

Groupon, Inc.

Q1 weak and 2023 outlook tempered. New CEO, but outlook remains hazy with turnaround and cost cuts. Lowering P/T to \$8.50.

COMPANY UPDATE

Rating: BUY

Ticker: GRPN

Price: \$5.94
(intraday)

Target: \$8.50
(from \$9.00)

Q1 weak: Groupon recently (on May 10) reported its fiscal Q1 2023 (ending March) results. Revenue was \$122 million (-21% y-o-y), compared to our estimates of \$134 million and consensus of \$135 million. EBITDA was \$(5) million, compared with our estimate of \$(11) million and \$(7) million (y-o-y). Pro forma EPS was \$(0.65), compared to our estimate of \$(0.96) and consensus of \$(1.32). The company did not provide specific Q1 guidance, but stated that Q1 EBITDA will be \$(5) – (10) million.

Q1 weak again: Gross billings was \$396 million (-14% y-o-y), compared with our expectation of \$477 million and \$461 million in Q1 2022. North America revenue was \$89 million in Q1 (-19% y-o-y) while International was \$32 million (-25% y-o-y) primarily driven by a decline in engagement on its platform that resulted in fewer unit sales and lower gross billings.

Weak macro now impacting Local: The company is now impacted by weakening global macro environment. Weakness in the back half of Q4 2022 has continued into 2023.

More cost cuts: In August 2022, Groupon announced a new restructuring to cut costs by \$150 million per year. The company just (in March) increased its cost cuts with an additional \$250 million in savings goal.

Weak 2023 outlook: The company did not provide specific Q2 guidance, but did state that Q2 revenues will be ~\$121 million (~-21% y-o-y). The company is no longer providing guidance due to the current turnaround state.

Lowering estimates: We are lowering our 2023 estimates for revenue to \$514 million, from \$551 million, and for EPS to \$(1.26) from \$(1.21). We are lowering our 2024 estimates for revenue to \$550 million, from \$577 million, and for EPS to \$0.02 from \$0.03.

New CEO: In March 2023, Groupon named Dusan Senkypl, co-founder of Pale Fire Capital and a member of the Board, to the role of interim Chief Executive Officer. Mr. Senkypl, who will be based in the Czech Republic, will remain on the Groupon Board of Directors. Mr. Senkypl succeeds Kedar Deshpande.

New CFO: In April 2023, Groupon named Jiri Ponrt as its new Chief Financial Officer. Mr. Ponrt will succeed Damien Schmitz. Mr. Ponrt is joining Groupon from Pale Fire Capital.

Major transformation: With the recently announced new significant cost restructuring (\$400 million in total) and new CEO and CFO, the company is in the midst of a major transformation due to the weakness in its business.

Risk/reward favorable: We acknowledge that Groupon may continue to trade in a weak and 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 \$8.50 from \$9.00, which reflects a P/E of 10x our 2025 EPS estimate of \$0.85. The P/E is about inline with our expectation for EPS growth over the next several years. We believe this valuation appropriately balances out the company's high risks with its growth prospects and large upside opportunities.

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

June 7, 2023

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$2.89 – 16.45
Shares Outstanding (million):	31
Market cap (\$million):	\$184
EV (\$million):	\$293
Debt (\$million):	\$273
Cash (\$million):	\$164
Avg. Daily Trading Vol. (\$million):	\$8
Float (million shares):	17
Short Interest (million shares):	6
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	122A	134E	128E	140E
Q2 Jun	121E	134E	128E	140E
Q3 Sep	129E	135E	138E	141E
Q4 Dec	143E	149E	156E	
Total	514E	551E	550E	577E
EV/Revs	0.6x		0.5x	

Earnings per Share (pro forma)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	(0.65)A	(0.96)E	(0.24)E	(0.25)E
Q2 Jun	(0.35)E	(0.26)E	(0.24)E	(0.25)E
Q3 Sep	(0.17)E	(0.01)E	0.09E	0.13E
Q4 Dec	(0.11)E	0.00E	0.39E	0.38E
Total	(1.26)E	(1.21)E	0.02E	0.03E
P/E	N/A		297x	

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 11.

