found in Part I of this Annual Report on Form 10-K under the caption "Information About Our Executive Officers."

Code of Ethics

We have adopted a Code of Conduct, which is applicable to our chief executive officer, chief financial officer and other principal executive and senior financial officers. Our Code of Conduct is available through our website (www.groupon.com). Information about the Code of Conduct is incorporated by reference from the information under the caption "Corporate Governance at Groupon" in our 2023 Proxy Statement. We will post any amendment to or waiver from the provisions of the Code of Conduct that applies to the above executive officers on our investor relations website (investor.groupon.com) under the caption "Corporate Governance."

PART III

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information under the captions "Named Executive Officer Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our 2023 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the information under the captions "Information Regarding Beneficial Ownership of Principal Stockholders, Directors and Management" and "Equity Compensation Plan Information" in our 2023 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the information under the captions "Corporate Governance at Groupon," "Board Independence and Expertise" and "Certain Relationships and Related Party Transactions" in our 2023 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) under the caption "Independent Registered Public Accounting Firm" in our 2023 Proxy Statement.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) We have filed the following documents as part of the Annual Report on Form 10-K

Groupon, Inc.
Consolidated Financial Statements
As of December 31, 2022 and 2021 and for the Years Ended December 31, 2022, 2021 and 2020

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Income (Loss)
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules - Groupon, Inc.

Schedule II-Valuation and Qualifying Accounts

	Balance at Beginning of Year	Net Increase (Decrease) to Expense [(1)]	Acquisitions and Other	Balance at End of Year
	(in thousands)			
TAX VALUATION ALLOWANCE:				
Year ended December 31, 2022	$ 145,105	$ 59,357	$ —	$ 204,462
Year ended December 31, 2021	212,143	(59,599)	(7,439)	145,105
Year ended December 31, 2020	206,394	5,749	—	212,143

(1) For the years ended December 31, 2022, 2021 and 2020, Net Increase (Decrease) to Expense includes foreign currency translation gains (losses) of $(5.0) million, $(8.9) million and $10.2 million.

All other schedules have been omitted because they are either inapplicable or the required information has been provided in the Consolidated Financial Statements or in the notes thereto.

(3) Exhibits

Exhibit Number	Description
2.1	Investment Agreement, dated as of April 19, 2015, among Groupon Trailblazer, Inc., Monster Partners LP and Monster Holdings LP (incorporated by reference to the Company's Current Report on Form 8-K filed April 20, 2015).
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to the Company's Registration Statement on Form 8-A/A filed on October 31, 2016).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of the Company, date June 9, 2020 (incorporated by referenced to the Company's Current Report on Form 8-K filed June 11, 2020).
3.3*	Amended and Restated By-Laws.
3.4	Amendment to the Amended and Restated By-Laws of the Company, dated as of June 10, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed on June 14, 2016).
4.1	Specimen Stock Certificate of Common Stock (incorporated by reference to the Company's Registration Statement on Form 8-A/A filed on October 31, 2016).
4.2	Indenture, dated as of March 25, 2021, between Groupon, Inc. and U.S Bank, National Association, (incorporated by reference to the Company's Current Report on Form 8-K filed on March 25, 2021).
4.3	Form of 1.125% Convertible Senior Note due 2026 (included in Exhibit 4.2 and incorporated by reference to the Company's Current Report on Form 8-K filed on March 25, 2021).
4.4	Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1*	Form of Indemnification Agreement.**
10.2	Form of Severance Benefit Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).**

