Groupon, Inc.
Form 10-Q
October 27, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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 West Chicago Avenue, Suite 400 Chicago, Illinois	60654
(Address of principal executive offices)	(Zip Code)

312-334-1579
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
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 x No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes x No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No x

As of October 24, 2016, there were 571,162,037 shares of the registrant's Class A Common Stock outstanding and 2,399,976 shares of the registrant's Class B Common Stock outstanding.

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PART I

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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. 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, volatility in our revenue and operating results; risks related to our business strategy, including our strategy to grow our local marketplaces, marketing strategy and spend and the productivity of those marketing investments and the impact of our shift away from lower-margin products in our Goods category; effectively dealing with challenges arising from our international operations, including fluctuations in currency exchange rates and any potential adverse impact from the United Kingdom's likely exit from the European Union; retaining existing customers and adding new customers, including as we increase our marketing spend and shift away from lower-margin products in our Goods category; retaining and adding high quality merchants; cyber security breaches; incurring expenses as we expand our business; competing successfully in our industry; maintaining favorable payment terms with our business partners; providing a strong mobile experience for our customers; delivery and routing of our emails; product liability claims; managing inventory and order fulfillment risks; integrating our technology platforms; litigation; managing refund risks; retaining, attracting and integrating members of our executive team; difficulties, delays or our inability to successfully complete all or part of the announced restructuring actions or to realize the operating efficiencies and other benefits of such restructuring actions; higher than anticipated restructuring charges or changes in the timing of such restructuring charges; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act and regulation of the Internet and e-commerce; classification of our independent contractors; maintaining our information technology infrastructure; protecting our intellectual property; maintaining a strong brand; seasonality; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; the impact of our ongoing strategic review and any potential strategic alternatives we may choose to pursue; our senior convertible notes; our ability to realize the anticipated benefits from the hedge and warrant transactions; and those risks and other factors discussed in Part I, "Item 1A: Risk Factors" of our 2015 Annual Report on Form 10-K for the year ended December 31, 2015, and Part II, "Item 1A: Risk Factors" of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or 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," "we," "our," and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$689,747	$853,362
Accounts receivable, net	74,047	68,175
Prepaid expenses and other current assets	145,280	153,705
Total current assets	909,074	1,075,242
Property, equipment and software, net	179,987	198,897
Goodwill	289,856	287,332
Intangible assets, net	25,475	36,483
Investments (including $150,532 and $163,675 at September 30, 2016 and December 31, 2015, respectively, at fair value)	180,617	178,236
Deferred income taxes	4,242	3,454
Other non-current assets	24,290	16,620
Total Assets	$1,613,541	$1,796,264
Liabilities and Equity		
Current liabilities:		
Accounts payable	$21,833	$24,590
Accrued merchant and supplier payables	608,939	776,211
Accrued expenses and other current liabilities	353,696	402,724
Total current liabilities	984,468	1,203,525
Convertible senior notes, net	176,473	—
Deferred income taxes	6,840	8,612
Other non-current liabilities	113,604	113,540
Total Liabilities	1,281,385	1,325,677
Commitments and contingencies (see Note 7)		
Stockholders' Equity		
Class A common stock, par value $0.0001 per share, 2,000,000,000 shares authorized, 730,849,600 shares issued and 571,551,487 shares outstanding at September 30, 2016 and 717,387,446 shares issued and 588,919,281 shares outstanding at December 31, 2015	73	72
Class B common stock, par value $0.0001 per share, 10,000,000 shares authorized, 2,399,976 shares issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, par value $0.0001 per share, 2,010,000,000 shares authorized, no shares issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Additional paid-in capital	2,094,975	1,964,453
Treasury stock, at cost, 159,298,113 shares at September 30, 2016 and 128,468,165 shares at December 31, 2015	(757,520)	(645,041)
Accumulated deficit	(1,046,422)	(901,292)
Accumulated other comprehensive income (loss)	40,132	51,206
Total Groupon, Inc. Stockholders' Equity	331,238	469,398
Noncontrolling interests	918	1,189
Total Equity	332,156	470,587
Total Liabilities and Equity	$1,613,541	$1,796,264

