

# Groupon, Inc.

*Q4 about inline, but weak Q1 guidance. New CEO and outlook should improve with pandemic ending and economies reopenings. Lowering P/T to \$30.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GRPN

Price: \$19.42  
(intraday)

Target: \$30.00  
(from \$35)

**Q4 about inline:** Groupon recently (on March 1) reported its fiscal Q4 2021 results. Revenue was \$223 million (-35% y-o-y), compared to our estimate of \$229 million and consensus of \$224 million. EBITDA was \$37 million, compared with our estimate of \$29 million. Pro forma EPS was \$0.18, compared to our estimate of \$0.15 and consensus of \$0.19. Q4 guidance was for revenue of \$206 - 231 million and EBITDA of \$19 - 29 million.

**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. 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. In Q4, Omicron negatively impacted results particularly late in the quarter.

**Goods revenue impacted from shift to 3<sup>rd</sup> party:** Goods revenue was -84% y-o-y in Q4. This decline mainly reflects Groupon's Goods business move to a 3<sup>rd</sup> party marketplace model (started in Q3 2020 and finished in Q4 2020 in the U.S. and started in Q2 2021 and finished in Q4 2021 for International). This only affects revenue accounting, but should have no impact on gross profit or net income.

**Cost savings:** Since March 2020, Groupon has executed a restructuring plan along with reducing costs during the coronavirus pandemic, which realized ~\$140 million of cost savings in 2020 and is on track for ~\$225 million in annualized cost savings.

**New CEO:** In December 2021, Groupon recently 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.

**Weak Q1 guidance:** Initial Q1 guidance is for revenue of \$160 -170 million, and EBITDA of breakeven. The company provided initial 2022 guidance for EBITDA above \$112 million. Q1 is expected to continue to be negatively affected by Omicron.

**Lowering estimates:** We are lowering our 2022 estimates for revenue to \$784 million, from \$975 million, and for EPS to \$1.53 from \$2.67.

**Rebound leverage:** With new management in place (since March 2020) and now a new CEO (December 2021) and CFO (October 2021), significant cost restructuring, and a rebound in its business, the company has provided very broad general qualitative guidance for \$250 million in EBITDA if it can recover to just 80% of its pre-COVID gross profit level (or \$300 million in EBITDA at 90%).

**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 growth potential. With the economies of the world opening up (even if lumpy at times), 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 \$30 from \$35, which reflects a P/E of 10x our 2023 EPS estimate of \$3.00. 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

March 23, 2022

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### Stock Data

|                                      |                 |
|--------------------------------------|-----------------|
| Exchange:                            | NasdaqGS        |
| 52-week Range:                       | \$16.37 – 55.37 |
| Shares Outstanding (million):        | 33              |
| Market cap (\$million):              | \$641           |
| EV (\$million):                      | \$465           |
| Debt (\$million):                    | \$323           |
| Cash (\$million):                    | \$499           |
| Avg. Daily Trading Vol. (\$million): | \$34            |
| Float (million shares):              | 21              |
| Short Interest (million shares):     | 5               |
| Dividend, annual (yield):            | \$0 (NA%)       |

### Revenues (US\$ million)

|              | <u>2022E</u><br><u>(Cur.)</u> | <u>2022E</u><br><u>(Old)</u> | <u>2023E</u><br><u>(Cur.)</u> | <u>2023E</u><br><u>(Old)</u> |
|--------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| Q1 Mar       | 165E                          | 251E                         | 181E                          |                              |
| Q2 Jun       | 190E                          | 252E                         | 206E                          |                              |
| Q3 Sep       | 206E                          | 236E                         | 223E                          |                              |
| Q4 Dec       | <u>223E</u>                   | <u>236E</u>                  | <u>232E</u>                   |                              |
| <b>Total</b> | <b>784E</b>                   | <b>975E</b>                  | <b>841E</b>                   |                              |
| EV/Revs      | 0.6x                          |                              | 0.6x                          |                              |

### Earnings per Share (pro forma)

|              | <u>2022E</u><br><u>(Cur.)</u> | <u>2022E</u><br><u>(Old)</u> | <u>2023E</u><br><u>(Cur.)</u> | <u>2023E</u><br><u>(Old)</u> |
|--------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| Q1 Mar       | (0.40)E                       | 0.37E                        | 0.07E                         |                              |
| Q2 Jun       | 0.38E                         | 1.02E                        | 0.80E                         |                              |
| Q3 Sep       | 0.65E                         | 0.84E                        | 1.15E                         |                              |
| Q4 Dec       | <u>0.82E</u>                  | <u>0.44E</u>                 | <u>0.97E</u>                  |                              |
| <b>Total</b> | <b>\$1.53E</b>                | <b>\$2.67E</b>               | <b>\$3.00E</b>                |                              |
| P/E          | 13x                           |                              | 6x                            |                              |

### 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 9.**

## OVERVIEW

- Groupon recently (on March 1) reported its fiscal Q4 2021 (ending December) results.
- Revenue was \$223 million (-35% y-o-y), compared to our estimate of \$229 million and consensus of \$224 million.
- EBITDA was \$37 million, compared with our estimate of \$29 million and \$40 million (y-o-y).
- Pro forma EPS was \$0.18, compared to our estimate of \$0.15 and consensus of \$0.19.
- Q4 guidance was for revenue of \$206 - 231 million and EBITDA of \$19 - 29 million.
- The company provided initial 2022 guidance for EBITDA above \$112 million.
- Initial Q1 guidance is for revenue of \$160 -170 million, and EBITDA of breakeven.
- We are lowering our 2022 estimates for revenue to \$784 million, from \$975 million, and for EPS to \$1.53 from \$2.67.
- We are initiating our 2023 estimates for revenue of \$841 million, and for EPS of \$3.00.

