



# Groupon, Inc.

*Q3 miss but 2023 outlook maintained. Outlook remains hazy with turnaround and cost cuts. Lowering P/T to \$10.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GRPN

Price: \$7.25

Target: \$10.00  
(from \$18)

**Q3 miss:** Groupon recently (on November 7) reported its fiscal Q3 2022 (ending September) results. Revenue was \$144 million (-33% y-o-y), compared to our estimate of \$155 million and consensus of \$156 million. EBITDA was \$(9) million, compared with our estimate of \$1 million and \$35 million (y-o-y). Pro forma EPS was \$(0.68), compared to our estimate of \$(0.56) and consensus of \$(0.53). The company did not provide specific Q3 guidance, but did state that Q3 EBITDA will be lower than Q2's EBITDA of \$6 million.

**Q3 weak again:** Gross billings was \$434 million (-22% y-o-y), compared with our expectation of \$469 million and \$553 million in Q3 2021. Gross billings for Q2 was -24% and Q1 was -17% (y-o-y) so its weakness in 2022 has continued.

**Weak macro now 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 (and provide deals) as much in Q3. Without big deals, traffic and purchases from consumers continued to decline significantly.

**Cost cuts:** In August 2022, Groupon announced a new restructuring to cut costs by \$150 million per year. The company just reaffirmed those targets. The company also has a goal to identify an additional \$50 million of cost savings by the end of 2023.

**No 2022 guidance:** The company did not provide specific Q4 guidance. The company reiterated that it expects \$100 million in FCF in 2023.

**Lowering estimates:** We are lowering our 2022 estimates for revenue to \$613 million, from \$631 million, and for EPS to \$(2.09) from \$(1.54). We are lowering our 2023 estimates for revenue to \$644 million, from \$676 million, and for EPS to \$0.32 from \$0.64.

**Rebound leverage:** With a new CEO (December 2021) and CFO (October 2021, and now made permanent), more significant cost restructuring, new business initiatives, 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 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 \$10 from \$18, which reflects a P/E of ~10x our 2024 EPS estimate of \$1.00. 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

December 14, 2022

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$6.35 – 31.15
Shares Outstanding (million):	30
Market cap (\$million):	\$218
EV (\$million):	\$245
Debt (\$million):	\$335
Cash (\$million):	\$308
Avg. Daily Trading Vol. (\$million):	\$8
Float (million shares):	16
Short Interest (million shares):	5
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		152E	160E
Q2 Jun	153A		153E	161E
Q3 Sep	144A	155E	153E	161E
Q4 Dec	162E	170E	186E	194E
Total	613E	631E	644E	676E
EV/Revs	0.4x		0.4x	

### 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		(0.35)E	(0.33)E
Q2 Jun	(0.34)A		(0.21)E	(0.08)E
Q3 Sep	(0.68)A	(0.56)E	0.27E	0.41E
Q4 Dec	(0.27)E	0.15E	0.60E	0.62E
Total	(2.09)E	(1.54)E	\$0.32E	\$0.64E
P/E	N/A		23x	

### 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 November 7) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$144 million (-33% y-o-y), compared to our estimate of \$155 million and consensus of \$156 million.
- EBITDA was \$(9) million, compared with our estimate of \$1 million and \$35 million (y-o-y).
- Pro forma EPS was \$(0.68), compared to our estimate of \$(0.56) and consensus of \$(0.53).
- The company did not provide specific Q3 guidance, but did state that Q3 EBITDA will be lower than Q2's EBITDA of \$6 million.
- The company did not provide Q4 guidance.
- We are lowering our 2022 estimates for revenue to \$613 million, from \$631 million, and for EPS to \$(2.09) from \$(1.54).
- We are lowering our 2023 estimates for revenue to \$644 million, from \$676 million, and for EPS to \$0.32 from \$0.64.

## **ADDITIONAL DETAILS**

- Gross billings was \$434 million (-22% y-o-y), compared with our expectation of \$469 million and \$553 million in Q3 2021.
- Gross profit was \$126 million, compared with our expectation of \$132 million and \$181 million in Q3 2021.
- Gross margin was 87%, versus our expectation of 85% and 85% in Q3 2021.
- Operating expenses were \$162 million, compared with our expectation of \$170 million.
- Operating loss was \$36 million, versus our expectation of a loss of \$39 million.
- Pro forma net loss was \$21 million, versus our expectation of a loss of \$17 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.

