

Groupon, Inc.

Q2 about inline but 2022 guidance removed. Outlook hazy with turnaround and cost cuts. Lowering P/T to \$18.

COMPANY UPDATE

Rating: **BUY**

Ticker: GRPN

Price: \$12.16

Target: \$18.00
(from \$20)

Q2 about inline: Groupon recently (on August 8) reported its fiscal Q2 2022 (ending June) results. Revenue was \$153 million (-42% y-o-y), compared to our estimate of \$159 million and consensus of \$158 million. EBITDA was \$6 million, compared with our estimate of \$10 million and \$41 million (y-o-y). Pro forma EPS was \$(0.34), compared to our estimate of \$(0.30) and consensus of \$(0.44). Q2 guidance was for revenue of \$155 - 165 million, and EBITDA of \$0 - 10 million.

Q2 weak: Gross billings was \$460 million (-24% y-o-y), compared with our expectation of \$481 million and \$608 million in Q2 2021.

Pandemic still impacting Local: In early Q2 2020 (starting in mid-March 2020), the world economy was shut down (due to SIP orders) and demand for Groupon's Local inventory was reduced dramatically, with local units declining 80% y-o-y in April 2020. However, as the pandemic is ending as vaccines are being rollout throughout the world, the company is seeing significant improvements in its business. However, there is still significant quarterly volatility as COVID cases grow and ebb and with new variants. This is now compounded by weakening global macro environment.

But merchants slow to come back: Due to increased demand and capacity issues, Groupon merchants did not need to leverage the Groupon marketplace as much in Q2.

New cost cuts: In August 2022, Groupon announced a new restructuring to cut costs by \$150 million per year.

New CEO: In December 2021, Groupon appointed Kedar Deshpande as the company's Chief Executive Officer replacing interim CEO Aaron Cooper. Mr. Deshpande has spent the last 10 years at Zappos in roles of escalating responsibility, culminating with his appointment to CEO.

Removed 2022 guidance: Due to its just announced restructuring and turnaround, the company has removed its prior 2022 guidance for revenue of \$670 - 700 million and for EBITDA of \$60 - 80 million. The company did not provide specific Q3 guidance, but did state that Q3 EBITDA will be lower than Q2's EBITDA of \$6 million.

Lowering estimates: We are lowering our 2022 estimates for revenue to \$631 million, from \$700 million, and for EPS to \$(1.54) from \$0.03. We are lowering our 2023 estimates for revenue to \$676 million, from \$740 million, and for EPS to \$0.64 from \$2.06.

Rebound leverage: With a new CEO (December 2021) and CFO (October 2021), more significant cost restructuring, and a potential rebound in its business, the company has maintained its very broad general qualitative guidance for 15 - 20% EBITDA margins and \$100 million in annual FCF starting in 2023.

Risk/reward favorable: We acknowledge that Groupon may continue to trade in a volatile range, but believe its valuations currently still presents a favorable risk/reward based on its long term growth potential. With the economies of the world opening up (even if lumpy at times) and the counter cyclical nature of its business, we believe Groupon is well positioned for a recovery in its business.

Lowering P/T: We are maintaining our BUY rating, but lowering our 12-month price target to \$18 from \$20, which reflects a P/E of ~10x our 2024 EPS estimate of \$1.80. The P/E is about inline with our expectation for EPS growth over the next several years.

Company Description

Based in Chicago, IL, Groupon is an Internet e-commerce company offering goods and services to consumers at a discount.

United States
Internet Software and Services

September 13, 2022

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$8.78 - 31.15
Shares Outstanding (million):	30
Market cap (\$million):	\$365
EV (\$million):	\$333
Debt (\$million):	\$284
Cash (\$million):	\$316
Avg. Daily Trading Vol. (\$million):	\$13
Float (million shares):	14
Short Interest (million shares):	6
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	153A		160E	
Q2 Jun	153A	159E	161E	177E
Q3 Sep	155E	177E	161E	193E
Q4 Dec	170E	210E	194E	210E
Total	631E	700E	676E	740E
EV/Revs	0.5x		0.5x	

Earnings per Share (pro forma)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	(0.80)A		(0.33)E	(0.10)E
Q2 Jun	(0.34)A	(0.30)E	(0.08)E	0.59E
Q3 Sep	(0.56)E	0.45E	0.41E	0.87E
Q4 Dec	0.15E	0.64E	0.62E	0.67E
Total	(1.54)E	\$0.03E	\$0.64E	\$2.06E
P/E	N/A		19x	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at end of this report, beginning on page 10.