## ADDITIONAL DETAILS

- Gross billings was \$621 million (-2% y-o-y), compared with our expectation of \$592 million and \$633 million in Q4 2020.
- Gross profit was \$195 million, compared with our expectation of \$155 million and \$179 million in Q4 2020.
- Gross margin was 87%, versus our expectation of 67% and 52% in Q4 2020.
- Operating expenses were \$192 million (including \$8 million in restructuring charges), compared with our expectation of \$165 million.
- Operating income was \$2 million, versus our expectation of a loss of \$11 million.
- Pro forma net income was \$6 million, versus our expectation of \$5 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 (now completed) in the U.S., and international starting in Q2 2021 (to be complete 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.

The company's balance sheet is relatively steady with \$499 million in cash and \$323 million in debt (~\$5/share in net cash), compared with \$477 million in cash and \$323 million in debt in September.

**Exhibit 1: Groupon Q1 & 2022 Outlook (as of 2/28/22)**

**1Q22 outlook**



**Outlook**

- Revenue expected to be \$160 million to \$170 million
- Adjusted EBITDA expected to be breakeven

**Factors to Consider**

- Expect global billings to decrease in Q1 vs Q4 due to impacts from the Omicron variant
- Outlook assumes Global Goods continues at Q4 y/y performance levels
- Global Goods fully transitioned to a 3P marketplace; Revenue recognized on a net basis
- SG&A: Expect Q1 expenses (ex SBC/D&A) to be higher than Q4 levels driven by planned expenses associated with our cloud migration

**FY22 perspective**



- Local billings recovery expected to accelerate throughout 2022 in both North America and International
- FY22 adjusted EBITDA expected to be more than \$112 million and higher than FY21, excluding \$31 million benefit from variable consideration revenue in 2021
- Global Goods fully transitioned to a 3P marketplace; Revenue recognized on a net basis
- FY22 perspective is our baseline expectations; Will provide operating priorities, go-forward strategy and updated financial outlook on first quarter financial results call in May

Source: Company reports.

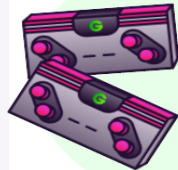
## Exhibit 2: Groupon Product Roadmap

**Groupon made foundational progress in 2021...**



### Grew our Local Category

- NA and International Active Local customer base grew three consecutive quarters
- 2021 NA Local Billings increased 22% y/y



### Controlled the Controllables:

- Hit 2021 NA inventory goals:
  - Removed repeat restrictions on 80% of Deal inventory
  - Grew listings per Beauty and Wellness merchant nearly 40% since launch of Offers
- Substantially improved self-service tools; ~50% of 2021 NA Deals launched in self-service
- Leveraged new customer experience and marketing campaigns

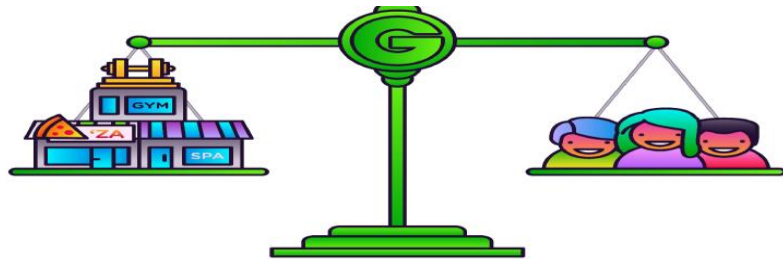


### Solid Financial Performance:

- Delivered \$967 million of revenue, \$120 million of net income and \$143 million of adjusted EBITDA<sup>1</sup> in 2021
- Generated \$19 million of Free Cash Flow<sup>1</sup> in Q4
- Migrated International Goods category to 3P model, simplifying our operations

**...But we have potential to deliver so much more impact**

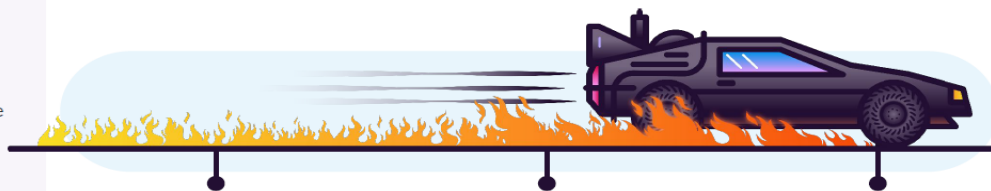
We are building an even deeper understanding of marketplace dynamics and the most important elements of our customer and merchant partner value propositions



**Balancing the needs of Customers, Merchant Partners and Groupon**

## Next Steps

Moving forward with a sense of urgency to define our enhanced mission



**Continue to evaluate our initiatives** through the lens of: "Is this good for the customer?" and "Is this good for merchant partners?" and **then** "Is this good for Groupon?"