The company's balance sheet is relatively steady with \$308 million in cash and \$335 million in debt (~\$1/share in net debt), compared with \$336 million in cash and \$284 million in debt in September.

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Exhibit 1: Groupon Q4 2022 & 2023 Outlook (as of 11/7/22)

## 4Q22 perspective

### Factors to Consider

- **Estimated October Local Billings (FXN) <sup>(1)</sup>:**
  - **North America:** ~52% of 2019 levels, or roughly 300 bps above 3Q levels
  - **International:** In-line with Q3 levels, or ~50% of 2019 levels on an FX neutral basis
  - **Consolidated:** ~51% of 2019 levels on an FX neutral basis
- **Marketing:** Expect to continue to invest in marketing overall if we see opportunities to drive attractive returns
- **SG&A:** Expect Q4 SG&A to be relatively in line with Q3
- **Consolidated Local Margins:** Expect to be relatively in-line with Q3
- **Cash Flow:** Expect to generate free cash flow in Q4

### Unlocking a Sustainable Financial Model

Expect improved financial results in Full Year 2023

### 2023 AND BEYOND

*Assumes Local Billings Are 60% of 2019 Billings for FY 2023*

**15-20%**

Sustainable Annual Adjusted  
EBITDA margins\*



**\$100M**

Annual Free Cash Flow\*

Creating a business model that can consistently  
generate free cash flow

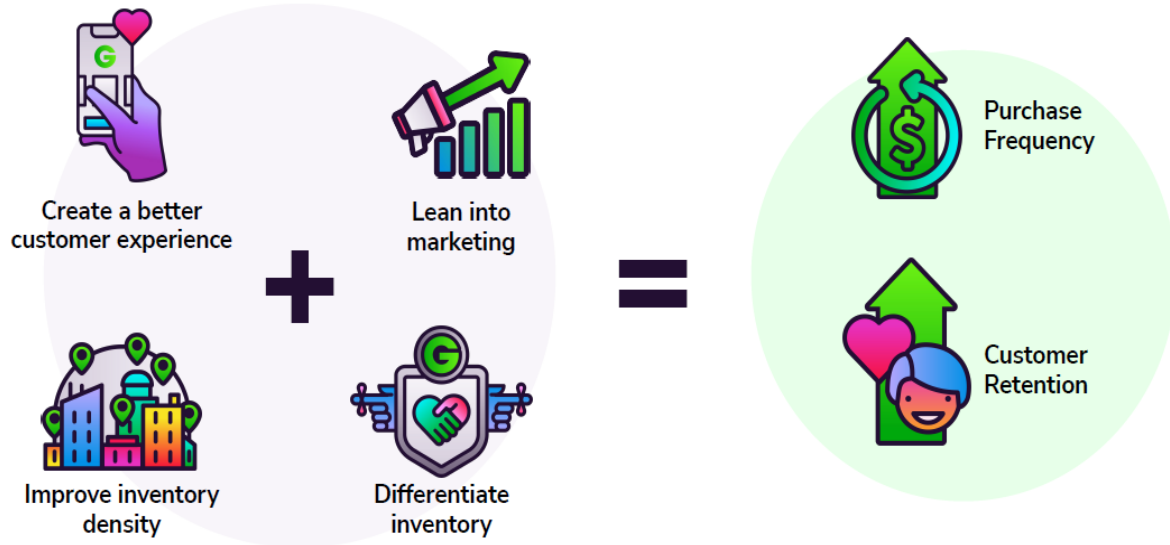
Source: Company reports.

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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 testing into marketing** to drive growth in Q3