OVERVIEW

- Groupon recently (on May 10) reported its fiscal Q1 2023 (ending March) results.
- Revenue was \$122 million (-21% y-o-y), compared to our estimates of \$134 million and consensus of \$135 million.
- EBITDA was \$(5) million, compared with our estimate of \$(11) million and \$(7) million (y-o-y).
- Pro forma EPS was \$(0.65), compared to our estimate of \$(0.96) and consensus of \$(1.32).
- The company did not provide specific Q1 guidance, but stated that Q1 EBITDA will be \$(5) – (10) million.
- The company did not provide specific Q2 guidance, but did state that Q2 revenues will be ~\$121 million (~-21% y-o-y).
- We are lowering our 2023 estimates for revenue to \$514 million, from \$551 million, and for EPS to \$(1.26) from \$(1.21).
- We are lowering our 2024 estimates for revenue to \$550 million, from \$577 million, and for EPS to \$0.02 from \$0.03.

ADDITIONAL DETAILS

- Gross billings was \$396 million (-14% y-o-y), compared with our expectation of \$477 million and \$461 million in Q1 2022.
- Gross profit was \$105 million, compared with our expectation of \$114 million and \$134 million in Q1 2022.
- Gross margin was 87%, versus our expectation of 85% and 87% in Q1 2022.
- Operating expenses were \$135 million, compared with our expectation of \$164 million.
- Operating loss was \$31 million, versus our expectation of a loss of \$51 million.
- Pro forma net loss was \$20 million, versus our expectation of a loss of \$30 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 November 2022, Mr. Schmitz was named permanent CFO.
- 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.
- In March 2023, Groupon announced a new restructuring to cut costs by \$200 million per year.
- In March 2023, Groupon named Dusan Senkypl, co-founder of Pale Fire Capital and a member of the Board, to the role of interim Chief Executive Officer. Mr. Senkypl, who will be based in the Czech Republic, will remain on the Groupon Board of Directors. Mr. Senkypl succeeds Kedar Deshpande.
- In April 2023, Groupon named Jiri Ponrt as its new Chief Financial Officer. Mr. Ponrt will succeed Damien Schmitz. Mr. Ponrt is joining Groupon from Pale Fire Capital, prior to which he served as CFO at Alza.cz one of the largest e-commerce players in Central and Eastern Europe with an annual turnover of \$2 billion

The company's balance sheet has \$164 million in cash and \$273 million in debt (~\$4/share in net debt), compared with \$281 million in cash and \$300 million in debt in December.

Exhibit 1: Groupon Transformation Plan Eight Strategic Pillars (as of May 10, 2023)

Our transformation plan is built on eight strategic pillars that will provide focus, organize our teams and drive momentum. These are:

- Fix the supply-side of our marketplace
- Raise our product experience to modern marketplace standards
- Tune our marketing engine towards lower-funnel performance channels
- Assemble a high performance team with a focus on operational excellence
- Rebuild our organization structure, business processes and management systems
- Create an efficient cost structure
- Leverage our other business lines to support Local
- Improve our financial flexibility

We see the implementation of our transformation plan in 3 phases:

Phase 1 is to improve our financial flexibility, improve Groupon's management systems and operational efficiency, and ensure we have the right team in place to quickly execute on our highest priorities. Steps we have already taken in the first quarter along with additional actions we are taking in the second quarter will position the Company to complete phase 1 of our transformation.

Phase 2 will involve major improvements to our product, marketing, and sales, so that our business is better positioned to compete and deliver value for our customers and merchant partners. We have already started executing on this phase and expect it will reach completion before the end of the year.