Quickly assess **what is and what isn't working**

On our Q1 2022 earnings call we will provide:

- **Operating priorities and the initiatives** that will drive them
- Execution **timeline** and **key KPIs we will use to measure success**
- **Full year 2022** financial outlook

Source: Company reports.

### Exhibit 3: Groupon stock price (5 years)



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

### Exhibit 4: Consensus Expectations (as of March 1, 2022)

|              | Revenue (mils) |               |              | EPS            |                |
|--------------|----------------|---------------|--------------|----------------|----------------|
|              | 2021E          | 2022E         |              | 2021E          | 2022E          |
| Q1 Mar       | \$264A         | \$244E        | Q1 Mar       | \$0.25A        | \$0.53E        |
| Q2 Jun       | \$266A         |               | Q2 Jun       | \$0.33A        |                |
| Q3 Sep       | \$214A         |               | Q3 Sep       | \$0.38A        |                |
| Q4 Dec       | \$224E         |               | Q4 Dec       | \$0.19E        |                |
| <b>Total</b> | <b>\$971E</b>  | <b>\$970E</b> | <b>Total</b> | <b>\$1.17E</b> | <b>\$2.46E</b> |

\*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       | Q1E         | Q2E         | Q3E        | Q4E        | FY-E        | Q1E         | Q2E        | Q3E        | Q4E        | FY-E       |
| <b>Total Revenue</b>                  | <b>374</b>   | <b>396</b>  | <b>304</b>  | <b>343</b> | <b>1,417</b> | <b>264</b> | <b>266</b> | <b>214</b> | <b>223</b> | <b>967</b> | <b>165</b>  | <b>190</b>  | <b>206</b> | <b>223</b> | <b>784</b>  | <b>181</b>  | <b>206</b> | <b>223</b> | <b>232</b> | <b>841</b> |
| Cost of Revenues                      | 173          | 258         | 144         | 164        | 740          | 97         | 72         | 33         | 28         | 230        | 28          | 32          | 34         | 37         | 131         | 28          | 32         | 34         | 35         | 130        |
| Gross Profit                          | 201          | 137         | 160         | 179        | 677          | 167        | 194        | 181        | 195        | 737        | 137         | 158         | 172        | 187        | 654         | 153         | 174        | 188        | 196        | 711        |
| Marketing                             | 60           | 25          | 31          | 38         | 155          | 34         | 44         | 53         | 58         | 189        | 43          | 38          | 41         | 45         | 167         | 45          | 40         | 43         | 47         | 176        |
| Selling, general and administrative   | 207          | 144         | 124         | 128        | 603          | 127        | 138        | 119        | 126        | 511        | 132         | 133         | 134        | 134        | 533         | 136         | 136        | 134        | 139        | 544        |
| Depreciation and amortization         |              |             |             |            | 0            |            |            |            |            | 0          |             |             |            |            | 0           |             |            |            |            | 0          |
| Restructuring and other               | 132          | 40          | 21          | 4          | 197          | 7          | 14         | 12         | 8          | 42         |             |             |            |            | 0           |             |            |            |            | 0          |
| Total operating expenses              | 399          | 209         | 176         | 170        | 954          | 168        | 196        | 185        | 192        | 742        | 175         | 171         | 175        | 179        | 700         | 181         | 176        | 177        | 186        | 720        |
| <b>Operating income (loss)</b>        | <b>(198)</b> | <b>(72)</b> | <b>(16)</b> | <b>9</b>   | <b>(277)</b> | <b>(1)</b> | <b>(2)</b> | <b>(4)</b> | <b>2</b>   | <b>(5)</b> | <b>(38)</b> | <b>(13)</b> | <b>(3)</b> | <b>8</b>   | <b>(46)</b> | <b>(28)</b> | <b>(2)</b> | <b>11</b>  | <b>10</b>  | <b>(9)</b> |
| Interest income (expense)             |              | (2)         |             | 5          | 3            |            | (3)        |            |            | (3)        | (4)         | (4)         | (4)        | (4)        | (16)        | (4)         | (4)        | (4)        | (4)        | (16)       |
| Other income (expense)                | (22)         | 1           | (1)         | 0          | (21)         | 18         | (0)        | 82         | (6)        | 94         | 0           | 0           | 0          | 0          | 0           | 0           | 0          | 0          | 0          | 0          |
| Income before income taxes            | (220)        | (73)        | (17)        | 14         | (295)        | 17         | (5)        | 78         | (4)        | 86         | (42)        | (17)        | (7)        | 4          | (62)        | (32)        | (6)        | 7          | 6          | (25)       |
| Income taxes                          | (6)          | (1)         | (0)         | (0)        | (8)          | 2          | (2)        | 0          | (33)       | (32)       | 0           | 0           | 0          | 5          | 5           | 0           | 0          | 0          | 0          | 5          |
| Net income (loss)                     | (214)        | (72)        | (16)        | 14         | (288)        | 15         | (3)        | 78         | 29         | 119        | (42)        | (17)        | (7)        | (1)        | (67)        | (32)        | (6)        | 7          | 1          | (30)       |
| Preferred dividends/minority interest |              |             |             |            | 0            |            |            |            |            | 0          |             |             |            |            | 0           |             |            |            |            | 0          |
| Net income (loss) for shareholders    | (214)        | (72)        | (16)        | 14         | (288)        | 15         | (3)        | 78         | 29         | 119        | (42)        | (17)        | (7)        | (1)        | (67)        | (32)        | (6)        | 7          | 1          | (30)       |
| Nonrecurring/noncash adjustments      | 167          | 46          | 21          | 1          | 235          | (7)        | 14         | (66)       | (23)       | (82)       | 30          | 30          | 30         | 30         | 120         | 35          | 35         | 35         | 35         | 140        |