**Launching initiatives to differentiate our inventory** - curated collections and Beauty platform



**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

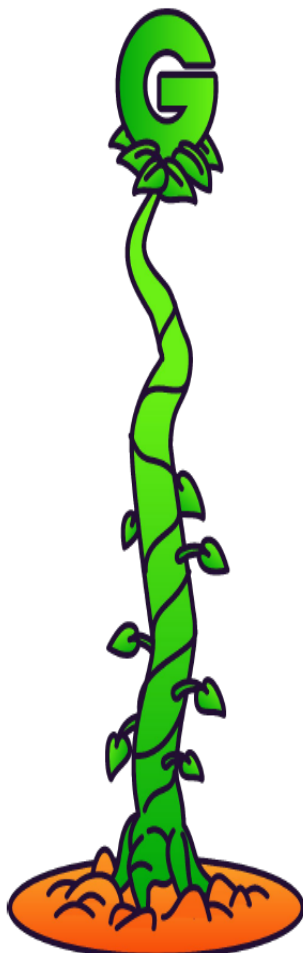
- Aggressively **right-sizing our tech org** to align with our current and future business needs, on both the payroll and non-payroll side
- Additional cost savings from combination of **process improvements and the right-sizing of our facilities footprint**
- **Reducing the size of our North America 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 Investment Summary

**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 \$1.6B+ in Local Billings in 2021
- Beloved brand: ~1.5B Groupons sold to date<sup>1</sup>

### Valuable, underutilized assets

- **Data**: Untapped data assets and feedback network in our current experience
- **Scale**: Nearly 15MM Active Local customers and nearly 100MM visitor sessions per month
- **Reach**: Scaled horizontal marketplace

### Executing turnaround strategy to unlock growth and profitability

- **Reducing our Cost Structure**: Taking \$150MM in costs out by end of 2023
- Goal to deliver \$100MM of free cash flow\* and 15-20% Adjusted EBITDA margin\* in full year 2023
- **Improving our Core Marketplace Experience**: Building inventory density, enhancing our customer experience and leveraging marketing to drive purchase frequency and customer retention

### Balance sheet & financial model to support growth

- \$308 million in cash exiting 3Q22
- 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 November 7, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$153A		Q1 Mar	\$(0.80)A	
Q2 Jun	\$153A		Q2 Jun	\$(0.34)A	
Q3 Sep	\$156E		Q3 Sep	\$(0.53)E	
Q4 Dec	\$180E		Q4 Dec	\$0.20E	
Total	\$643E	\$666E	Total	\$(1.44)E	\$0.93E