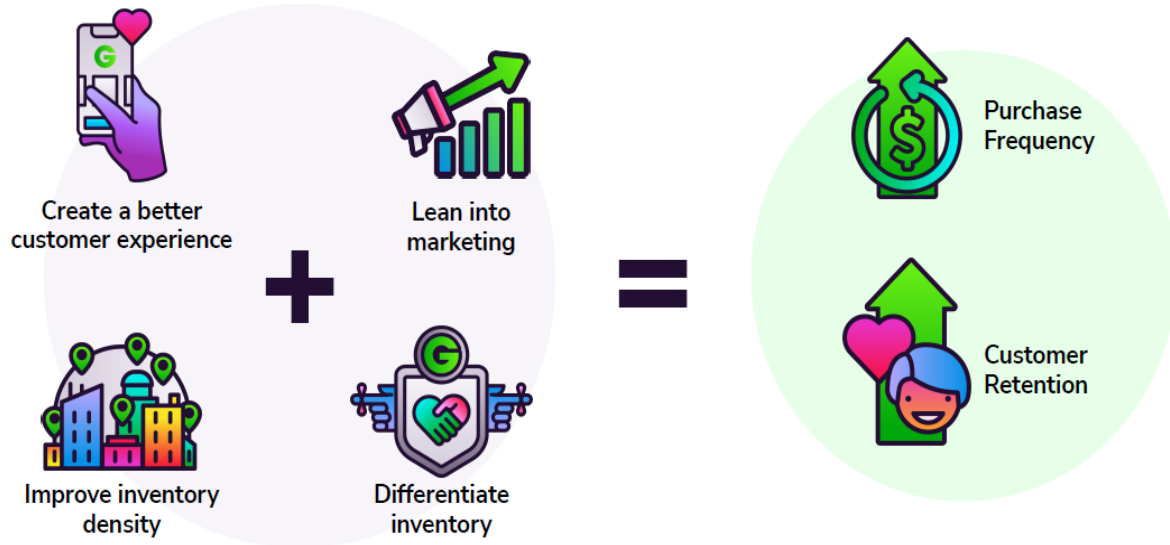
Phase 3 will be a return to growth. As our transformation strategy takes hold, we expect to see an increase in year-over-year Local billings by early 2024, though our revenue growth trends may diverge from our Local billings trends depending on the trajectory of our other categories and the timing of our transformation strategy.

Source: Company reports.

Exhibit 2: Groupon Long-Term Growth Plan (as of March 2023)

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 (as of March 2023)

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

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

Phase 1 Cost Actions:



- Achieved **\$150 million in cost savings** through our phase 1 actions, which were substantially complete in 2022
- Reduced the size of our North America sales force and began leveraging self-service more broadly
- Aggressively **right-sized our tech org**
- **Additional cost savings from combination of process improvements** and the right-sizing of our facilities footprint

Phase 2 Cost Actions:



- Increased the size of our phase 2 plan by \$50 million
- On track to **reduce our expense structure by \$100 million** in phase 2
 - Expect to achieve **\$70 million in annualized cost savings** through payroll reductions
 - Implementing **non-payroll actions**, including reducing technology, software and certain professional services costs, which are expected to create an **additional \$30 million** in annualized cost savings
- Moving quickly to execute phase 2, expect to complete actions **during the second quarter of 2023**

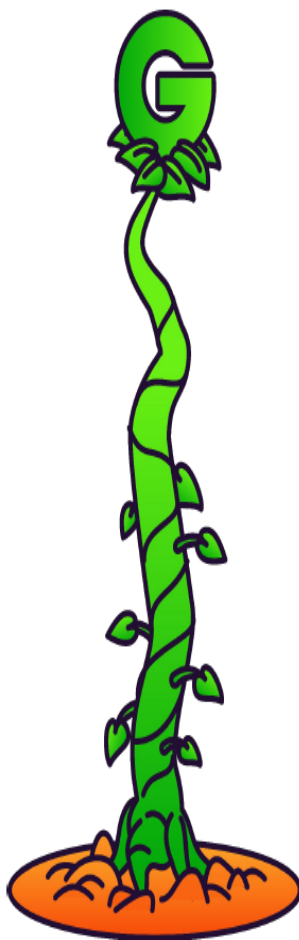
...creating expense leverage for profitable growth in the future

ASCENDANT 19

Source: Company reports.

Exhibit 4: Groupon Investment Summary (as of March 2023)

**Global, scaled,
two-sided
marketplace with
undervalued assets
and big potential**



Scaled local marketplace with room to grow

- Leading player in the large and growing addressable market for local services and experiences
- Two-sided marketplace with massive global scale
- Delivered \$1.8B+ in Local Billings in 2022
- Beloved brand: ~1.5B Groupons sold to date¹

Valuable, underutilized assets

- **Data**: Untapped data assets and feedback network in our current experience
- **Scale**: Over 14MM Active Local customers and nearly 100MM visitor sessions per month
- **Reach**: Scaled horizontal marketplace

Executing sales-led transformation strategy to unlock growth

- **Improving Marketplace Inventory**: Building a more inspiring inventory base that engages customers and drives purchase frequency
- **Reducing Marketing & Promotional Spend**: Focused on reducing our marketing and promotional spend while driving higher return on investment
- **Reducing our Cost Structure**: Estimate 2023 non-GAAP SG&A* to be over \$350M lower than 2019 non-GAAP SG&A

Creating operating leverage that can allow us to deliver Adj. EBITDA even on lower revenue base

Balance sheet & financial model to support growth

- \$281 million in cash exiting 4Q22
- 2.29% ownership stake in SumUp

Source: Company reports.