OVERVIEW

- Groupon recently (on August 8) reported its fiscal Q2 2022 (ending June) results.
- Revenue was \$153 million (-42% y-o-y), compared to our estimate of \$159 million and consensus of \$158 million.
- EBITDA was \$6 million, compared with our estimate of \$10 million and \$41 million (y-o-y).
- Pro forma EPS was \$(0.34), compared to our estimate of \$(0.30) and consensus of \$(0.44).
- Q2 guidance was for revenue of \$155 - 165 million, and EBITDA of \$0 – 10 million.
- Due to its just announced restructuring and turnaround, the company has removed its prior 2022 guidance for revenue of \$670 - 700 million and for EBITDA of \$60 - 80 million.
- The company did not provide specific Q3 guidance, but did state that Q3 EBITDA will be lower than Q2's EBITDA of \$6 million.
- We are lowering our 2022 estimates for revenue to \$631 million, from \$700 million, and for EPS to \$(1.54) from \$0.03.
- We are lowering our 2023 estimates for revenue to \$676 million, from \$740 million, and for EPS to \$0.64 from \$2.06.

ADDITIONAL DETAILS

- Gross billings was \$460 million (-24% y-o-y), compared with our expectation of \$481 million and \$608 million in Q2 2021.
- Gross profit was \$134 million, compared with our expectation of \$135 million and \$194 million in Q2 2021.
- Gross margin was 87%, versus our expectation of 85% and 73% in Q2 2021.
- Operating expenses were \$200 million, compared with our expectation of \$165 million.
- Operating loss was \$67 million, versus our expectation of a loss of \$30 million.
- Pro forma net loss was \$10 million, versus our expectation of a loss of \$9 million.

- In February 2020, due to the weak Q4 and 2019 results, the company initiated a “transformational plan” to exit its Goods business and focus on its Local Experiences Marketplace. The company expect to shift Goods to a 3rd party marketplace model in Q4 2020 (completed in early 2021) in the U.S., and international starting in Q2 2021 (completed in Q4 2021).
- In March 2020, Groupon announced that Rich Williams stepped down as CEO and that Aaron Cooper, Groupon's President of North America, has been appointed interim CEO.
- In March 2020, Groupon executed a restructuring plan along with reducing costs during the coronavirus pandemic, which included lowering headcount (temporarily or permanently) of ~2,700 employees within its base of ~6,300 employees.
- In June 2020, the company effected a 1-for-20 reverse stock split due to its low trading share price.
- In October 2021, Groupon appointed Damien Schmitz, as Interim Chief Financial Officer, replacing Melissa Thomas who resigned to pursue other opportunities.
- In December 2021, Groupon appointed Kedar Deshpande as the company's Chief Executive Officer replacing interim CEO Aaron Cooper.
- In August 2022, Groupon announced a new restructuring to cut costs by \$150 million per year.

The company's balance sheet is relatively steady with \$316 million in cash and \$284 million in debt (~\$1/share in net cash), compared with \$403 million in cash and \$324 million in debt in March.

Exhibit 1: Groupon Q3 & 2023 Outlook (as of 8/8/22)

3Q22 perspective

Factors to Consider

- **Local Billings:**
 - July Local Billings were approximately 50% of 2019 levels, as they were impacted by the lack of seasonal inventory
 - While very early, since we began leaning into marketing, we've seen North America Local Billings tick up a few points as a % of 2019 levels since the end of July
- **Marketing:** Marketing as % of GP to be higher than Q2
- **Adjusted EBITDA:** Q3 expected to be lower than Q2 given the timing to execute our cost actions and additional marketing spend
- **Cash Flow:** Expect cash burn position in the third quarter as typical seasonal cash flow patterns play out