| <b>Net income (pro forma)</b>         | <b>(46)</b>  | <b>(27)</b> | <b>5</b>    | <b>15</b>  | <b>(53)</b>  | <b>8</b>   | <b>11</b>  | <b>13</b>  | <b>6.0</b> | <b>37</b>  | <b>(12)</b> | <b>13</b>   | <b>23</b>  | <b>29</b>  | <b>53</b>   | <b>3</b>    | <b>29</b>  | <b>42</b>  | <b>36</b>  | <b>110</b> |
| <b>EBITDA</b>                         | <b>(22)</b>  | <b>1</b>    | <b>31</b>   | <b>40</b>  | <b>50</b>    | <b>30</b>  | <b>41</b>  | <b>35</b>  | <b>37</b>  | <b>143</b> | <b>2</b>    | <b>27</b>   | <b>37</b>  | <b>48</b>  | <b>114</b>  | <b>12</b>   | <b>33</b>  | <b>51</b>  | <b>50</b>  | <b>151</b> |
| Shares, Basic                         | 28           | 28          | 29          | 29         | 29           | 29         | 29         | 30         | 30         | 29         | 30          | 31          | 31         | 32         | 31          | 32          | 33         | 33         | 34         | 33         |
| Shares, Diluted                       | 28           | 28          | 29          | 30         | 29           | 30         | 34         | 33         | 33         | 33         | 34          | 34          | 35         | 35         | 35          | 36          | 36         | 37         | 37         | 37         |
| EPS Basic (Pro forma)                 | (\$1.63)     | (\$0.93)    | \$0.16      | \$0.53     | (\$1.86)     | \$0.26     | \$0.38     | \$0.42     | \$0.20     | \$1.26     | (\$0.40)    | \$0.43      | \$0.73     | \$0.91     | \$1.71      | \$0.08      | \$0.89     | \$1.28     | \$1.07     | \$3.35     |
| EPS Diluted (Pro forma)               | (\$1.63)     | (\$0.93)    | \$0.15      | \$0.51     | (\$1.86)     | \$0.25     | \$0.33     | \$0.38     | \$0.18     | \$1.13     | (\$0.35)    | \$0.38      | \$0.65     | \$0.82     | \$1.53      | \$0.07      | \$0.80     | \$1.15     | \$0.97     | \$3.00     |
| <b>Margins</b>                        |              |             |             |            |              |            |            |            |            |            |             |             |            |            |             |             |            |            |            |            |
| Gross margin                          | 53.8%        | 34.7%       | 52.6%       | 52.1%      | 47.8%        | 63.3%      | 72.9%      | 84.7%      | 87.3%      | 76.2%      | 83.0%       | 83.3%       | 83.4%      | 83.5%      | 83.3%       | 84.3%       | 84.5%      | 84.6%      | 84.7%      | 84.5%      |
| Marketing                             | 16.1%        | 6.4%        | 10.3%       | 11.0%      | 10.9%        | 12.8%      | 16.4%      | 24.8%      | 26.1%      | 19.5%      | 26.0%       | 20.0%       | 20.0%      | 20.0%      | 21.3%       | 25.0%       | 19.5%      | 19.5%      | 20.3%      | 20.9%      |
| Selling, general and administrative   | 55.4%        | 36.3%       | 40.9%       | 37.4%      | 42.6%        | 48.2%      | 51.9%      | 55.8%      | 56.7%      | 52.8%      | 80.0%       | 70.0%       | 65.0%      | 60.0%      | 67.9%       | 75.0%       | 66.0%      | 60.0%      | 60.0%      | 64.7%      |
| Operating margin                      | -53%         | -18%        | -5%         | 3%         | -20%         | 0%         | -1%        | -2%        | 1%         | 0%         | -23%        | -7%         | -2%        | 4%         | -6%         | -16%        | -1%        | 5%         | 4%         | -1%        |
| Tax rate, GAAP                        | 3%           | 1%          | 3%          | -2%        | 3%           | 14%        | 35%        | 0%         | 892%       | -37%       | 0%          | 0%          | 0%         | 129%       | -8%         | 0%          | 0%         | 0%         | 82%        | -20%       |
| Net margin                            | -57%         | -18%        | -5%         | 4%         | -20%         | 6%         | -1%        | 36%        | 13%        | 12%        | -25%        | -9%         | -4%        | -1%        | -9%         | -18%        | -3%        | 3%         | 0%         | -4%        |
| <b>Y/Y % change</b>                   |              |             |             |            |              |            |            |            |            |            |             |             |            |            |             |             |            |            |            |            |
| Total Revenue                         | -35%         | -26%        | -39%        | -44%       | -36%         | -29%       | -33%       | -30%       | -35%       | -32%       | -37%        | -29%        | -4%        | 0%         | -19%        | 10%         | 8%         | 8%         | 4%         | 7%         |
| Gross margin                          | -34%         | -53%        | -42%        | -42%       | -43%         | -17%       | 41%        | 13%        | 9%         | 9%         | -18%        | -19%        | -5%        | -4%        | -11%        | 11%         | 10%        | 9%         | 5%         | 9%         |
| Marketing                             | -36%         | -72%        | -58%        | -54%       | -54%         | -44%       | 73%        | 69%        | 54%        | 22%        | 27%         | -13%        | -22%       | -23%       | -12%        | 5%          | 6%         | 5%         | 5%         | 5%         |
| Selling, general and administrative   | -2%          | -32%        | -37%        | -32%       | -25%         | -39%       | -4%        | -4%        | -1%        | -15%       | 4%          | -4%         | 12%        | 6%         | 4%          | 3%          | 2%         | 0%         | 4%         | 2%         |
| Operating income (loss)               | -9114%       | 910%        | -449%       | -78%       | -793%        | -99%       | -97%       | -77%       | -75%       | -98%       | 2935%       | 539%        | -12%       | 247%       | 887%        | -25%        | -84%       | -451%      | 28%        | -81%       |
| Net income (loss)                     | 403%         | 79%         | -2%         | -82%       | 1199%        | -107%      | -95%       | -580%      | 110%       | -141%      | -388%       | 396%        | -109%      | -104%      | -157%       | -23%        | -64%       | -201%      | -198%      | -55%       |
| EPS Diluted (Pro forma)               | -380%        | -495%       | -43%        | -65%       | -174%        | -115%      | -135%      | 145%       | -65%       | -161%      | -242%       | 17%         | 73%        | 357%       | 35%         | -120%       | 107%       | 76%        | 18%        | 97%        |

