

# Groupon, Inc.

*Q3 about inline, but tempered 2024 outlook. Outlook remains hazy with turnaround and cost cuts. Lowering P/T to \$14.50.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GRPN

Price: \$12.84

Target: \$14.50  
(from \$15.00)

**Q3 about inline:** Groupon recently (on November 9) reported its fiscal Q3 2023 (ending September) results. Revenue was \$126 million (-12% y-o-y), compared to our estimates of \$126 million and consensus of \$127 million. EBITDA was \$18 million, compared with our estimate of \$14 million and \$(9) million (y-o-y). Pro forma EPS was \$(0.12), compared to our estimate of \$(0.15) and consensus of \$0.11. There was no specific Q3 guidance.

**Q3 revenue weak again but cost cuts helps:** Gross billings was \$419 million (-3% y-o-y), compared with our expectation of \$420 million and \$434 million in Q3 2022. North America revenue was \$95 million (-12% y-o-y) while International was \$32 million (-14% y-o-y) primarily driven by a decline in engagement on its platform that resulted in fewer unit sales and lower gross billings. Better than expected cost cuts in Q3 drove a much improved EBITDA.

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

**More cost cuts:** In August 2022, Groupon announced a new restructuring to cut costs by \$150 million per year. The company in March 2023 increased its cost cuts with an additional \$250 million in savings goal.

**Q4 guidance:** The company provided initial Q4 guidance for revenue of \$128 – 138 million and EBITDA of \$18 – 25 million.

**Tempered 2024 outlook:** The company provided initial 2024 guidance for revenue of -5% to 0% growth from 2023, and EBITDA of \$80 – 100 million.

**Adjusting estimates:** We are adjusting our 2023 estimates for revenue to \$509 million, from \$508 million, and for EPS to \$(0.92) from \$(0.95). We are adjusting our 2024 estimates for revenue to \$492 million, from \$523 million, and for EPS to \$0.35 from \$0.26.

**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.

**Major transformation:** With the 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.

**Rights offering:** In November, the company announced a subscription rights offering (to existing shareholders) to raise \$80 million (at \$11.30 per share), expected to close in January 2024.

**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 \$14.50 from \$15.00, which reflects a P/E of 14.5x our 2025 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 29, 2023

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$2.89 – 16.25
Shares Outstanding (million):	32
Market cap (\$million):	\$411
EV (\$million):	\$598
Debt (\$million):	\$273
Cash (\$million):	\$86
Avg. Daily Trading Vol. (\$million):	\$17
Float (million shares):	17
Short Interest (million shares):	5
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		127E	121E
Q2 Jun	129A		114E	128E
Q3 Sep	126A	126E	122E	131E
Q4 Dec	<u>132E</u>		<u>129E</u>	<u>143E</u>
Total	<b>509E</b>	<b>508E</b>	<b>492E</b>	<b>523E</b>
EV/Revs	1.2x		1.2x	

### 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		(0.19)E	(0.15)E
Q2 Jun	(0.10)A		(0.11)E	(0.20)E
Q3 Sep	(0.12)A	(0.15)E	0.19E	0.16E
Q4 Dec	<u>(0.06)E</u>	<u>(0.06)E</u>	<u>0.45E</u>	
Total	<b>(0.92)E</b>	<b>(0.95)E</b>	<b>0.35E</b>	<b>0.26E</b>
P/E	N/A		37x	

### 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 12.**

## OVERVIEW

- Groupon recently (on November 9) reported its fiscal Q3 2023 (ending September) results.
- Revenue was \$126 million (-12% y-o-y), compared to our estimates of \$126 million and consensus of \$127 million.
- EBITDA was \$18 million, compared with our estimate of \$14 million and \$(9) million (y-o-y).
- Pro forma EPS was \$(0.12), compared to our estimate of \$(0.15) and consensus of \$0.11.
- The company did not provide specific Q3 guidance, but did state that Q3 revenues will have slight sequential improvements in the rate of year-over-year declines.
- The company provided initial Q4 guidance for revenue of \$128 – 138 million and EBITDA of \$18 – 25 million.
- The company provided initial 2024 guidance for revenue of -5% to 0% growth from 2023, and EBITDA of \$80 – 100 million.
- We are adjusting our 2023 estimates for revenue to \$509 million, from \$508 million, and for EPS to \$(0.92) from \$(0.95).
- We are adjusting our 2024 estimates for revenue to \$492 million, from \$523 million, and for EPS to \$0.35 from \$0.26.