Exhibit 5: Groupon Stock Price (5 years)



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

Exhibit 6: Consensus Expectations (as of May 10, 2023)

	Revenue (mils)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$135E		Q1 Mar	\$(1.32)E	
Q2 Jun	\$138E		Q2 Jun	\$(0.46)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$548E	\$574E	Total	\$(1.47)E	\$0.80E

*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-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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	264	266	214	223	967	153	153	144	148	599	122	121	129	143	514	128	128	138	156	550
Cost of Revenues	97	72	33	28	230	19	19	19	19	76	17	18	19	21	76	19	19	21	23	83
Gross Profit	167	194	181	195	737	134	134	126	129	523	105	103	109	121	438	108	109	118	133	468
Marketing	34	44	53	58	189	39	29	38	43	149	25	35	37	40	137	34	35	37	39	145
Selling, general and administ	127	138	119	126	511	126	124	119	112	481	102	100	99	101	402	103	104	100	97	404
Depreciation and amortization					0					0					0					0
Restructuring and other	7	14	12	8	42	0	47	5	8	60	9				9					0
Total operating expenses	168	196	185	192	742	166	200	162	162	691	135	135	136	141	548	138	138	136	136	548
Operating income (loss)	(1)	(2)	(4)	2	(5)	(32)	(67)	(36)	(33)	(168)	(31)	(33)	(27)	(20)	(110)	(29)	(29)	(19)	(3)	(81)
Interest income (expense)		(3)			(3)					0		(3)	(3)	(3)	(10)	(3)	(3)	(3)	(3)	(14)
Other income (expense)	18	(0)	82	(6)	94	(5)	(22)	(24)	25	(27)	3	0	0	0	3	0	0	0	0	0
Income before income taxes	17	(5)	78	(4)	86	(38)	(89)	(61)	(8)	(195)	(28)	(36)	(30)	(23)	(118)	(33)	(33)	(22)	(7)	(94)
Income taxes	2	(2)	0	(33)	(32)	(3)	2	(4)	47	42	1	0	0	5	6	0	0	0	5	5
Net income (loss)	15	(3)	78	29	119	(35)	(91)	(56)	(55)	(238)	(29)	(36)	(30)	(28)	(124)	(33)	(33)	(22)	(12)	(99)
Preferred dividends/minority interest					0					0					0					0
Net income (loss) for shareholder	15	(3)	78	29	119	(35)	(91)	(56)	(55)	(238)	(29)	(36)	(30)	(28)	(124)	(33)	(33)	(22)	(12)	(99)
Nonrecurring/noncash adjustme	(7)	14	(66)	(23)	(82)	11	81	36	44	171	9	25	25	25	84	25	25	25	25	100
Net income (pro forma)	8	11	13	6	37	(24)	(10)	(21)	(12)	(66)	(20)	(11)	(5)	(3)	(40)	(8)	(8)	3	13	1