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            | Q1E            | Q2E            | Q3E            | Q4E            | Q1E            | Q2E            | Q3E            | Q4E            |
| <b>Assets</b>                                     |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Cash and cash equivalents                         | \$667          | \$785          | \$779          | \$851          | \$677          | \$565          | \$477          | \$499          | \$398          | \$444          | \$460          | \$502          | \$398          | \$455          | \$484          | \$510          |
| Short term investments                            |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Accounts receivable, net                          | 45             | 55             | 45             | 43             | 45             | 37             | 34             | 37             | 37             | 42             | 46             | 50             | 40             | 46             | 49             | 51             |
| Prepaid expenses and other current assets         | 67             | 52             | 52             | 40             | 41             | 45             | 50             | 53             | 25             | 28             | 31             | 34             | 27             | 31             | 33             | 35             |
| Deferred income taxes                             |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Total current assets</b>                       | <b>779</b>     | <b>891</b>     | <b>876</b>     | <b>934</b>     | <b>763</b>     | <b>647</b>     | <b>562</b>     | <b>588</b>     | <b>459</b>     | <b>514</b>     | <b>537</b>     | <b>585</b>     | <b>465</b>     | <b>531</b>     | <b>567</b>     | <b>597</b>     |
| Property and equipment, net                       | 103            | 90             | 88             | 85             | 83             | 81             | 78             | 74             | 69             | 64             | 59             | 54             | 49             | 44             | 39             | 34             |
| Goodwill  | 244            | 212            | 213            | 215            | 217            | 218            | 217            | 216            | 216            | 216            | 216            | 216            | 216            | 216            | 216            | 216            |
| Intangibles, net                                  |                | 32             | 31             | 30             | 29             | 28             | 26             | 24             | 24             | 24             | 24             | 24             | 24             | 24             | 24             | 24             |
| Deferred income taxes                             |                |                |                |                |                |                |                |                | 63             | 63             | 63             | 63             | 63             | 63             | 63             | 63             |
| 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             | 73             | 73             | 73             | 73             | 73             | 73             | 73             | 73             |
| <b>Total assets</b>                               | <b>1,283</b>   | <b>1,369</b>   | <b>1,350</b>   | <b>1,412</b>   | <b>1,402</b>   | <b>1,109</b>   | <b>1,088</b>   | <b>1,158</b>   | <b>1,024</b>   | <b>1,074</b>   | <b>1,092</b>   | <b>1,135</b>   | <b>1,010</b>   | <b>1,071</b>   | <b>1,102</b>   | <b>1,126</b>   |
| <b>Liabilities and stockholders' equity</b>       |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Accounts payable                                  | 26             | 45             | 42             | 33             | 39             | 40             | 37             | 22             | 16             | 19             | 21             | 22             | 18             | 21             | 22             | 23             |
| Accrued merchant payable                          | 311            | 395            | 382            | 411            | 329            | 290            | 230            | 270            | 250            | 289            | 294            | 318            | 275            | 313            | 317            | 330            |
| Accrued expenses                                  | 242            | 247            | 257            | 295            | 299            | 283            | 242            | 239            | 177            | 203            | 221            | 240            | 194            | 221            | 239            | 248            |
| Deferred income tax                               |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other   |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Due related parties                               |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Short term debt                                   | 150            | 200            | 200            | 200            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            |
| <b>Total current liabilities</b>                  | <b>729</b>     | <b>887</b>     | <b>881</b>     | <b>939</b>     | <b>767</b>     | <b>713</b>     | <b>608</b>     | <b>631</b>     | <b>544</b>     | <b>611</b>     | <b>636</b>     | <b>680</b>     | <b>587</b>     | <b>655</b>     | <b>678</b>     | <b>701</b>     |
| Deferred income taxes                             |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other long term liabilities                       | 143            | 143            | 144            | 135            | 128            | 117            | 107            | 93             | 93             | 93             | 93             | 93             | 93             | 93             | 93             | 93             |
| 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            | 223            | 223            | 223            | 223            | 223            | 223            | 223            | 223            |
| <b>Total other liabilities</b>                    | <b>362</b>     | <b>365</b>     | <b>370</b>     | <b>365</b>     | <b>569</b>     | <b>340</b>     | <b>330</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     | <b>317</b>     |
| Preferred stock                                   |                |                |                |                |                |                |                |                | 0              | 0              | 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          | 2,294          | 2,294          | 2,294          | 2,294          | 2,294          | 2,294          | 2,294          | 2,294          |
| Retained earnings                                 | (1,246)        | (1,319)        | (1,335)        | (1,321)        | (1,258)        | (1,262)        | (1,184)        | (1,157)        | (1,199)        | (1,216)        | (1,223)        | (1,224)        | (1,256)        | (1,262)        | (1,255)        | (1,254)        |
| Accumulated other comprehensive income            | 37             | 29             | 18             | 3              | (14)           | (18)           | (11)           | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            |
| Unearned compensation                             |                |                |                |                |                |                |                |                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Other   |                |                |                |                |                |                |                |                | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            | (5)            |
| <b>Total stockholders' equity</b>                 | <b>191</b>     | <b>118</b>     | <b>99</b>      | <b>108</b>     | <b>66</b>      | <b>56</b>      | <b>149</b>     | <b>210</b>     | <b>163</b>     | <b>146</b>     | <b>139</b>     | <b>138</b>     | <b>106</b>     | <b>99</b>      | <b>107</b>     | <b>108</b>     |
| <b>Total stockholders' equity and liabilities</b> | <b>\$1,283</b> | <b>\$1,369</b> | <b>\$1,350</b> | <b>\$1,412</b> | <b>\$1,402</b> | <b>\$1,109</b> | <b>\$1,088</b> | <b>\$1,158</b> | <b>\$1,024</b> | <b>\$1,074</b> | <b>\$1,092</b> | <b>\$1,135</b> | <b>\$1,010</b> | <b>\$1,071</b> | <b>\$1,102</b> | <b>\$1,126</b> |