10.3	Severance Benefit Agreement, dated November 30, 2021 (incorporated by reference to the Company's Current Report on Form 8-K filed on December 1, 2021).**
10.4	Groupon, Inc. 2011 Incentive Plan, as amended (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule DEF14A, filed with the SEC on April 27, 2022)**
10.5	Non-Employee Directors' Compensation Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022).**
10.6	Form of Notice of Restricted Stock Unit Award under 2011 Incentive Plan.**
10.7	Form of Notice of Performance Share Unit Award and Form of performance Share Unit Award Agreement under 2011 Incentive Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).**
10.8	Form of Capped Call Confirmation (incorporated by reference to the Company's Current Report on Form 8-K filed on March 25, 2021).
10.9	Second Amended and Restated Credit Agreement, dated as of May 14, 2019, among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on May 20, 2019).
10.10	First Amendment, dated as of July 17, 2020, among the Company, the subsidiaries of the Company party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, to the Second Amended and Restated Credit Agreement, dated as of May 14, 2019, among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on July 20, 2020).
10.11	Second Amendment, dated as of March 22, 2021, among the Company, the subsidiaries of the Company party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, to the Second Amended and Restated Credit Agreement, dated as of May 14, 2019, among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on March 22, 2021).
10.12	Third Amendment, dated as of September 28, 2022, among the Company, the subsidiaries of the Company party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, to the Second Amended and Restated Credit Agreement, dated as of May 14, 2019 (and as amended by the First Amendment, dated as of July 17, 2020 and the Second Amendment, dated as of March 22, 2021), among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on September 29, 2022).
10.13	Fourth Amendment, dated as of March 13, 2023, among the Company, the subsidiaries of the Company party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, to the Second Amended and Restated Credit Agreement, dated as of May 14, 2019 (and as amended by the First Amendment, dated as of July 17, 2020, the Second Amendment, dated as of March 22, 2021 and the Third Amendment, dated as of September 28, 2022), among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Company's Current Report on Form 8-K filed on March 15, 2023).
10.14	Offer letter, dated November 4, 2022 .**
10.15	CEO Offer Letter, dated November 30, 2021 (incorporated by reference to the Company's Current Report on Form 8-K filed on December 1, 2021).**
21.1	Subsidiaries of Groupon, Inc.
23.1	Consent of Deloitte & Touche LLP
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104***	Cover Page Interactive Data File

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* Incorporated by reference to the Company's registration statement on Form S-1 (registration number 333-174661)

** Management contract or compensatory plan or arrangement.

*** The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 16th day of March 2023.

GROUPON, INC.		
By:	/s/ KEDAR DESHPANDE	
	Name:	Kedar Deshpande
	Title:	*Chief Executive Officer*

POWER OF ATTORNEY

KNOWN BY ALL PERSONS BY THESE PRESENTS, that the individuals whose signatures appear below hereby constitute and appoint Kedar Deshpande and Damien Schmitz, and each of them severally, as his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do or perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or of his substitute or substitutes, may lawfully do to cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 16, 2023.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 16th day of March 2023.

Signature	Title
/s/ Kedar Deshpande Kedar Deshpande	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Damien Schmitz Damien Schmitz	Chief Financial Officer (Principal Financial Officer)
/s/ Kerrie Dvorak Kerrie Dvorak	Chief Accounting Officer (Principal Accounting Officer)
/s/ Theodore J. Leonsis Theodore J. Leonsis	Director
/s/ Jan Barta Jan Barta	Director
/s/ Robert J. Bass Robert J. Bass	Director
/s/ Eric Lefkofsky Eric Lefkofsky	Director
/s/ Dusan Senkypl Dusan Senkypl	Director
/s/ Deborah Wahl Deborah Wahl	Director
/s/ Helen Vaid Helen Vaid	Director

Exhibit 4.4

DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

DESCRIPTION OF CAPITAL STOCK

The following description of Groupon Inc.'s (the "Company") capital stock is based upon certain provisions of the Company's restated certificate of incorporation ("Certificate of Incorporation") and amended and restated by-laws ("By-laws") and certain provisions of Delaware law, does not purport to be complete and is subject to and qualified in its entirety by reference to the Certificate of Incorporation and By-laws and the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation and By-laws are filed as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.4 is a part.

Authorized Capital Stock

As of the date hereof, the Company's authorized capital stock consists of 150,500,000 shares, of which 100,500,000 shares of common stock, par value $0.0001 per share (the "Common Stock"), and 50,000,000 shares of preferred stock, par value $0.0001 per share (the "Preferred Stock"). All of the outstanding shares of Common Stock are dully authorized, validly issued, fully paid and non-assessable. No shares of preferred stock are outstanding.

Common Stock

Pursuant to the Certificate of Incorporation, the Company's board of directors (the "Board") has the authority to issue up to 100,500,000 shares of Common Stock. Each holder of Common Stock shall be entitled to one (1) vote for each such share on any matter that is submitted to a vote of stockholders and shall otherwise have the rights conferred by the DGCL in respect of such shares. In addition, holders of the Common Stock will vote as a single class of stock on any matter that is submitted to a vote of stockholders. All matters, other than the election of directors, must be approved by the majority of the shares represented in person or by proxy at the meeting and entitled to vote. Directors shall be elected by a plurality of shares represented in person or by proxy at the meeting and entitled to vote.

The holders of Common Stock have no preemptive or conversion rights, redemption provisions or sinking fund provisions. The Company's Common Stock is not subject to future calls or assessments by the Company.