EBITDA	30	41	35	37	143	(7)	6	(9)	(5)	(15)	(5)	7	13	20	35	11	11	21	37	79
Shares, Basic	29	29	30	30	29	30	30	30	30	30	31	31	32	32	31	33	33	34	34	33
Shares, Diluted	30	34	33	33	33	30	30	30	30	30	31	31	32	32	31	33	33	34	34	33
EPS Basic (Pro forma)	\$0.26	\$0.38	\$0.42	\$0.20	\$1.26	(\$0.80)	(\$0.34)	(\$0.68)	(\$0.38)	(\$2.20)	(\$0.65)	(\$0.35)	(\$0.17)	(\$0.11)	(\$1.26)	(\$0.24)	(\$0.24)	\$0.09	\$0.39	\$0.02
EPS Diluted (Pro forma)	\$0.25	\$0.33	\$0.38	\$0.18	\$1.13	(\$0.80)	(\$0.34)	(\$0.68)	(\$0.38)	(\$2.20)	(\$0.65)	(\$0.35)	(\$0.17)	(\$0.11)	(\$1.26)	(\$0.24)	(\$0.24)	\$0.09	\$0.39	\$0.02
Margins																				
Gross margin	63.3%	72.9%	84.7%	87.3%	76.2%	87.4%	87.4%	87.1%	87.2%	87.3%	87.4%	85.0%	85.0%	85.0%	85.3%	85.0%	85.0%	85.0%	85.0%	85.0%
Marketing	12.8%	16.4%	24.8%	26.1%	19.5%	25.7%	19.2%	26.2%	28.7%	24.9%	20.4%	29.0%	29.0%	28.0%	26.7%	27.0%	27.0%	26.5%	25.0%	26.3%
Selling, general and administ	48.2%	51.9%	55.8%	56.7%	52.8%	82.5%	80.9%	82.6%	75.4%	80.4%	83.6%	83.0%	77.0%	71.0%	78.3%	81.0%	81.0%	72.0%	62.0%	73.3%
Operating margin	0%	-1%	-2%	1%	0%	-21%	-43%	-25%	-22%	-28%	-25%	-27%	-21%	-14%	-21%	-23%	-23%	-14%	-2%	-15%
Tax rate, GAAP	14%	35%	0%	892%	-37%	7%	-3%	7%	-567%	-22%	-4%	0%	0%	-21%	-5%	0%	0%	0%	-76%	-5%
Net margin	6%	-1%	36%	13%	12%	-23%	-60%	-39%	-37%	-40%	-24%	-30%	-24%	-20%	-24%	-26%	-26%	-16%	-7%	-18%
Y/Y % change																				
Total Revenue	-29%	-33%	-30%	-35%	-32%	-42%	-42%	-33%	-34%	-38%	-21%	-21%	-11%	-4%	-14%	5%	6%	8%	9%	7%
Gross margin	-17%	41%	13%	9%	9%	-20%	-31%	-31%	-34%	-29%	-22%	-23%	-13%	-6%	-16%	4%	6%	8%	9%	7%
Marketing	-44%	73%	69%	54%	22%	17%	-33%	-29%	-27%	-21%	-37%	19%	-2%	-6%	-8%	39%	-1%	-2%	-2%	6%
Selling, general and administ	-39%	-4%	-4%	-1%	-15%	-1%	-10%	0%	-12%	-6%	-20%	-19%	-17%	-9%	-16%	2%	4%	1%	-4%	0%
Operating income (loss)	-99%	-97%	-77%	-75%	-98%	2476%	3241%	883%	-1539%	3505%	-5%	-51%	-26%	-39%	-34%	-4%	-10%	-31%	-84%	-27%
Net income (loss)	-107%	-95%	-580%	110%	-141%	-339%	2597%	-172%	-288%	-300%	-16%	-61%	-46%	-49%	-48%	12%	-9%	-27%	-59%	-20%
EPS Diluted (Pro forma)	-115%	-135%	145%	-65%	-161%	-423%	-203%	-281%	-315%	-294%	-19%	5%	-75%	-72%	-43%	-63%	-33%	-150%	-471%	-102%