Unlocking a Sustainable Financial Model

Expect improved financial results in Full Year 2023

2023 AND BEYOND

15-20%

Sustainable Annual Adjusted
EBITDA margins*



\$100M

Annual Free Cash Flow*

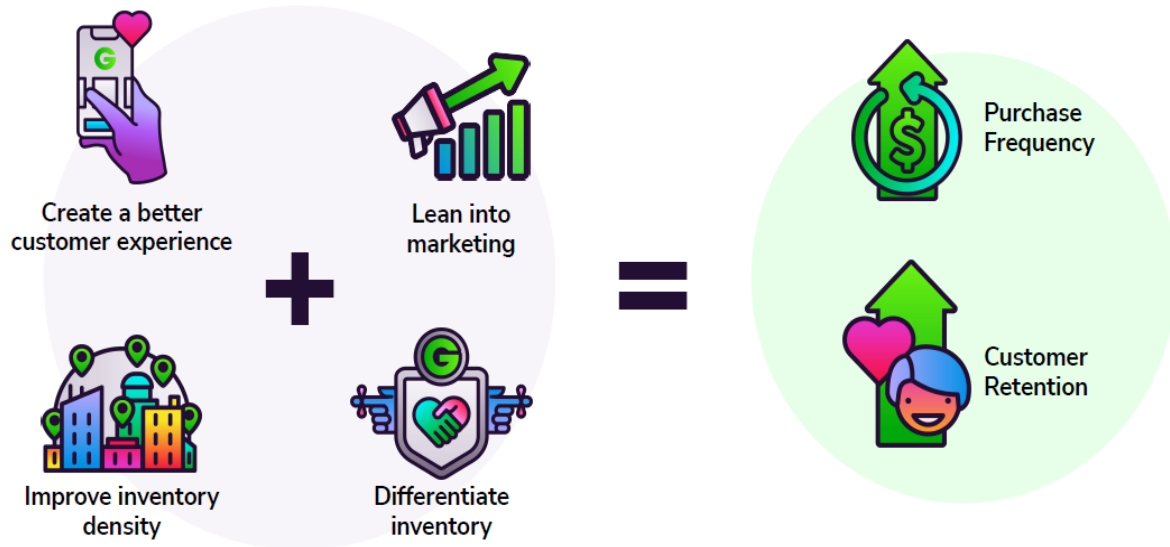
Creating a business model with goal of generating
positive free cash flow every quarter, starting in 4Q 2022

Source: Company reports.

Exhibit 2: Groupon Long-Term Growth Plan

Fundamentally Improving Our Marketplace Experience

Meet our customers needs every single time they come to our marketplace to drive purchase frequency and improve customer retention



Potential to unlock marketplace flywheel and significant shareholder value



Source: Company reports.

Exhibit 3: Groupon Cost Savings Plan

Executing Turnaround Strategy

Transforming Groupon into the go-to destination for local experiences and services



Reducing Cost Structure

Executing a **multi-phased cost savings plan** to align our fixed cost structure with where the business is today



Fundamentally Improving our Marketplace Experience

Ensure that we meet our customers needs **every single time** they come to our marketplace



Expect to **reduce our current cost structure** by **\$150 million** in phase 1



Plan to identify **\$50 million of additional savings** and related cost actions by the **end of 2023**



Gaining major efficiencies from automation allowing us to significantly reduce spend on technology, sales and other areas of the organization



Launched several experiments to improve **inventory density** and create a **better customer experience**



Began investing in marketing to drive growth in Q3



On track with initiatives to **differentiate our inventory** - curated collections and premium Beauty and Wellness app

Believe our turnaround strategy will allow us to fundamentally reposition our business to grow profitably in a variety of economic cycles and position us for long-term growth and value creation

Executing a multi-phase cost savings plan to better align with where our business is today...

Redesign expected to reduce cost structure by **\$150 million** by end of 2023

Streamlining our Cost Base & Improving Productivity

- Aggressively **right-sizing our tech org** to align with our current and future business needs, on both the payroll and non-payroll side
- Additional cost savings from combination of **process improvements and the right-sizing of our facilities footprint**
- **Reducing the size of our North America sales force** as we leverage self-service more broadly for existing and new merchants
- Goal to identify **additional \$50 million in cash savings** by end of 2023
- As we execute on our turnaround expect to create **significant operating leverage and support sustained positive free cash flow**

...creating expense leverage for profitable growth in the future

Source: Company reports.

Exhibit 4: Groupon stock price (5 years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 5: Consensus Expectations (as of August 8, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$153A		Q1 Mar	\$(0.80)A	
Q2 Jun	\$158E		Q2 Jun	\$(0.44)E	
Q3 Sep	\$173E		Q3 Sep	\$0.27E	
Q4 Dec			Q4 Dec		
Total	\$686E	\$759E	Total	\$(0.07)E	\$1.45E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

Groupon, Inc.