\*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	Q3A	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>153</b>	<b>153</b>	<b>144</b>	<b>162</b>	<b>613</b>	<b>152</b>	<b>153</b>	<b>153</b>	<b>186</b>	<b>644</b>
Cost of Revenues	173	258	144	164	740	97	72	33	28	230	19	19	19	24	81	23	23	23	28	97
Gross Profit	201	137	160	179	677	167	194	181	195	737	134	134	126	138	531	129	130	130	158	547
Marketing	60	25	31	38	155	34	44	53	58	189	39	29	38	40	147	38	34	34	39	144
Selling, general and administrative	207	144	124	128	603	127	138	119	126	511	126	124	119	121	491	123	124	109	115	471
Depreciation and amortization					0					0					0					0
Restructuring and other	132	40	21	4	197	7	14	12	8	42	0	47	5		52					0
Total operating expenses	399	209	176	170	954	168	196	185	192	742	166	200	162	162	690	161	157	142	154	615
<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>(32)</b>	<b>(67)</b>	<b>(36)</b>	<b>(24)</b>	<b>(159)</b>	<b>(32)</b>	<b>(27)</b>	<b>(12)</b>	<b>4</b>	<b>(68)</b>
Interest income (expense)		(2)		5	3		(3)			(3)				(4)	(4)	(4)	(4)	(4)	(4)	(17)
Other income (expense)	(22)	1	(1)	0	(21)	18	(0)	82	(6)	94	(5)	(22)	(24)	0	(52)	0	0	0	0	0
Income before income taxes	(220)	(73)	(17)	14	(295)	17	(5)	78	(4)	86	(38)	(89)	(61)	(28)	(215)	(36)	(32)	(16)	(0)	(85)
Income taxes	(6)	(1)	(0)	(0)	(8)	2	(2)	0	(33)	(32)	(3)	2	(4)	5	0	0	0	0	5	5
Net income (loss)	(214)	(72)	(16)	14	(288)	15	(3)	78	29	119	(35)	(91)	(56)	(33)	(216)	(36)	(32)	(16)	(5)	(90)
Preferred dividends/minority interest					0					0					0					0
Net income (loss) for shareholder	(214)	(72)	(16)	14	(288)	15	(3)	78	29	119	(35)	(91)	(56)	(33)	(216)	(36)	(32)	(16)	(5)	(90)
Nonrecurring/noncash adjustments	167	46	21	1	235	(7)	14	(66)	(23)	(82)	11	81	36	25	153	25	25	25	25	100
<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</b>	<b>37</b>	<b>(24)</b>	<b>(10)</b>	<b>(21)</b>	<b>(8)</b>	<b>(63)</b>	<b>(11)</b>	<b>(7)</b>	<b>9</b>	<b>20</b>	<b>10</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>(7)</b>	<b>6</b>	<b>(9)</b>	<b>16</b>	<b>6</b>	<b>8</b>	<b>13</b>	<b>28</b>	<b>44</b>	<b>92</b>
Shares, Basic	28	28	29	29	29	29	29	30	30	29	30	30	30	31	30	31	32	32	33	32
Shares, Diluted	28	28	29	30	29	30	34	33	33	33	30	30	30	31	30	31	32	32	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)	(\$0.68)	(\$0.27)	(\$2.09)	(\$0.35)	(\$0.21)	\$0.27	\$0.60	\$0.32
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)	(\$0.68)	(\$0.27)	(\$2.09)	(\$0.35)	(\$0.21)	\$0.27	\$0.60	\$0.32
<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%	87.4%	87.4%	87.1%	85.0%	86.7%	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%	26.2%	25.0%	24.0%	25.0%	22.0%	22.0%	21.0%	22.4%
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%	82.6%	75.0%	80.1%	81.0%	81.0%	71.0%	62.0%	73.1%
Operating margin	-53%	-18%	-5%	3%	-20%	0%	-1%	-2%	1%	0%	-21%	-43%	-25%	-15%	-26%	-21%	-18%	-8%	2%	-11%
Tax rate, GAAP	3%	1%	3%	-2%	3%	14%	35%	0%	892%	-37%	7%	-3%	7%	-18%	0%	0%	0%	0%	0%	-1086%
Net margin	-57%	-18%	-5%	4%	-20%	6%	-1%	36%	13%	12%	-23%	-60%	-39%	-21%	-35%	-24%	-21%	-11%	-3%	-14%
<b>YY % change</b>																				
Total Revenue	-35%	-26%	-39%	-44%	-36%	-29%	-33%	-30%	-35%	-32%	-42%	-42%	-33%	-28%	-37%	-1%	0%	6%	15%	5%
Gross margin	-34%	-53%	-42%	-42%	-43%	-17%	41%	13%	9%	9%	-20%	-31%	-31%	-29%	-28%	-4%	-3%	4%	15%	3%
Marketing	-36%	-72%	-58%	-54%	-54%	-44%	73%	69%	54%	22%	17%	-33%	-29%	-31%	-22%	-4%	14%	-11%	-3%	-2%
Selling, general and administrative	-2%	-32%	-37%	-32%	-25%	-39%	-4%	-4%	-1%	-15%	-1%	-10%	0%	-4%	-4%	-3%	0%	-9%	-5%	-4%
Operating income (loss)	-9114%	910%	-449%	-78%	-793%	-99%	-97%	-77%	-75%	-98%	2476%	3241%	883%	-1164%	3321%	-1%	-59%	-66%	-115%	-57%
Net income (loss)	403%	79%	-2%	-82%	1199%	-107%	-95%	-580%	110%	-141%	-339%	2597%	-172%	-214%	-282%	4%	-65%	-71%	-84%	-58%
EPS Diluted (Pro forma)	-380%	-495%	-43%	-65%	-174%	-115%	-135%	145%	-65%	-161%	-423%	-203%	-281%	-254%	-284%	-56%	-38%	-139%	-317%	-116%