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Third party and other	$309,836	$326,306	$962,533	$1,027,273
Direct	410,632	387,289	1,245,936	1,175,073
Total revenue	720,468	713,595	2,208,469	2,202,346
Cost of revenue:				
Third party and other	40,419	46,050	131,000	145,292
Direct	365,932	338,633	1,090,436	1,043,729
Total cost of revenue	406,351	384,683	1,221,436	1,189,021
Gross profit	314,117	328,912	987,033	1,013,325
Operating expenses:				
Marketing	87,858	61,587	269,616	171,127
Selling, general and administrative	253,554	326,248	811,710	904,816
Restructuring charges	1,459	24,146	29,988	24,146
Gains on business dispositions	(2,060)	(13,710)	(11,399)	(13,710)
Acquisition-related expense (benefit), net	(9)	1,064	4,305	1,300
Total operating expenses	340,802	399,335	1,104,220	1,087,679
Income (loss) from operations	(26,685)	(70,423)	(117,187)	(74,354)
Other income (expense), net	(7,028)	(8,160)	(14,303)	(25,146)
Income (loss) from continuing operations before provision (benefit) for income taxes	(33,713)	(78,583)	(131,490)	(99,500)
Provision (benefit) for income taxes	2,079	(53,970)	1,629	(42,881)
Income (loss) from continuing operations	(35,792)	(24,613)	(133,119)	(56,619)
Income (loss) from discontinued operations, net of tax	—	—	—	133,463
Net income (loss)	(35,792)	(24,613)	(133,119)	76,844
Net income attributable to noncontrolling interests	(2,184)	(3,002)	(8,880)	(9,648)
Net income (loss) attributable to Groupon, Inc.	$(37,976)	$(27,615)	$(141,999)	$67,196
Basic net income (loss) per share:				
Continuing operations	$(0.07)	$(0.04)	$(0.25)	$(0.10)
Discontinued operations	—	—	—	0.20
Basic net income (loss) per share	$(0.07)	$(0.04)	$(0.25)	$0.10
Diluted net income (loss) per share:				
Continuing operations	$(0.07)	$(0.04)	$(0.25)	$(0.10)
Discontinued operations	—	—	—	0.20
Diluted net income (loss) per share	$(0.07)	$(0.04)	$(0.25)	$0.10
Weighted average number of shares outstanding				
Basic	575,216,191	644,894,785	578,290,291	664,302,630
Diluted	575,216,191	644,894,785	578,290,291	664,302,630

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (loss) from continuing operations	$(35,792)	$(24,613)	$(133,119)	$(56,619)
Other comprehensive income (loss) from continuing operations:				
Foreign currency translation adjustments:				
Net unrealized gain (loss) during the period	612	(1,246)	(3,183)	6,085
Reclassification adjustments included in income (loss) from continuing operations	221	(906)	(7,776)	3,495
Net change in unrealized gain (loss)	833	(2,152)	(10,959)	9,580
Amortization of pension net actuarial gain (loss) to earnings (net of tax effect of $(4) and $(5) for the three months ended September 30, 2016 and 2015, respectively, and $(13) and $(15) for the nine months ended September 30, 2016 and 2015, respectively)	23	26	69	79
Net change in unrealized gain (loss) on available-for-sale securities (net of tax effect of $10 and $116 for the three months ended September 30, 2016 and 2015, respectively, and $113 and $9 for the nine months ended September 30, 2016 and 2015, respectively)	(16)	(193)	(184)	(17)
Other comprehensive income (loss) from continuing operations	840	(2,319)	(11,074)	9,642
Comprehensive income (loss) from continuing operations	(34,952)	(26,932)	(144,193)	(46,977)
Income (loss) from discontinued operations	—	—	—	133,463
Other comprehensive income (loss) from discontinued operations - Foreign currency translation adjustments:				
Net unrealized gain (loss) during the period	—	—	—	(4,349)
Reclassification adjustment included in net income (loss) from discontinued operations	—	—	—	12,313
Net change in unrealized gain (loss)	—	—	—	7,964
Comprehensive income (loss) from discontinued operations	—	—	—	141,427
Comprehensive income (loss)	(34,952)	(26,932)	(144,193)	94,450
Comprehensive income (loss) attributable to noncontrolling interests	(2,184)	(3,002)	(8,880)	(9,648)
Comprehensive income (loss) attributable to Groupon, Inc.	$(37,136)	$(29,934)	$(153,073)	$84,802

See Notes to Condensed Consolidated Financial Statements.

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

	Groupon, Inc. Stockholders' Equity									
	Common Stock			Treasury Stock						
	Shares	Amount	Additional Paid-In Capital	Shares	Amount	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Groupon Inc. Stockholders' Equity	Non-cont Interests	
Balance at December 31, 2015	719,787,422	$72	$1,964,453	(128,468,165)	$(645,041)	$(901,292)	$51,206	$469,398	$1,189	$
Cumulative effect of change in accounting principle	—	—	—	—	—	(3,131)	—	(3,131)	—	(
Net income (loss)	—	—	—	—	—	(141,999)	—	(141,999)	8,880	(
Foreign currency translation	—	—	—	—	—	—	(10,959)	(10,959)	—	(
Amortization of pension net actuarial loss to earnings, net of tax	—	—	—	—	—	—	69	69	—	(
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	—	—	—	(184)	(184)	—	(
Forfeitures of unvested restricted stock	(196,968)	—	—	—	—	—	—	—	—	-
Exercise of stock options	490,283	—	618	—	—	—	—	618	—	(
Vesting of restricted stock units	17,667,674	2	(2)	—	—	—	—	—	—	-
Shares issued under employee stock purchase plan	1,669,782	—	4,358	—	—	—	—	4,358	—	4
Tax withholdings related to net share settlements of stock-based compensation awards	(6,168,617)	(1)	(23,829)	—	—	—	—	(23,830)	—	(
	—	—	105,716	—	—	—	—	105,716	—	1