Income Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	374	396	304	343	1,417	264	266	214	223	967	153	153	155	170	631	160	161	161	194	676
Cost of Revenues	173	258	144	164	740	97	72	33	28	230	19	19	23	25	87	24	24	24	29	101
Gross Profit	201	137	160	179	677	167	194	181	195	737	134	134	132	144	544	136	136	137	165	574
Marketing	60	25	31	38	155	34	44	53	58	189	39	29	37	34	140	40	32	32	41	145
Selling, general and administrative	207	144	124	128	603	127	138	119	126	511	126	124	133	122	506	128	128	113	120	490
Depreciation and amortization					0					0					0					0
Restructuring and other	132	40	21	4	197	7	14	12	8	42	0	47		47						0
Total operating expenses	399	209	176	170	954	168	196	185	192	742	166	200	170	156	693	168	161	145	161	635
Operating income (loss)	(198)	(72)	(16)	9	(277)	(1)	(2)	(4)	2	(5)	(32)	(67)	(39)	(12)	(149)	(32)	(24)	(8)	4	(60)
Interest income (expense)		(2)		5	3		(3)			(3)			(4)	(4)	(7)	(4)	(4)	(4)	(4)	(14)
Other income (expense)	(22)	1	(1)	0	(21)	18	(0)	82	(6)	94	(5)	(22)		0	(28)	0	0	0	0	0
Income before income taxes	(220)	(73)	(17)	14	(295)	17	(5)	78	(4)	86	(38)	(89)	(42)	(15)	(184)	(36)	(28)	(12)	0	(74)
Income taxes	(6)	(1)	(0)	(0)	(8)	2	(2)	0	(33)	(32)	(3)	2	0	5	5	0	0	0	5	5
Net income (loss)	(214)	(72)	(16)	14	(288)	15	(3)	78	29	119	(35)	(91)	(42)	(20)	(189)	(36)	(28)	(12)	(5)	(79)
Preferred dividends/minority interest					0					0					0					0
Net income (loss) for shareholders	(214)	(72)	(16)	14	(288)	15	(3)	78	29	119	(35)	(91)	(42)	(20)	(189)	(36)	(28)	(12)	(5)	(79)
Nonrecurring/noncash adjustments	167	46	21	1	235	(7)	14	(66)	(23)	(82)	11	81	25	25	142	25	25	25	25	100
Net income (pro forma)	(46)	(27)	5	15	(53)	8	11	13	6	37	(24)	(10)	(17)	5	(47)	(11)	(3)	13	20	21
EBITDA	(22)	1	31	40	50	30	41	35	37	143	(7)	6	1	28	28	8	16	32	44	100
Shares, Basic	28	28	29	29	29	29	29	30	30	29	30	30	31	31	30	32	32	33	33	32
Shares, Diluted	28	28	29	30	29	30	34	33	33	33	30	30	31	31	30	32	32	33	33	32
EPS Basic (Pro forma)	(\$1.63)	(\$0.93)	\$0.16	\$0.53	(\$1.86)	\$0.26	\$0.38	\$0.42	\$0.20	\$1.26	(\$0.80)	(\$0.34)	(\$0.56)	\$0.15	(\$1.54)	(\$0.33)	(\$0.08)	\$0.41	\$0.62	\$0.64
EPS Diluted (Pro forma)	(\$1.63)	(\$0.93)	\$0.15	\$0.51	(\$1.86)	\$0.25	\$0.33	\$0.38	\$0.18	\$1.13	(\$0.80)	(\$0.34)	(\$0.56)	\$0.15	(\$1.54)	(\$0.33)	(\$0.08)	\$0.41	\$0.62	\$0.64
Margins																				
Gross margin	53.8%	34.7%	52.6%	52.1%	47.8%	63.3%	72.9%	84.7%	87.3%	76.2%	87.4%	87.4%	85.0%	85.0%	86.2%	85.0%	85.0%	85.0%	85.0%	85.0%
Marketing	16.1%	6.4%	10.3%	11.0%	10.9%	12.8%	16.4%	24.8%	26.1%	19.5%	25.7%	19.2%	24.0%	20.0%	22.2%	25.0%	20.0%	20.0%	21.0%	21.5%
Selling, general and administrative	55.4%	36.3%	40.9%	37.4%	42.6%	48.2%	51.9%	55.8%	56.7%	52.8%	82.5%	80.9%	86.0%	72.0%	80.1%	80.0%	80.0%	70.0%	62.0%	72.4%
Operating margin	-53%	-18%	-5%	3%	-20%	0%	-1%	-2%	1%	0%	-21%	-43%	-25%	-7%	-24%	-20%	-15%	-5%	2%	-9%
Tax rate, GAAP	3%	1%	3%	-2%	3%	14%	35%	0%	892%	-37%	7%	-3%	0%	-32%	-3%	0%	0%	0%	1511%	-7%
Net margin	-57%	-18%	-5%	4%	-20%	6%	-1%	36%	13%	12%	-23%	-60%	-27%	-12%	-30%	-22%	-17%	-7%	-2%	-12%
Y/Y % change																				
Total Revenue	-35%	-26%	-39%	-44%	-36%	-29%	-33%	-30%	-35%	-32%	-42%	-42%	-28%	-24%	-35%	4%	5%	4%	14%	7%
Gross margin	-34%	-53%	-42%	-42%	-43%	-17%	41%	13%	9%	9%	-20%	-31%	-28%	-26%	-26%	1%	2%	4%	14%	6%
Marketing	-36%	-72%	-58%	-54%	-54%	-44%	73%	69%	54%	22%	17%	-33%	-30%	-42%	-26%	1%	9%	-13%	20%	4%
Selling, general and administrative	-2%	-32%	-37%	-32%	-25%	-39%	-4%	-4%	-1%	-15%	-1%	-10%	11%	-3%	-1%	1%	4%	-15%	-2%	-3%
Operating income (loss)	-9114%	910%	-449%	-78%	-793%	-99%	-97%	-77%	-75%	-98%	2476%	3241%	946%	-621%	3106%	-1%	-64%	-79%	-133%	-60%
Net income (loss)	403%	79%	-2%	-82%	1199%	-107%	-95%	-580%	110%	-141%	-339%	2597%	-154%	-170%	-259%	2%	-70%	-73%	-77%	-58%
EPS Diluted (Pro forma)	-380%	-495%	-43%	-65%	-174%	-115%	-135%	145%	-65%	-161%	-423%	-203%	-250%	-18%	-236%	-58%	-76%	-173%	319%	-141%