Source: Company reports and Ascendant Capital Markets estimates.

Groupon, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	\$677	\$565	\$477	\$499	\$403	\$316	\$308	\$281	\$164	\$170	\$151	\$165	\$112	\$86	\$81	\$121
Short term investments										0	0	0	0	0	0	0
Accounts receivable, net	45	37	34	37	52	45	43	45	37	27	29	32	28	28	31	35
Prepaid expenses and other current assets	41	45	50	53	54	50	53	41	41	18	19	21	19	19	21	23
Deferred income taxes										0	0	0	0	0	0	0
Total current assets	763	647	562	588	509	411	403	367	242	215	199	218	160	133	132	180
Property and equipment, net	83	81	78	74	71	64	61	57	49	44	39	34	29	24	19	14
Goodwill	217	218	217	216	216	179	179	179	179	179	179	179	179	179	179	179
Intangibles, net	29	28	26	24	23	21	19	18	16	16	16	16	16	16	16	16
Deferred income taxes										14	14	14	14	14	14	14
Equity investment	36	36	123	120	120	120	120	120	120	120	120	120	120	120	120	120
Other	274	99	83	73	69	62	47	40	31	31	31	31	31	31	31	31
Total assets	1,402	1,109	1,088	1,158	1,069	916	889	793	651	619	598	612	549	517	511	554
Liabilities and stockholders' equity																
Accounts payable	39	40	37	22	29	28	35	60	28	12	13	14	13	13	14	16
Accrued merchant payable	329	290	230	270	232	208	179	225	197	214	213	237	226	227	229	259
Accrued expenses	299	283	242	239	218	198	198	171	154	153	163	181	161	162	175	198
Deferred income tax										0	0	0	0	0	0	0
Other										0	0	0	0	0	0	0
Due related parties										0	0	0	0	0	0	0
Short term debt	100	100	100	100	100	60	110	75	48	48	48	48	48	48	48	48
Total current liabilities	767	713	608	631	579	494	522	531	426	427	436	479	448	450	466	520
Deferred income taxes										0	0	0	0	0	0	0
Other long term liabilities	128	117	107	93	81	76	45	28	24	24	24	24	24	24	24	24
Minority interest	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long term debt	442	223	223	223	224	224	225	225	225	225	225	225	225	225	225	225
Total other liabilities	569	340	330	317	305	301	270	253	250	250	250	250	250	250	250	250
Preferred stock										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	2,261	2,258	2,266	2,294	2,301	2,308	2,317	2,323	2,324	2,324	2,324	2,324	2,324	2,324	2,324	2,324
Retained earnings	(1,258)	(1,262)	(1,184)	(1,157)	(1,192)	(1,283)	(1,339)	(1,394)	(1,424)	(1,460)	(1,490)	(1,518)	(1,551)	(1,584)	(1,606)	(1,618)
Accumulated other comprehensive (loss) income	(14)	(18)	(11)	(5)	(1)	19	42	3	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Unearned compensation										0	0	0	0	0	0	0
Other										3	3	3	3	3	3	3
Total stockholders' equity	66	56	149	210	185	122	97	8	(25)	(58)	(88)	(116)	(149)	(182)	(204)	(216)
Total stockholders' equity and liabilities	\$1,402	\$1,109	\$1,088	\$1,158	\$1,069	\$916	\$889	\$793	\$651	\$619	\$598	\$612	\$549	\$517	\$511	\$554

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	16%	17%	24%	24%	35%	33%	36%	28%	33%	15%	15%	15%	15%	15%	15%	15%
Accounts payable as % of total rev	15%	15%	17%	10%	19%	18%	24%	40%	23%	10%	10%	10%	10%	10%	10%	10%
Accrued merchant payable as % of gross rev	59%	48%	42%	43%	50%	45%	41%	48%	50%	50%	50%	50%	50%	50%	50%	50%
Accrued expenses as % of total rev	113%	106%	113%	107%	142%	129%	137%	116%	126%	126%	126%	126%	126%	126%	126%	126%
Activity Ratios																
A/R Days Sales Outstanding	15	13	14	15	31	26	27	27	28	20	20	20	20	20	20	20
A/P Days Payable	36	50	101	70	136	131	170	282	147	60	60	60	60	60	60	60
Merchant Days Payable	53	43	37	39	45	41	37	43	45	45	45	45	45	45	45	45
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$2.17	\$1.66	\$4.47	\$6.29	\$6.19	\$4.06	\$3.19	\$0.28	-\$0.81	-\$1.85	-\$2.78	-\$3.62	-\$4.56	-\$5.49	-\$6.06	-\$6.31
Cash per Share (diluted)	\$22.36	\$16.84	\$14.29	\$14.94	\$13.50	\$10.51	\$10.16	\$9.27	\$5.34	\$5.45	\$4.76	\$5.14	\$3.43	\$2.58	\$2.40	\$3.55
Net cash per Share (diluted)	\$4.45	\$7.23	\$4.61	\$5.25	\$2.65	\$1.05	-\$0.88	-\$0.61	-\$3.56	-\$3.31	-\$3.86	-\$3.35	-\$4.92	-\$5.65	-\$5.71	-\$4.43

Source: Company reports and Ascendant Capital Markets estimates

Groupon, Inc.