The Company's Common Stock is listed on the NASDAQ Global Select Market under the symbol "GRPN."

Preferred Stock

Pursuant to the Certificate of Incorporation, the Board has the authority, without approval by the stockholders, to issue up to a total of 50,000,000 shares of Preferred Stock in one or more series. The Board may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred stock. The Board could authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or rights of the holders of the Company's Common Stock. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company and might harm the market price of the Company's Common Stock.

Dividend and Liquidation Rights

Subject to any preferential rights of any outstanding series of Preferred Stock created by the Board, the holders of Common Stock are entitled to such dividends as may be declared from time to time by the Board from funds available, and upon liquidation of the Common Stock will share ratably in the funds remaining for distribution to holders of Common Stock.

Anti-Takeover Effects of Delaware Law, the Company's Certificate of Incorporation and By-Laws

Certain provisions of the Certificate of Incorporation, By-laws and the DGCL may have anti-takeover effects. The provisions are designed to reduce, or have the effect of reducing, the Company's vulnerability to unsolicited takeover attempts.

Number of Directors; Removal; Vacancies. The Company currently has eight (8) directors and the By-laws provide that the Company shall have such number of directors as is determined by a resolution of the Board then in office, which is currently set at nine (9). Therefore, the Board currently has one (1) vacancy. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires. Vacancies on the Board may be filled only by the affirmative vote of a majority of the remaining directors then in office. The Certificate of Incorporation and By-laws provide that directors may be removed with or without cause by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote generally in the election of directors.

Special Meetings of Stockholders; Limitations on Stockholder Action by Written Consent. The Certificate of Incorporation and By-laws provide that special meetings of the Company's stockholders may be called only by the Chairman of the Board, the Company's Chief Executive Officer, a majority of the Board then in office or holders of not less than a majority of the Company's issued and outstanding voting stock. Any action required or permitted to be taken by the Company's stockholders must be effected at an annual or special meeting of stockholders and may not be effected by written consent unless the action to be effected and the taking of such action by written consent have been approved in advance by the Board.

Cumulative Voting. The Certificate of Incorporation and By-laws do not provide for cumulative voting in the election of directors.

Amendments; Vote Requirements. Certain provisions of the Certificate of Incorporation and By-laws provide that the affirmative vote of a majority of the shares entitled to vote on any matter is required for stockholders to amend the Certificate of Incorporation and By-laws, including those provisions relating to action by written consent and the ability of stockholders to call special meetings.

Authorized but Unissued Shares; Undesignated Preferred Stock. The authorized but unissued shares of Common Stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. In addition, the Board may authorize, without stockholder approval, undesignated Preferred Stock with voting rights or other rights or preferences that could impede the success of any attempt to acquire the Company. The existence of authorized but unissued shares of Common Stock or Preferred Stock could render it more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Advance Notice Requirements for Stockholder Proposals and Nomination of Directors. The By-laws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate individuals for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at the Company's principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the date on which the Company first mailed its proxy materials or notice of availability of proxy materials (whichever is earlier) to stockholders for the previous year's annual meeting. However, in the event that the annual meeting was not held in the previous year or if the annual meeting is called for a date that is not within 30 days before or 60 days after such anniversary date, such notice will be timely only if received not earlier than the close of business 120 days prior to such annual meeting and not later than the close of business on the later of (i) 90 days prior to such annual meeting or (ii) the tenth day following the date on which a public announcement of the date of the annual meeting was made. The By-laws also specify requirements as to the form and content of a stockholder's notice. These provisions could have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage a third party from conducting a solicitation of proxies to elect such third party's slate of directors or otherwise attempt to obtain control of us.

Section 203 of the Delaware General Corporation Law. The Company is subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Choice of Forum

The Certificate of Incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for: (i) any derivative action or proceeding brought on the Company's behalf; (ii) any action asserting a breach of fiduciary duty; (iii) any action asserting a claim against the Company arising pursuant to the DGCL, the Certificate of Incorporation or By-laws; or (iv) any action asserting a claim against the Company that is governed by the internal affairs doctrine.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Stock is Computershare Trust Company, N.A. The transfer agent's address is P.O. Box 43006, Providence, RI 02940-3006.