**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     | Q1E     | Q2E     | Q3E     | Q4E     | Q1E     | Q2E     | Q3E     | Q4E     |
| Prepaid as % of total rev                  | 18%     | 13%     | 17%     | 12%     | 16%     | 17%     | 24%     | 24%     | 15%     | 15%     | 15%     | 15%     | 15%     | 15%     | 15%     | 15%     |
| Accounts payable as % of total rev         | 7%      | 11%     | 14%     | 10%     | 15%     | 15%     | 17%     | 10%     | 10%     | 10%     | 10%     | 10%     | 10%     | 10%     | 10%     | 10%     |
| Accrued merchant payable as % of gross rev | 39%     | 68%     | 64%     | 65%     | 59%     | 48%     | 42%     | 43%     | 43%     | 43%     | 43%     | 43%     | 43%     | 43%     | 43%     | 43%     |
| Accrued expenses as % of total rev         | 65%     | 62%     | 85%     | 86%     | 113%    | 106%    | 113%    | 107%    | 107%    | 107%    | 107%    | 107%    | 107%    | 107%    | 107%    | 107%    |
| <b>Activity Ratios</b>                     |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| A/R Days Sales Outstanding                 | 11      | 12      | 13      | 11      | 15      | 13      | 14      | 15      | 20      | 20      | 20      | 20      | 20      | 20      | 20      | 20      |
| A/P Days Payable                           | 14      | 16      | 26      | 18      | 36      | 50      | 101     | 70      | 53      | 54      | 54      | 55      | 57      | 58      | 59      | 59      |
| Merchant Days Payable                      | 35      | 61      | 58      | 58      | 53      | 43      | 37      | 39      | 39      | 39      | 39      | 39      | 39      | 39      | 39      | 39      |
| <b>Book &amp; Cash Value (per share)</b>   |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Book Value per Share (diluted)             | \$6.74  | \$4.14  | \$3.35  | \$3.63  | \$2.17  | \$1.66  | \$4.47  | \$6.29  | \$4.82  | \$4.26  | \$3.99  | \$3.90  | \$2.94  | \$2.73  | \$2.90  | \$2.89  |
| Cash per Share (diluted)                   | \$23.51 | \$27.54 | \$26.46 | \$28.67 | \$22.36 | \$16.84 | \$14.29 | \$14.94 | \$11.73 | \$12.91 | \$13.19 | \$14.19 | \$11.08 | \$12.50 | \$13.13 | \$13.65 |
| Net cash per Share (diluted)               | \$10.52 | \$12.73 | \$12.00 | \$14.19 | \$4.45  | \$7.23  | \$4.61  | \$5.25  | \$2.19  | \$3.50  | \$3.92  | \$5.06  | \$2.07  | \$3.61  | \$4.36  | \$5.00  |