Cash Flow Statement (\$ mils)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
Net income	14	(3)	79	30	120	(34)	(90)	(56)	(54)	(234)	(29)	(36)	(30)	(28)	(123)	(33)	(33)	(22)	(12)	(99)
Depreciation	15	17	15	17	64	15	14	13	12	54	12	20	20	20	72	20	20	20	20	80
Amortization	2	2	2	2	9	2	2	2	2	8	2	0	0	0	2	0	0	0	0	0
Provision for accounts receivable					0					0					0					0
Deferred income taxes				(34)	(34)				49	49		0	0	0	0	0	0	0	0	0
Stock comp	7	10	8	8	33	8	9	8	6	30	2	20	20	20	62	20	20	20	20	80
Amortization of financing	0	1	0	0	2				2	2					0					0
Tax benefit of stock option exercises					0					0		(20)	(20)	(20)	(60)	(20)	(20)	(20)	(20)	(80)
Impairments			8		8		45	2	3	51					0					0
Other gains/losses		(0)	(91)	(0)	(91)				(29)	(29)	(4)				(4)					0
Acquisition/restructuring expens	(32)				(32)					0					0					0
Other			0	(0)	0			14	(6)	8					0					0
Changes in operating assets and liabilities:																				
Restricted cash					0					0					0					0
Accounts receivable	(3)	8	3	(3)	5	(16)	6	1	(1)	(10)	8	10	(2)	(3)	14	3	(0)	(2)	(4)	(3)
Prepaid expenses & other curre	3	3	(2)	(2)	3	3	7	(5)	14	19	8	23	(1)	(2)	27	2	(0)	(2)	(3)	(2)
Accounts payable	6	1	(3)	(14)	(10)	7	(1)	7	24	38	(32)	(15)	1	1	(45)	(2)	0	1	2	1
Accrued merchant	(77)	(41)	(58)	41	(134)	(36)	(19)	(26)	41	(39)	(29)	17	(1)	24	10	(10)	1	2	30	22
Accounts expenses	10	(17)	(37)	(1)	(45)	(26)	(18)	(4)	(31)	(79)	1	(1)	10	18	28	(19)	1	13	23	17
Deferred revenue					0					0					0					0
Income tax payable and other	7	(16)	1	(14)	(21)	(0)	14	0	(16)	(2)	(16)	0	0	0	(16)	0	0	0	0	0
Net cash (used in) provided by	(46)	(34)	(74.2)	31	(124)	(78)	(30)	(43)	16	(136)	(76)	18	(4)	29	(33)	(38)	(11)	10	56	16
Cash flow from investing activities																				
Purchases of property and equip	(12)	(12)	(13)	(12)	(50)	(13)	(9)	(8)	(6)	(36)	(10)	(15)	(15)	(15)	(55)	(15)	(15)	(15)	(15)	(60)
Purchases of short-term investments		4	3	0	7					0					0					0
Sale of short-term investments					0					0					0					0
Acquisitions	(1)	(1)	(1)	(1)	(3)	(1)	(1)	(1)	(1)	(3)	(1)				(1)					0
Other					0					0	1	0	0	0	1	0	0	0	0	0
Net cash used in investing activ	(13)	(9)	(11.5)	(12)	(46)	(14)	(10)	(9)	(6)	(39)	(9)	(15)	(15)	(15)	(54)	(15)	(15)	(15)	(15)	(60)
Cash flow from financing activities																				
Issuance of debt	68	25	0		93			50		50		0	0	0	0	0	0	0	0	0
Repayment of debt		(253)	(1)	(0)	(254)	(0)	(41)	(0)	(35)	(77)	(27)				(27)					0
Issuance of stock					0					0		0	0	0	0	0	0	0	0	0
Repurchase of common stock					0					0					0					0
Proceeds from stock option exe	(5)	(11)	(1)	(2)	(20)	(3)	(2)	(1)	(0)	(6)	(1)				(1)					0
Other	(0)	(2)		(1)	(3)				(1)	(1)	(1)				(1)					0
Dividends and distributions					0					0		0	0	0	0	0	0	0	0	0
Cash provided by (used in) fina	63	(241)	(2.0)	(3)	(184)	(3)	(43)	49	(37)	(34)	(29)	0	0	0	(29)	0	0	0	0	0
Effect of exchange rate on cash a	(7)	3	(1)	7	2	(1)	(4)	(5)	1	(9)	(0)				(0)					0
Net increase (decrease) in cash	(4)	(281)	(88.6)	22	(352)	(96)	(87)	(8.1)	(27)	(218)	(115)	3	(19)	14	(116)	(53)	(26)	(5)	41	(44)
Beginning cash and equivalents	846	842	560	472	846	499	404	316	308	499	282	167	170	151	282	165	112	86	81	165
Ending cash and equivalents	842	560	472	494	499	404	316	308	282	282	167	170	151	165	165	112	86	81	121	121

Source: Company reports and Ascendant Capital Markets estimates

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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
57	3/23/2022	B	30.00
58	6/1/2022	B	20.00
59	9/13/2022	B	18.00
60	12/14/2022	B	10.00
61	4/7/2023	B	9.00

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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.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	50	100%	18	36%

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