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	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	\$667	\$785	\$779	\$851	\$677	\$565	\$477	\$499	\$403	\$316	\$308	\$323	\$317	\$292	\$267	\$348
Short term investments												0	0	0	0	0
Accounts receivable, net	45	55	45	43	45	37	34	37	52	45	43	36	34	34	34	41
Prepaid expenses and other current	67	52	52	40	41	45	50	53	54	50	53	59	23	23	23	28
Deferred income taxes												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>509</b>	<b>411</b>	<b>403</b>	<b>418</b>	<b>374</b>	<b>349</b>	<b>324</b>	<b>417</b>
Property and equipment, net	103	90	88	85	83	81	78	74	71	64	61	56	51	46	41	36
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	19	19	19	19	19	19
Deferred income taxes								63	63	61	60	60	60	60	60	60
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	47	47	47	47	47	47
<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>1,069</b>	<b>916</b>	<b>889</b>	<b>899</b>	<b>849</b>	<b>819</b>	<b>790</b>	<b>878</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	26	45	42	33	39	40	37	22	29	28	35	16	15	15	15	19
Accrued merchant payable	311	395	382	411	329	290	230	270	232	208	179	222	223	224	210	255
Accrued expenses	242	247	257	295	299	283	242	239	218	198	198	222	209	209	210	256
Deferred income tax												0	0	0	0	0
Other												0	0	0	0	0
Due related parties												0	0	0	0	0
Short term debt	150	200	200	200	100	100	100	100	100	60	110	110	110	110	110	110
<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>579</b>	<b>494</b>	<b>522</b>	<b>570</b>	<b>557</b>	<b>559</b>	<b>546</b>	<b>639</b>
Deferred income taxes												0	0	0	0	0
Other long term liabilities	143	143	144	135	128	117	107	93	81	76	45	45	45	45	45	45
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	225	225	225	225	225	225
<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>305</b>	<b>301</b>	<b>270</b>	<b>270</b>	<b>270</b>	<b>270</b>	<b>270</b>	<b>270</b>
Preferred stock												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	2,317	2,317	2,317	2,317	2,317	2,317
Retained earnings	(1,246)	(1,319)	(1,335)	(1,321)	(1,258)	(1,262)	(1,184)	(1,157)	(1,192)	(1,283)	(1,339)	(1,373)	(1,409)	(1,440)	(1,457)	(1,462)
Accumulated other comprehensive (loss)	37	29	18	3	(14)	(18)	(11)	(5)	(1)	19	42	42	42	42	42	42
Unearned compensation												0	0	0	0	0
Other												(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>185</b>	<b>122</b>	<b>97</b>	<b>58</b>	<b>22</b>	<b>(10)</b>	<b>(26)</b>	<b>(31)</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>\$1,069</b>	<b>\$916</b>	<b>\$889</b>	<b>\$899</b>	<b>\$849</b>	<b>\$819</b>	<b>\$790</b>	<b>\$878</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	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	18%	13%	17%	12%	16%	17%	24%	24%	35%	33%	36%	36%	15%	15%	15%	15%
Accounts payable as % of total rev	7%	11%	14%	10%	15%	15%	17%	10%	19%	18%	24%	10%	10%	10%	10%	10%
Accrued merchant payable as % of gross	39%	68%	64%	65%	59%	48%	42%	43%	50%	45%	41%	41%	41%	41%	41%	41%
Accrued expenses as % of total rev	65%	62%	85%	86%	113%	106%	113%	107%	142%	129%	137%	137%	137%	137%	137%	137%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	11	12	13	11	15	13	14	15	31	26	27	20	20	20	20	20
A/P Days Payable	14	16	26	18	36	50	101	70	136	131	170	60	60	60	60	60
Merchant Days Payable	35	61	58	58	53	43	37	39	45	41	37	37	37	37	37	37
<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	\$6.19	\$4.06	\$3.19	\$1.89	\$0.71	-\$0.30	-\$0.80	-\$0.96
Cash per Share (diluted)	\$23.51	\$27.54	\$26.46	\$28.67	\$22.36	\$16.84	\$14.29	\$14.94	\$13.50	\$10.51	\$10.16	\$10.48	\$10.13	\$9.18	\$8.27	\$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	-\$0.88	-\$0.38	-\$0.56	-\$1.34	-\$2.09	\$0.41