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         | Q1E         | Q2E         | Q3E         | Q4E         | FY-E        | Q1E          | Q2E         | Q3E         | Q4E         | FY-E        |
| <b>Cash flow from operating activities</b>          |              |             |             |             |             |             |              |               |             |              |             |             |             |             |             |              |             |             |             |             |
| Net income  | (210)        | (73)        | (17)        | 14          | (286)       | 14          | (3)          | 79            | 30          | 120          | (42)        | (17)        | (7)         | (1)         | (67)        | (32)         | (6)         | 7           | 1           | (30)        |
| Depreciation  | 23           | 22          | 16          | 17          | 78          | 15          | 17           | 15            | 17          | 64           | 20          | 20          | 20          | 20          | 80          | 20           | 20          | 20          | 20          | 80          |
| Amortization  | 3            | 2           | 2           | 2           | 10          | 2           | 2            | 2             | 2           | 9            | 0           | 0           | 0           | 0           | 0           | 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           | 0           | 0           |
| Stock comp  | 14           | 9           | 8           | 8           | 39          | 7           | 10           | 8             | 8           | 33           | 20          | 20          | 20          | 20          | 80          | 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)        | (20)        | (20)        | (80)        | (20)         | (20)        | (20)        | (20)        | (80)        |
| Impairments   | 139          | 14          |             | 4           | 157         |             |              | 8             | 8           | 8            |             |             |             |             | 0           |              |             |             |             | 0           |
| Other gains/losses                                  | 1            |             |             |             | 1           |             | (0)          | (91)          | (0)         | (91)         |             |             |             |             | 0           |              |             |             |             | 0           |
| Acquisition/restructuring expense                   |              |             | 3           | 3           | 3           | (32)        |              |               |             | (32)         |             |             |             |             | 0           |              |             |             |             | 0           |
| Other   | 7            | 5           | 6           | 5           | 22          |             |              | 0             | (0)         | 0            |             |             |             |             | 0           |              |             |             |             | 0           |
| <b>Changes in operating assets and liabilities:</b> |              |             |             |             |             |             |              |               |             |              |             |             |             |             |             |              |             |             |             |             |
| Restricted cash                                     |              |             |             |             | 0           |             |              |               |             | 0            |             |             |             |             | 0           |              |             |             |             | 0           |
| Accounts receivable                                 | 8            | (9)         | 10          | 4           | 14          | (3)         | 8            | 3             | (3)         | 5            | 0           | (5)         | (4)         | (4)         | (13)        | 9            | (6)         | (4)         | (2)         | (2)         |
| Prepaid expenses & other curre                      | 13           | 15          | 0           | 13          | 42          | 3           | 3            | (2)           | (2)         | 3            | 28          | (4)         | (3)         | (3)         | 19          | 6            | (4)         | (3)         | (1)         | (1)         |
| Accounts payable                                    | 6            | 19          | (4)         | (9)         | 11          | 6           | 1            | (3)           | (14)        | (10)         | (6)         | 2           | 2           | 2           | 0           | (4)          | 2           | 2           | 1           | 1           |
| Accrued merchant                                    | (223)        | 80          | (20)        | 21          | (143)       | (77)        | (41)         | (58)          | 41          | (134)        | (19)        | 38          | 5           | 25          | 49          | (43)         | 38          | 4           | 13          | 12          |
| Accounts expenses                                   | (12)         | 5           | 10          | 34          | 36          | 10          | (17)         | (37)          | (1)         | (45)         | (62)        | 26          | 18          | 18          | 0           | (46)         | 27          | 18          | 10          | 9           |
| Deferred revenue                                    |              |             |             |             | 0           |             |              |               |             | 0            |             |             |             |             | 0           |              |             |             |             | 0           |
| Income tax payable and other                        | (8)          | (5)         | (15)        | (28)        | (56)        | 7           | (16)         | 1             | (14)        | (21)         | 0           | 0           | 0           | 0           | 0           | 0            | 0           | 0           | 0           | 0           |