Stock-based compensation on equity-classified awards									
Equity component of the convertible senior notes, net of tax and issuance costs	—	—	67,329	—	—	—	—	67,329	—
Purchase of convertible note hedges	—	—	(59,163)	—	—	—	—	(59,163)	—
Issuance of warrants	—	—	35,495	—	—	—	—	35,495	—
Purchases of treasury stock	—	—	—	(30,829,948)	(112,479)	—	—	(112,479)	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(9,151)
Balance at September 30, 2016	733,249,576	$73	$2,094,975	(159,298,113)	$(757,520)	$(1,046,422)	$40,132	$331,238	$918

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2016	2015
Operating activities		
Net income (loss)	$(133,119)	$76,844
Less: Income (loss) from discontinued operations, net of tax	—	133,463
Income (loss) from continuing operations	(133,119)	(56,619)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and software	88,697	84,241
Amortization of acquired intangible assets	13,643	14,966
Stock-based compensation	94,750	109,204
Restructuring-related long-lived asset impairments	45	345
Gains on business dispositions	(11,399)	(13,710)
Deferred income taxes	(6,436)	(15,252)
(Gain) loss, net from changes in fair value of contingent consideration	4,130	(268)
(Gain) loss from changes in fair value of investments	7,301	2,114
Amortization of debt discount on convertible senior notes	4,854	—
Change in assets and liabilities, net of acquisitions:		
Restricted cash	(332)	4,555
Accounts receivable	(3,593)	6,353
Prepaid expenses and other current assets	10,738	(39,813)
Accounts payable	(4,326)	(944)
Accrued merchant and supplier payables	(171,816)	(101,852)
Accrued expenses and other current liabilities	(47,919)	57,214
Other, net	(16,775)	(1,242)
Net cash provided by (used in) operating activities from continuing operations	(171,557)	49,292
Net cash provided by (used in) operating activities from discontinued operations	—	(36,578)
Net cash provided by (used in) operating activities	(171,557)	12,714
Investing activities		
Purchases of property and equipment and capitalized software	(49,215)	(68,481)
Cash derecognized upon dispositions of subsidiaries	(1,128)	(1,404)
Acquisitions of businesses, net of acquired cash	(940)	(70,130)
Purchases of investments	—	(5,000)
Proceeds from sale of investment	1,685	1,231
Settlement of liabilities related to purchase of additional interest in consolidated subsidiaries	—	(1,072)
Acquisitions of intangible assets	(2,121)	(1,156)
Net cash provided by (used in) investing activities from continuing operations	(51,719)	(146,012)
Net cash provided by (used in) investing activities from discontinued operations	—	244,470
Net cash provided by (used in) investing activities	(51,719)	98,458
Financing activities		
Proceeds from borrowings under revolving credit facility	—	195,000
Proceeds from issuance of convertible senior notes	250,000	—
Issuance costs for convertible senior notes and revolving credit agreement	(8,097)	—
Purchase of convertible note hedges	(59,163)	—
Proceeds from issuance of warrants	35,495	—
Payments for purchases of treasury stock	(115,619)	(329,378)

Taxes paid related to net share settlements of stock-based compensation awards	(23,327)	(34,477)
Proceeds from stock option exercises and employee stock purchase plan	4,976	5,673
Distributions to noncontrolling interest holders	(9,151)	(10,954)
Payment of contingent consideration related to acquisitions	(285)	(382)
Payments of capital lease obligations	(21,961)	(17,670)
Net cash provided by (used in) financing activities	52,868	(192,188)
Effect of exchange rate changes on cash and cash equivalents, including cash classified within current assets held for sale	6,793	(27,338)
Net increase (decrease) in cash and cash equivalents, including cash classified within current assets held for sale	(163,615)	(108,354)
Less: Net increase (decrease) in cash classified within current assets held for sale	—	(55,279)
Net increase (decrease) in cash and cash equivalents	(163,615)	(53,075)
Cash and cash equivalents, beginning of period	853,362	1,016,634
Cash and cash equivalents, end of period	$689,747	$963,559

Non-cash investing and financing activities		
Continuing operations:		
Equipment acquired under capital lease obligations	$17,556	$40,927
Leasehold improvements funded by lessor	4,990	—
Liability for purchases of treasury stock	1,041	5,059
Contingent consideration liabilities incurred in connection with acquisitions	—	9,605
Accounts payable and accrued expenses related to purchases of property and equipment and capitalized software	2,250	1,500
Minority investment recognized in connection with disposition of Ticket Monster	—	122,075
Minority investment recognized in connection with disposition of Groupon India	—	16,400
Cost method investments acquired in connection with business dispositions	11,050	—

See Notes to Condensed Consolidated Financial Statements.