Source: Company reports and Ascendant Capital Markets estimates

**Groupon, Inc.**

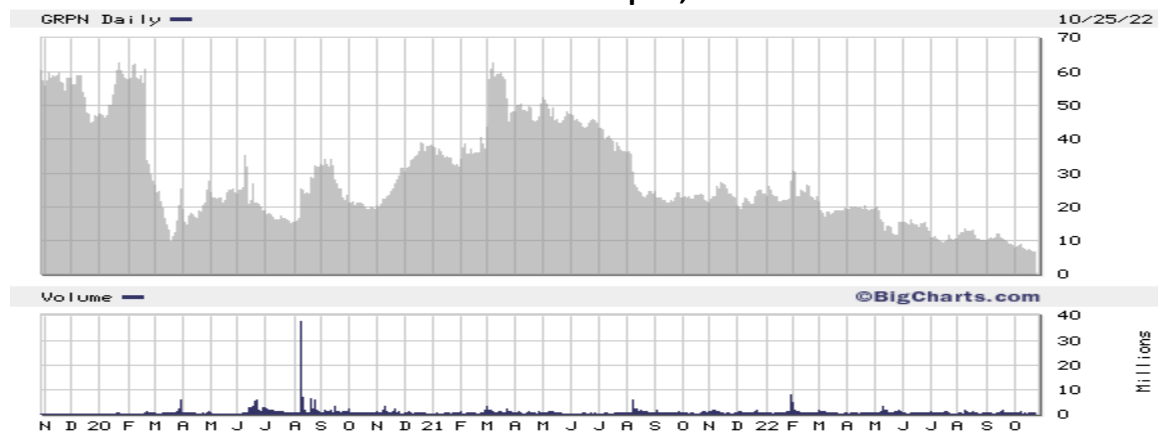
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Cash flow from operating activities</b>																				
Net income	(210)	(73)	(17)	14	(286)	14	(3)	79	30	120	(34)	(90)	(56)	(33)	(214)	(36)	(32)	(16)	(5)	(90)
Depreciation	23	22	16	17	78	15	17	15	17	64	15	14	13	20	62	20	20	20	20	80
Amortization	3	2	2	2	10	2	2	2	2	9	2	2	2	0	6	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
Stock comp	14	9	8	8	39	7	10	8	8	33	8	9	8	20	44	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)	(20)	(80)
Impairments	139	14		4	157			8		8		45	2		47					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			14		14					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	1	7	(3)	2	(0)	(0)	(7)	(5)
Prepaid expenses & other curre	13	15	0	13	42	3	3	(2)	(2)	3	3	7	(5)	(6)	(1)	36	(0)	(0)	(5)	31
Accounts payable	6	19	(4)	(9)	11	6	1	(3)	(14)	(10)	7	(1)	7	(19)	(6)	(1)	0	0	3	2
Accrued merchant	(223)	80	(20)	21	(143)	(77)	(41)	(58)	41	(134)	(36)	(19)	(26)	43	(37)	1	1	(14)	45	33
Accounts expenses	(12)	5	10	34	36	10	(17)	(37)	(1)	(45)	(26)	(18)	(4)	24	(24)	(14)	1	1	45	33
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
<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>(78)</b>	<b>(30)</b>	<b>(43)</b>	<b>35</b>	<b>(117)</b>	<b>9</b>	<b>(10)</b>	<b>(10)</b>	<b>96</b>	<b>85</b>
<b>Cash flow from investing activities</b>																				
Purchases of property and equip	(11)	(14)	(12)	(12)	(49)	(12)	(12)	(13)	(12)	(50)	(13)	(9)	(8)	(15)	(45)	(15)	(15)	(15)	(15)	(60)
Purchases of short-term investm	32				32	4	3	0	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)	(1)		(2)					0
Other					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>(14)</b>	<b>(10)</b>	<b>(9)</b>	<b>(15)</b>	<b>(48)</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				50	0	0	0	0	0	0
Repayment of debt	(3)	(3)	(3)	(1)	(9)		(253)	(1)	(0)	(254)	(0)	(41)	(0)		(42)					0
Issuance of stock					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)	(1)		(6)					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
<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>(3)</b>	<b>(43)</b>	<b>49</b>	<b>0</b>	<b>3</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	(1)	(4)	(5)		(9)					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>(87)</b>	<b>(8.1)</b>	<b>20</b>	<b>(171)</b>	<b>(6)</b>	<b>(25)</b>	<b>(25)</b>	<b>81</b>	<b>25</b>
Beginning cash and equivalents	747	663	780	774	747	846	842	560	472	846	494	398	311	303	494	323	317	292	267	323
Ending cash and equivalents	663	780	774	846	846	842	560	472	494	494	398	311	303	323	323	317	292	267	348	348

Source: Company reports and Ascendant Capital Markets estimates

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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 Date		Price
Report	Date	Rating	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

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**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 October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

#### Other Important Disclosures

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