| <b>Net cash (used in) provided by</b>               | <b>(236)</b> | <b>87</b>   | <b>5</b>    | <b>81</b>   | <b>(64)</b> | <b>(46)</b> | <b>(34)</b>  | <b>(74.2)</b> | <b>31</b>   | <b>(124)</b> | <b>(81)</b> | <b>61</b>   | <b>31</b>   | <b>57</b>   | <b>68</b>   | <b>(90)</b>  | <b>72</b>   | <b>45</b>   | <b>41</b>   | <b>68</b>   |
| <b>Cash flow from investing activities</b>          |              |             |             |             |             |             |              |               |             |              |             |             |             |             |             |              |             |             |             |             |
| Purchases of property and equip                     | (11)         | (14)        | (12)        | (12)        | (49)        | (12)        | (12)         | (13)          | (12)        | (50)         | (15)        | (15)        | (15)        | (15)        | (60)        | (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)          |             |             |             |             | 0           |              |             |             |             | 0           |
| Other   |              |             |             |             | 0           |             |              |               |             | 0            | 0           | 0           | 0           | 0           | 0           | 0            | 0           | 0           | 0           | 0           |
| <b>Net cash used in investing activ</b>             | <b>20</b>    | <b>(16)</b> | <b>(12)</b> | <b>(13)</b> | <b>(21)</b> | <b>(13)</b> | <b>(9)</b>   | <b>(11.5)</b> | <b>(12)</b> | <b>(46)</b>  | <b>(15)</b> | <b>(15)</b> | <b>(15)</b> | <b>(15)</b> | <b>(60)</b> | <b>(15)</b>  | <b>(15)</b> | <b>(15)</b> | <b>(15)</b> | <b>(60)</b> |
| <b>Cash flow from financing activities</b>          |              |             |             |             |             |             |              |               |             |              |             |             |             |             |             |              |             |             |             |             |
| Issuance of debt                                    | 150          |             |             | (1)         | 149         | 68          | 25           | 0             |             | 93           | 0           | 0           | 0           | 0           | 0           | 0            | 0           | 0           | 0           | 0           |
| Repayment of debt                                   | (3)          | (3)         | (3)         | (1)         | (9)         |             | (253)        | (1)           | (0)         | (254)        |             |             |             |             | 0           |              |             |             |             | 0           |
| Issuance of stock                                   |              |             |             |             | 0           |             |              |               |             | 0            | 0           | 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)         |             |             |             |             | 0           |              |             |             |             | 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           | 0           | 0           |
| <b>Cash provided by (used in) fina</b>              | <b>141</b>   | <b>43</b>   | <b>(4)</b>  | <b>(4)</b>  | <b>177</b>  | <b>63</b>   | <b>(241)</b> | <b>(2.0)</b>  | <b>(3)</b>  | <b>(184)</b> | <b>0</b>    | <b>0</b>    | <b>0</b>    | <b>0</b>    | <b>0</b>    | <b>0</b>     | <b>0</b>    | <b>0</b>    | <b>0</b>    | <b>0</b>    |
| Effect of exchange rate on cash a                   | (9)          | 3           | 5.0         | 7           | 7           | (7)         | 3            | (1)           | 7           | 2            |             |             |             |             | 0           |              |             |             |             | 0           |
| <b>Net increase (decrease) in cash</b>              | <b>(85)</b>  | <b>118</b>  | <b>(6)</b>  | <b>72</b>   | <b>98</b>   | <b>(4)</b>  | <b>(281)</b> | <b>(88.6)</b> | <b>22</b>   | <b>(352)</b> | <b>(96)</b> | <b>46</b>   | <b>16</b>   | <b>42</b>   | <b>8</b>    | <b>(105)</b> | <b>57</b>   | <b>30</b>   | <b>26</b>   | <b>8</b>    |
| Beginning cash and equivalents                      | 747          | 663         | 780         | 774         | 747         | 846         | 842          | 560           | 472         | 846          | 494         | 398         | 444         | 460         | 494         | 502          | 398         | 455         | 484         | 502         |
| Ending cash and equivalents                         | 663          | 780         | 774         | 846         | 846         | 842         | 560          | 472           | 494         | 494          | 398         | 444         | 460         | 502         | 502         | 398          | 455         | 484         | 510         | 510         |

Source: Company reports and Ascendant Capital Markets estimates



## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

### Groupon, Inc.



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

| Report | 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        |

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### Risks & Considerations

Risks to attainment of our share price target include changes in competition, general economic conditions, merchant relationships, legal, investor sentiment for investing in Internet stocks, and consumer sentiment and industry growth for daily deals.

### 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 January 15, 2022)

| Rating | Count | Percent | Investment Banking Services<br>Past 12 months |         |
|--------|-------|---------|---|---------|
|        |       |         | Count   | Percent |
| Buy    | 40    | 98%     | 16  | 40%     |
| Hold   | 0     | 0%      | 0   | 0%      |
| Sell   | 1     | 2%      | 0   | 0%      |
| Total  | 41    | 100%    | 16  | 39%     |

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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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