GROUPON, INC. 2011 INCENTIVE PLAN
NOTICE OF RESTRICTED SHARE UNIT AWARD

The Participant (as defined herein) has been granted a Full Value Award of restricted share units ("RSUs") in Groupon, Inc. (the "Company"), subject to the terms and conditions of the Restricted Share Unit Award Agreement (the "Agreement") and the Groupon, Inc. 2011 Incentive Plan, as amended (the "Plan"), as set forth below. Capitalized terms in this Notice of Restricted Share Unit Award (this "Notice"), unless otherwise defined herein, shall have the meanings assigned to them in the Plan.

1. **Name:** [________] (the "Participant")

2. **Total Number of RSUs:** [___]

3. **Grant Date:** [____]

4. **Vesting:** Unless otherwise provided in the Participant's individual employment, severance or other agreement(s) with the Company, the RSUs will vest per the vesting schedule set forth below ("Vesting Date(s)"), but only if the Participant has continued to provide material services to the Company, whether as an officer, director, employee, consultant, independent contractor or agent (in "Continuous Service Status") as of each applicable Vesting Date, subject to the Company's or the applicable Subsidiary's right, in its discretion, to continue or pause vesting upon an approved leave of absence to the extent permitted under applicable law.

[____]

5. **Settlement:** The RSUs shall be converted to Shares contingent upon the Participant's Continuous Service Status through the Vesting Date(s), as applicable, and will be issued to the Participant in the form of Shares as soon as practicable thereafter, subject to any tax withholding obligation with respect to any Tax-Related Items (as defined in Section 3 of the Agreement).

6. **Termination:** Unless otherwise provided in the Participant's individual employment, severance or other agreement(s) with the Company, upon the Participant's Termination Date, all unvested RSUs awarded in this Notice and the Agreement shall be forfeited, and all rights of the Participant to such RSUs shall immediately terminate. In case of any dispute as to whether a Termination Date has occurred, the Committee's determination shall be final, binding and conclusive.

7. **General Terms:** The Participant understands that the Participant's employment with or service to the Company is for an unspecified duration, can be terminated at any time in accordance with applicable law, and that nothing in this Notice, the Agreement, or the Plan changes the nature of that relationship. The Participant acknowledges that the vesting of the RSUs pursuant to this Notice and the Agreement is conditioned on the occurrence of Vesting Date(s). The Participant understands that this Notice is subject to the terms and conditions of the Agreement and the Plan prospectus that contains the entire plan, both of which are incorporated herein by reference. The Participant represents and warrants that the Participant has received and read this Notice, the Agreement, and the Plan. If there are any inconsistencies between this Notice or Agreement and the Plan, the terms of the Plan will govern.

PARTICIPANT

(Accept award online via your [insert Fidelity website] account)

Date

GROUPON, INC. 2011 INCENTIVE PLAN
RESTRICTED SHARE UNIT AWARD AGREEMENT

Capitalized terms in this agreement (this "Agreement"), unless otherwise defined herein, shall have the meanings assigned to them in the Groupon, Inc. 2011 Incentive Plan (the "***Plan***").

You, as the Participant, have been granted a Full Value Award of restricted share units ("RSUs") in Groupon, Inc. (the "Company") subject to the terms, restrictions and conditions of the Plan, the Notice of Restricted Share Unit Award (the "Notice") and this Agreement.

1. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares underlying the RSUs and shall have no right to receive dividends or dividend equivalents with respect to such Shares or to vote such Shares.

2. No Transfer. Awards under the Plan are not transferable except to the Participant's Beneficiary upon the death of the Participant.

3. Tax Withholding Obligations.

(a) Regardless of any action the Company takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company. The Participant further acknowledges that the Company: (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the grant of RSUs, including the grant, vesting or settlement of RSUs, the subsequent sale of Shares acquired pursuant to such vesting and the receipt of any dividends and/or dividend equivalents; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, the Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company or its agents, at the Company's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or more of the following:

(i) Withholding from any wages or other cash compensation paid to the Participant by the Company;

(ii) Withholding otherwise deliverable Shares to be issued upon vesting/settlement of the RSUs; or

(iii) Withholding from the proceeds of the sale of Shares acquired upon vesting/settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization).

(c) To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant shall be deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. Finally, the Participant shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver the Shares or proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

(d) Further, to the extent applicable, the settlement of the RSUs is intended to either be exempt from Section 409A of the Code under the "short-term deferral" exemption, or otherwise comply with Section 409A of the Code, and this Agreement will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Company may, at any time and without the Participant's consent, modify the terms of the Award as it determines appropriate to comply with the requirements of Section 409A of the Code and the related U.S. Department of Treasury guidance. The Company makes no representation or covenant to ensure that the RSUs, settlement of the RSUs or other payment hereunder are exempt from or compliant with Section 409A of the Code and will have no liability to the Participant or any other party if the settlement of the RSUs or other payment hereunder that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Company with respect thereto.