GROUPON, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company Information

Groupon, Inc. and subsidiaries (the "Company"), which commenced operations in October 2008, operates online local commerce marketplaces throughout the world that connect merchants to consumers by offering goods and services, generally at a discount. Consumers access those marketplaces through the Company's websites, primarily localized groupon.com sites in many countries, and its mobile applications.

The Company's operations are organized into three segments: North America, EMEA, which is comprised of Europe, Middle East and Africa, and the remainder of the Company's international operations ("Rest of World"). See Note 13, "Segment Information."

In May 2015, the Company sold a controlling stake in its subsidiary Ticket Monster, Inc. ("Ticket Monster"), an entity based in the Republic of Korea, that resulted in its deconsolidation. The financial results of Ticket Monster, including the gain on disposition and related income tax effects, are presented as discontinued operations in the accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2015. See Note 2, "Discontinued Operations and Other Dispositions," for additional information.

Unaudited Interim Financial Information

The Company has prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These condensed consolidated financial statements are unaudited and, in the Company's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the Company's condensed consolidated balance sheets, statements of operations, comprehensive income (loss), cash flows and stockholders' equity for the periods presented. Operating results for the periods presented are not necessarily indicative of the results to be expected for the full year ending December 31, 2016. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been omitted in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 11, 2016, as amended by the Form 10-K/A for the year ended December 31, 2015, filed with the SEC on March 30, 2016.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's condensed 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 the Company exercises control and variable interest entities for which the Company has determined that it is the primary beneficiary. Outside stockholders' interests in subsidiaries are shown on the condensed consolidated financial statements as "Noncontrolling interests." Equity investments in entities in which the Company does not have a controlling financial interest are accounted for under the equity method, the cost method, the fair value option or as available-for-sale securities, as appropriate.

Adoption of New Accounting Standards

The Company adopted the guidance in Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting, on January 1, 2016. Under this ASU, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as previously required, or to recognize forfeitures as they occur. The Company has elected to recognize forfeitures as they occur and

the impact of that change in accounting policy has been recorded as a $3.1 million cumulative effect adjustment to its accumulated deficit as of January 1, 2016. Additionally, ASU 2016-09 requires that all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase or decrease to income tax expense (benefit), net. Previously, income tax benefits at settlement of an award were reported as an increase (or decrease) to additional paid-in capital to the extent that those benefits were greater than (or less than) the income tax benefits reported in earnings during the award's vesting period. The requirement to report those income tax effects in earnings has been applied on a prospective basis to settlements occurring on or after January 1, 2016 and the impact of applying that guidance was not material to the condensed consolidated financial statements for the three and nine months ended September 30, 2016. ASU 2016-09 also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a retrospective basis, which has resulted in a $6.2 million increase to net cash provided by operating activities and a corresponding increase to net cash used in financing activities in the accompanying condensed consolidated statement of cash flows for the nine months ended September 30, 2015, as compared to the amounts previously reported. The remaining provisions of ASU 2016-09 did not have a material impact on the accompanying condensed consolidated financial statements.

The Company adopted the guidance in ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, on January 1, 2016. This ASU expands the variable interest entity ("VIE") criteria to specifically include limited partnerships in certain circumstances. The adoption of ASU 2015-02 did not have a material impact on the accompanying condensed consolidated financial statements. The Company determined that Monster Holdings LP ("Monster LP") is not a VIE under ASU 2015-02, which is consistent with its conclusion prior to adoption of the ASU. That investment is evaluated as a corporation, rather than a limited partnership, for purposes of making consolidation determinations because its governance structure is akin to a corporation. Under the terms of Monster LP’s amended and restated agreement of limited partnership, all of the objectives and purposes of Monster LP are carried out by a board of directors, rather than a general partner.

Reclassifications

Certain reclassifications have been made to the condensed consolidated financial statements of prior periods and the accompanying notes to conform to the current period presentation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenue and expenses, and the related disclosures of contingent liabilities in the condensed consolidated financial statements and accompanying notes. Estimates are utilized for, but not limited to, stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, investments, customer refunds, contingent liabilities and the useful lives of property, equipment and software and intangible assets. Actual results could differ materially from those estimates.

2. DISCONTINUED OPERATIONS AND OTHER DISPOSITIONS

Discontinued Operations

In May 2015, the Company sold a controlling stake in Ticket Monster to an investor group. The Company recognized a pre-tax gain on the disposition of