Source: Company reports and Ascendant Capital Markets estimates. *Reflects a 1-for-20 Reverse Stock Split in June 2020

Groupon, Inc.

Balance Sheet (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	\$667	\$785	\$779	\$851	\$677	\$565	\$477	\$499	\$403	\$316	\$304	\$349	\$310	\$289	\$267	\$350
Short term investments											0	0	0	0	0	0
Accounts receivable, net	45	55	45	43	45	37	34	37	52	45	34	38	36	36	36	43
Prepaid expenses and other current	67	52	52	40	41	45	50	53	54	50	23	25	24	24	24	29
Deferred income taxes											0	0	0	0	0	0
Total current assets	779	891	876	934	763	647	562	588	509	411	362	412	370	349	327	423
Property and equipment, net	103	90	88	85	83	81	78	74	71	64	59	54	49	44	39	34
Goodwill	244	212	213	215	217	218	217	216	216	179	179	179	179	179	179	179
Intangibles, net		32	31	30	29	28	26	24	23	21	21	21	21	21	21	21
Deferred income taxes									63	61	61	61	61	61	61	61
Equity investment	34	34	36	38	36	36	123	120	120	120	120	120	120	120	120	120
Other	122	110	105	110	274	99	83	73	69	62	62	62	62	62	62	62
Total assets	1,283	1,369	1,350	1,412	1,402	1,109	1,088	1,158	1,069	916	863	908	861	835	808	899
Liabilities and stockholders' equity																
Accounts payable	26	45	42	33	39	40	37	22	29	28	15	17	16	16	16	19
Accrued merchant payable	311	395	382	411	329	290	230	270	232	208	212	257	259	260	243	293
Accrued expenses	242	247	257	295	299	283	242	239	218	198	200	219	206	207	208	250
Deferred income tax											0	0	0	0	0	0
Other											0	0	0	0	0	0
Due related parties											0	0	0	0	0	0
Short term debt	150	200	200	200	100	100	100	100	100	60	60	60	60	60	60	60
Total current liabilities	729	887	881	939	767	713	608	631	579	494	487	553	541	543	527	623
Deferred income taxes											0	0	0	0	0	0
Other long term liabilities	143	143	144	135	128	117	107	93	81	76	76	76	76	76	76	76
Minority interest	0	(0)	(0)	(0)	(0)	0	0	0	0	0	0	0	0	0	0	0
Long term debt	218	222	226	229	442	223	223	223	224	224	224	224	224	224	224	224
Total other liabilities	362	365	370	365	569	340	330	317	305	301	301	301	301	301	301	301
Preferred stock											0	0	0	0	0	0
Common stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Treasury Stock	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)
Additional paid-in capital	2,323	2,330	2,338	2,348	2,261	2,258	2,266	2,294	2,301	2,308	2,308	2,308	2,308	2,308	2,308	2,308
Retained earnings	(1,246)	(1,319)	(1,335)	(1,321)	(1,258)	(1,262)	(1,184)	(1,157)	(1,192)	(1,283)	(1,325)	(1,346)	(1,381)	(1,409)	(1,420)	(1,425)
Accumulated other comprehensive (k	37	29	18	3	(14)	(18)	(11)	(5)	(1)	19	19	19	19	19	19	19
Unearned compensation											0	0	0	0	0	0
Other											(5)	(5)	(5)	(5)	(5)	(5)
Total stockholders' equity	191	118	99	108	66	56	149	210	185	122	75	55	19	(9)	(20)	(25)
Total stockholders' equity and liabil	\$1,283	\$1,369	\$1,350	\$1,412	\$1,402	\$1,109	\$1,088	\$1,158	\$1,069	\$916	\$863	\$908	\$861	\$835	\$808	\$899