4. **Compliance with Laws and Regulations.** The issuance of Shares underlying the RSUs will be subject to and conditioned upon compliance by the Company and the Participant (including any written representations, warranties and agreements as the Committee may request of the Participant for compliance with all applicable laws) with all applicable state, federal, local and foreign laws and regulations of any governmental authority, including adopting any such conforming amendments as are necessary to comply with Section 409A of the Code (if applicable), and with all applicable requirements of any national or regional securities exchange or quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer.

5. **No Advice Regarding Award**. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

6. **Legend on Certificates.** The certificates and/or book-entry notation representing the Shares issued hereunder shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, this Agreement or the rules, regulations, and other requirements of the U.S. Securities and Exchange Commission, any national or regional securities exchange or quotation system upon which such Shares are listed, and any applicable federal, state, local and foreign laws, and the Committee may cause a legend or legends, electronic or otherwise, to be put on any such certificates and/or book-entry notation to make appropriate reference to such restrictions.

7. **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's heirs, executors, administrators, legal representatives, successors and assigns.

8. **Entire Agreement; Severability.** The Plan and the Notice are incorporated herein by reference. Except with respect to vesting terms specifically provided in the Participant's individual employment, severance or other agreement(s) with the Company, the Plan, the Notice and this Agreement supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

9. **Waiver.** Waiver of any term or condition of this Agreement by any party shall not be construed as a waiver of a subsequent breach or failure of the same term or condition, or a waiver of any other term or condition of this Agreement. Any waiver must be in writing.

10. **Governing Law and Venue.** The validity, interpretation, instruction, performance, enforcement and remedies of or relating to this Agreement, and the rights and obligations of the parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without regard to the conflict of law principles, rules or statutes of any jurisdiction. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to the exclusive jurisdiction and agree that such litigation shall be conducted in the federal or state courts of the State of Illinois.

11. **Notices.** Any notice or document required to be filed with the Committee or the Company under the Plan must be in writing and will be properly filed if delivered or mailed to the Company's [insert department] at Groupon's principal executive offices. If intended for the Participant, notices shall be delivered personally or shall be addressed (if sent by mail) to the Participant's then current residence address as shown on the Company's records, or to such other address as the Participant directs in a notice to the Company, or shall be delivered electronically to the Participant's email address as shown on the Company's records. All notices shall be deemed to be given on the date received at the address of the addressee or, if delivered personally or electronically, on the date delivered. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan through an on-line or electronic system established and maintained by the Company or its designee. The Company may, by written notice to affected persons, revise its notice procedures from time to time. Any notice required under the Plan (other than a notice of election) may be waived in writing by the person entitled to notice.

12. **Need to Accept Award.** The Participant acknowledges that the Notice and this Agreement must be accepted within 90 days of the Grant Date in order to be eligible to receive any benefits from this Award, unless otherwise determined by the Company in its discretion. If this Award is not accepted within that time period, the Award may be cancelled and all benefits under this Award will be forfeited. To accept this Award, the Participant must access the Fidelity website and follow the instructions for acceptance. If this grant was distributed to the

Participant in hard copy format, the Participant must sign the agreement and return it to the Company's Compensation Department within 90 days.

By the Participant's signature and the signature of the Company's representative below and on the Notice, the Participant and the Company agree that this Award of RSUs is granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. The Participant has reviewed the Plan, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Notice and this Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. The Participant further agrees to notify the Company upon any change in the Participant's residence address or personal email address.

PARTICIPANT

(Accept award online via your [insert Fidelity website] account)

Date

November 4, 2022
Damien Schmitz
Via Email
Dear Damien,

Congratulations! On behalf of Groupon, Inc., ("Groupon") I am pleased to inform you that you have been appointed to Chief Financial Officer, reporting to Groupon's CEO, Kedar Deshpande, in Chicago, IL, effective November 7, 2022 ("Effective Date").

In accordance with this change, your annualized base salary will be $550,000 less withholdings and deductions. Your new position is exempt from overtime pay, so your salary will compensate you for all hours worked. Groupon utilizes a semi-monthly payroll (24 pay periods per year).

For avoidance of doubt, you will no longer be eligible for the monthly stipend you were eligible to receive in connection with your appointment as Interim Chief Financial Officer, and your last monthly stipend payment will be in November 2022.

Annual Bonus Plan: You will continue to be eligible to participate in the Annual Bonus Plan (the "ABP") according to the terms and conditions as outlined in the ABP. Your Target Bonus under the ABP will increase to 100% of your base salary. Your Bonus Payout, if any, will be prorated based on your Effective Date, and will usually be paid on or before April 30th of the year following the performance year, provided you are continuously employed on the date of payment. Please refer to the ABP for more detail on how your Bonus Payout, if any, will be Prorated.

Severance Benefit Agreement ("SBA"): You will be eligible to receive severance benefits in accordance with the enclosed Severance Benefit Agreement ("SBA"), which, following your execution thereof, will take effect on your Effective Date. Once executed, this SBA supersedes the Severance Benefit Agreement you signed on October 12, 2021.

This offer is in consideration for your continued employment and contingent upon your acknowledgement and agreement of our Confidentiality, Intellectual Property and Restrictive Covenants Agreement ("CIPRA").

All other terms of your employment at Groupon, including your "at will" employment, remain unchanged. Groupon reserves the right to modify the terms of your compensation in the future.

Thank you very much for your contribution to Groupon. Please contact hr@groupon.com if you have any questions about the information above.

Sincerely,

Kedar Deshpande
Chief Executive Officer
Groupon, Inc.

Exhibit 21.1

Subsidiary	Jurisdiction
Groupon Canada Inc.	Canada
Groupon Activities, LLC	Delaware (U.S.A.)
Groupon Distribution Services, LLC	Delaware (U.S.A.)
Groupon Merchant Services, LLC	Virginia (U.S.A.)
GI International Holdings, Inc.	Delaware (U.S.A.)
Groupon Canada Corp, Inc.	Delaware (U.S.A.)
Groupon Getaways, Inc.	Delaware (U.S.A.)
Groupon Goods, Inc.	Delaware (U.S.A.)
Groupon Product Services, LLC	Delaware (U.S.A.)
Groupon Trailblazer, Inc.	Delaware (U.S.A.)
GrouponLive, LLC	Delaware (U.S.A.)
LivingSocial, LLC	Delaware (U.S.A.)
Obtiva Corporation	Illinois (U.S.A.)
GROUPON S.P.R.L.	Belgium
Groupon France SAS	France
Groupon Goods France	France
Groupon Europe GmbH	Germany
Groupon Goods Germany GmbH	Germany
Groupon International Ltd.	Ireland
Groupon-CityDeal (Ireland) Ltd.	Ireland
Groupon Goods Italy S.r.l.	Italy
Groupon S.r.l.	Italy
GI Luxembourg S.a.r.l	Luxembourg
Groupon SARL	Morocco
Groupon Goods Netherlands B.V.	Netherlands
Groupon Holdings B.V.	Netherlands
Groupon Netherlands B.V.	Netherlands
Groupon Sp.z o.o.	Poland
Groupon Shared Services Poland Sp. z.o.o.	Poland
Groupon Spain, SLU	Spain
Groupon Goods Global GmbH	Switzerland
Groupon International GmbH	Switzerland
Groupon International Travel GmbH	Switzerland
Groupon FZE	United Arab Emirates
Groupon Goods UK Ltd.	United Kingdom
Groupon Shop Ltd.	United Kingdom
MyCity Deal Ltd.	United Kingdom
Groupon Australia Pty Ltd.	Australia
Groupon Getaways Pty Ltd.	Australia
Groupon Shared Services Private Limited	India

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-253511 and 333-253513 on Form S-3 and Registration Statement No. 333-266661 on Form S-8 of our reports dated March 16, 2023, relating to the financial statements of Groupon, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 16, 2023

Exhibit 31.1

Certification

I, Kedar Deshpande, certify that:

1. I have reviewed this Annual Report on Form 10-K of Groupon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023 /s/ Kedar Deshpande

Kedar Deshpande

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

Certification

I, Damien Schmitz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Groupon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023 /s/ Damien Schmitz

Damien Schmitz
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certifications Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Groupon, Inc. (the "Company") on Form 10-K for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kedar Deshpande, Chief Executive Officer of the Company, and Damien Schmitz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Kedar Deshpande
Kedar Deshpande
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Damien Schmitz
Damien Schmitz
Chief Financial Officer
(Principal Financial Officer)

Date: March 16, 2023