Balance Sheet Drivers

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	18%	13%	17%	12%	16%	17%	24%	24%	35%	33%	15%	15%	15%	15%	15%	15%
Accounts payable as % of total rev	7%	11%	14%	10%	15%	15%	17%	10%	19%	18%	10%	10%	10%	10%	10%	10%
Accrued merchant payable as % of gross	39%	68%	64%	65%	59%	48%	42%	43%	50%	45%	45%	45%	45%	45%	45%	45%
Accrued expenses as % of total rev	65%	62%	85%	86%	113%	106%	113%	107%	142%	129%	129%	129%	129%	129%	129%	129%
Activity Ratios																
A/R Days Sales Outstanding	11	12	13	11	15	13	14	15	31	26	20	20	20	20	20	20
A/P Days Payable	14	16	26	18	36	50	101	70	136	131	60	60	60	60	60	60
Merchant Days Payable	35	61	58	58	53	43	37	39	45	41	41	41	41	41	41	41
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$6.74	\$4.14	\$3.35	\$3.63	\$2.17	\$1.66	\$4.47	\$6.29	\$6.19	\$4.06	\$2.46	\$1.76	\$0.60	-\$0.27	-\$0.62	-\$0.75
Cash per Share (diluted)	\$23.51	\$27.54	\$26.46	\$28.67	\$22.36	\$16.84	\$14.29	\$14.94	\$13.50	\$10.51	\$9.97	\$11.23	\$9.83	\$9.02	\$8.20	\$10.61
Net cash per Share (diluted)	\$10.52	\$12.73	\$12.00	\$14.19	\$4.45	\$7.23	\$4.61	\$5.25	\$2.65	\$1.05	\$0.66	\$2.07	\$0.82	\$0.15	-\$0.53	\$2.01

Source: Company reports and Ascendant Capital Markets estimates

Groupon, Inc.

Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
Net income	(210)	(73)	(17)	14	(286)	14	(3)	79	30	120	(34)	(90)	(42)	(20)	(187)	(36)	(28)	(12)	(5)	(79)
Depreciation	23	22	16	17	78	15	17	15	17	64	15	14	20	20	70	20	20	20	20	80
Amortization	3	2	2	2	10	2	2	2	2	9	2	2	0	0	4	0	0	0	0	0
Provision for accounts receivable					0					0					0					0
Deferred income taxes				(7)	(7)				(34)	(34)			0	0	0	0	0	0	0	0
Stock comp	14	9	8	8	39	7	10	8	8	33	8	9	20	20	56	20	20	20	20	80
Amortization of financing	4	4	4	4	15	0	1	0	0	2					0					0
Tax benefit of stock option exercises					0					0			(20)	(20)	(40)	(20)	(20)	(20)	(20)	(80)
Impairments	139	14		4	157			8		8		45			45					0
Other gains/losses	1				1		(0)	(91)	(0)	(91)					0					0
Acquisition/restructuring expense			3		3	(32)				(32)					0					0
Other	7	5	6	5	22			0	(0)	0					0					0
Changes in operating assets and liabilities:																				
Restricted cash					0					0					0					0
Accounts receivable	8	(9)	10	4	14	(3)	8	3	(3)	5	(16)	6	11	(3)	(3)	2	(0)	(0)	(7)	(5)
Prepaid expenses & other curre	13	15	0	13	42	3	3	(2)	(2)	3	3	7	27	(2)	34	1	(0)	(0)	(5)	(4)
Accounts payable	6	19	(4)	(9)	11	6	1	(3)	(14)	(10)	7	(1)	(12)	2	(5)	(1)	0	0	3	2
Accrued merchant	(223)	80	(20)	21	(143)	(77)	(41)	(58)	41	(134)	(36)	(19)	4	44	(7)	2	1	(16)	50	37
Accounts expenses	(12)	5	10	34	36	10	(17)	(37)	(1)	(45)	(26)	(18)	2	20	(22)	(13)	1	1	43	31
Deferred revenue					0					0					0					0
Income tax payable and other	(8)	(5)	(15)	(28)	(56)	7	(16)	1	(14)	(21)	(0)	14	0	0	14	0	0	0	0	0
Net cash (used in) provided by	(236)	87	5	81	(64)	(46)	(34)	(74.2)	31	(124)	(78)	(30)	9	59	(41)	(23)	(6)	(7)	99	62
Cash flow from investing activities																				
Purchases of property and equip	(11)	(14)	(12)	(12)	(49)	(12)	(12)	(13)	(12)	(50)	(13)	(9)	(15)	(15)	(52)	(15)	(15)	(15)	(15)	(60)
Purchases of short-term investm	32				32		4	3	0	7					0					0
Sale of short-term investments					0					0					0					0
Acquisitions	(1)	(1)	(1)	(1)	(4)	(1)	(1)	(1)	(1)	(3)	(1)	(1)			(2)					0
Other					0					0			0	0	0	0	0	0	0	0
Net cash used in investing activ	20	(16)	(12)	(13)	(21)	(13)	(9)	(11.5)	(12)	(46)	(14)	(10)	(15)	(15)	(54)	(15)	(15)	(15)	(15)	(60)
Cash flow from financing activities																				
Issuance of debt	150			(1)	149	68	25	0		93				0	0	0	0	0	0	0
Repayment of debt	(3)	(3)	(3)	(1)	(9)		(253)	(1)	(0)	(254)	(0)	(41)			(42)					0
Issuance of stock					0					0				0	0	0	0	0	0	0
Repurchase of common stock					0					0					0					0
Proceeds from stock option exe	(2)	(4)	(1)	(2)	(9)	(5)	(11)	(1)	(2)	(20)	(3)	(2)			(5)					0
Other		49			49	(0)	(2)		(1)	(3)					0					0
Dividends and distributions	(4)	0	1	0	(3)					0			0	0	0	0	0	0	0	0
Cash provided by (used in) fina	141	43	(4)	(4)	177	63	(241)	(2.0)	(3)	(184)	(3)	(43)	0	0	(46)	0	0	0	0	0
Effect of exchange rate on cash a	(9)	3	5.0	7	7	(7)	3	(1)	7	2	(1)	(4)			(5)					0
Net increase (decrease) in cash	(85)	118	(6)	72	98	(4)	(281)	(88.6)	22	(352)	(96)	(87)	(6)	44	(145)	(38)	(21)	(22)	84	2
Beginning cash and equivalents	747	663	780	774	747	846	842	560	472	846	494	398	311	304	494	349	310	289	267	349
Ending cash and equivalents	663	780	774	846	846	842	560	472	494	494	398	311	304	349	349	310	289	267	350	350

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

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Groupon, Inc.



Report	Date	Rating	Price Target
43	2/19/2018	B	120.00
44	5/10/2018	B	130.00
45	8/8/2018	B	120.00
46	11/13/2018	B	100.00
47	2/18/2019	B	90.00
48	8/2/2019	B	85.00
49	12/22/2019	B	65.00
50	2/25/2020	B	35.00
51	6/20/2020	B	26.00
52	8/9/2020	B	31.00
53	12/7/2020	B	42.00
54	6/10/2021	B	70.00
55	8/9/2021	B	40.00
56	12/21/2021	B	35.00
57	3/23/2022	B	30.00
58	6/1/2022	B	20.00

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Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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