## ADDITIONAL DETAILS

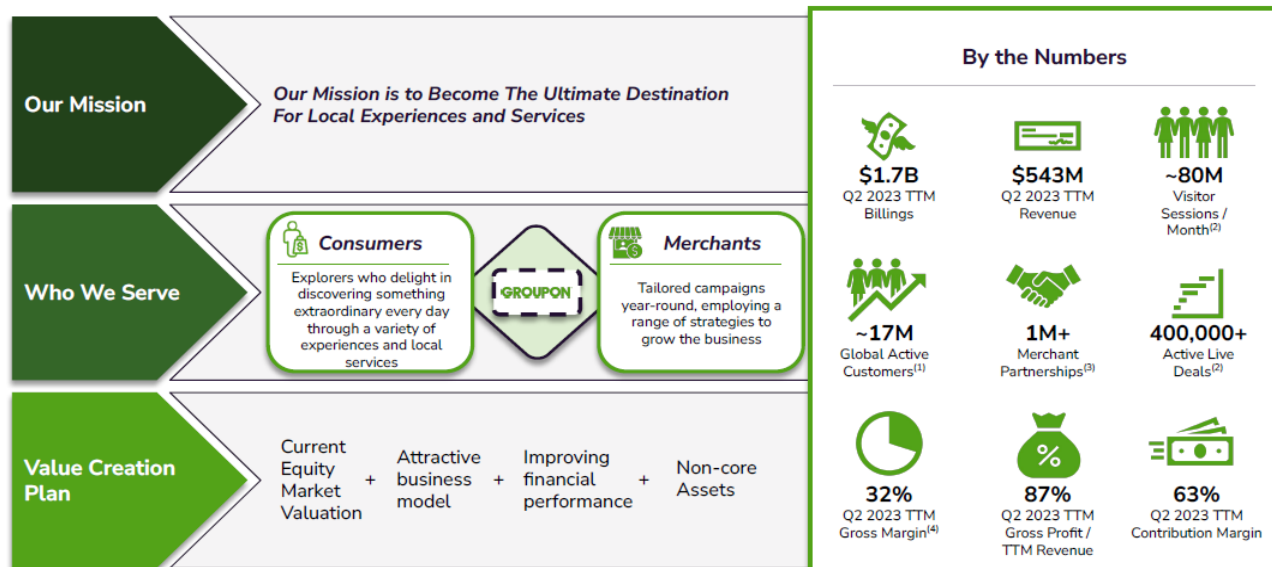
- Gross billings was \$419 million (-3% y-o-y), compared with our expectation of \$420 million and \$434 million in Q3 2022.
- Gross profit was \$111 million, compared with our expectation of \$107 million and \$126 million in Q3 2022.
- Gross margin was 88%, versus our expectation of 85% and 87% in Q3 2022.
- Operating expenses were \$111 million, compared with our expectation of \$133 million.
- Operating income was ~\$0 million, versus our expectation of a loss of \$26 million.
- Pro forma net loss was \$4 million, versus our expectation of a loss 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 (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 \$86 million in cash and \$273 million in debt (~\$6/share in net debt), compared with \$118 million in cash and \$272 million in debt in June.

In the current Q4, the company sold \$19 million of its partial stake in SumUp. In November, the company announced a subscription rights offering (to existing shareholders) to raise \$80 million (at \$11.30 per share), expected to close in January 2024.

**Exhibit 1: Groupon Investment Summary (as of August 2023)**

**Groupon Snapshot**



Source: Company reports.

**Exhibit 2: Q4 2023 and 2024 Outlook (as of November 9, 2023)**

**Guidance**

As of November 9th, 2023	4Q23 Guidance		Preliminary 2024 Outlook
	Low-end	High-end	
Revenue	\$127.5M (-14% year-over-year)	\$137.5M (-7% year-over-year)	-5% to 0% year-over-year
Adjusted EBITDA*	\$18M	\$25M	\$80M to 100M
Free Cash Flow*	Positive	Positive	Positive for full year (negative 1Q24)

Source: Company reports.

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### Exhibit 3: 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.

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## Exhibit 4: Groupon Long-Term Growth Plan (as of August 2023)

### Rebuild Organization Structure, Business Processes, and Management Systems

<p><b>Reorganization</b></p> <ul style="list-style-type: none"> <li>• Break down silos and connect business processes across functions</li> <li>• Re-alignment of teams</li> </ul>	<p><b>Improve Our Management System</b></p> <ul style="list-style-type: none"> <li>• Modern project management tools</li> <li>• Launching new projects under Squads framework</li> </ul>	<p><b>Implement a Performance-Based Culture</b></p> <ul style="list-style-type: none"> <li>• New leadership habits</li> <li>• Revised compensation system</li> <li>• Establish metrics and KPIs for every team</li> </ul>
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### Raise Groupon's Product Experience to Modern Marketplace Standards

<p><b>CONSUMER</b></p> <ul style="list-style-type: none"> <li>✓ Consumer web UX improvements</li> <li>✓ Purple prices &gt; personalized promotions initiative</li> <li>✓ Gamification</li> <li>✓ Gifting proposition</li> </ul> <p><b>Improve Conversion And Redemption Rates</b></p>	<p><b>MERCHANT</b></p> <ul style="list-style-type: none"> <li>✓ AI driven deal creation</li> <li>✓ Improve convenience for merchants &gt; easy redemption process via API</li> </ul> <p><b>Improve merchant NPS, time to onboard merchant/launch deal, and lower cost to serve</b></p>	<p><b>INTERNAL TOOLS</b></p> <ul style="list-style-type: none"> <li>✓ Deal Creation tool to unify work across departments</li> <li>✓ MVP launched for Content Ops and Local Sales</li> <li>✓ Simplification of legacy tools</li> </ul> <p><b>Reduce internal tool complexity</b></p>
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### Fix the Supply-Side of Marketplace

<p><b>Top Supply Acquisition and Retention</b></p> <ul style="list-style-type: none"> <li>• Merchant value proposition</li> <li>• Deal structure and ranking</li> <li>• Increasing Geo Focus</li> <li>• Bespoke account management</li> </ul> <p><i>Top 5 Geos in North America outperformed rest of North America by <b>double digits</b></i></p>	<p><b>Improve Sales force Efficiency</b></p> <ul style="list-style-type: none"> <li>• Globalization and standardization</li> <li>• Lead allocation</li> <li>• Performance management</li> <li>• Sales incentives</li> </ul> <p><i>Performance per sales rep grew <b>double digits</b> YoY from Q2 22 to Q2 23</i></p>	<p><b>Evaluating Higher Investments Into Our Sales Network</b></p> <ul style="list-style-type: none"> <li>• Building efficient foundation</li> <li>• Sales compensation structures</li> <li>• Talent acquisition</li> </ul> <p><i>As long as ROI meets our <b>internal hurdle rate</b>, ready to increase spending on sales force</i></p>
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Source: Company reports.

**Exhibit 5: Q3 2023 Key Takeaways**

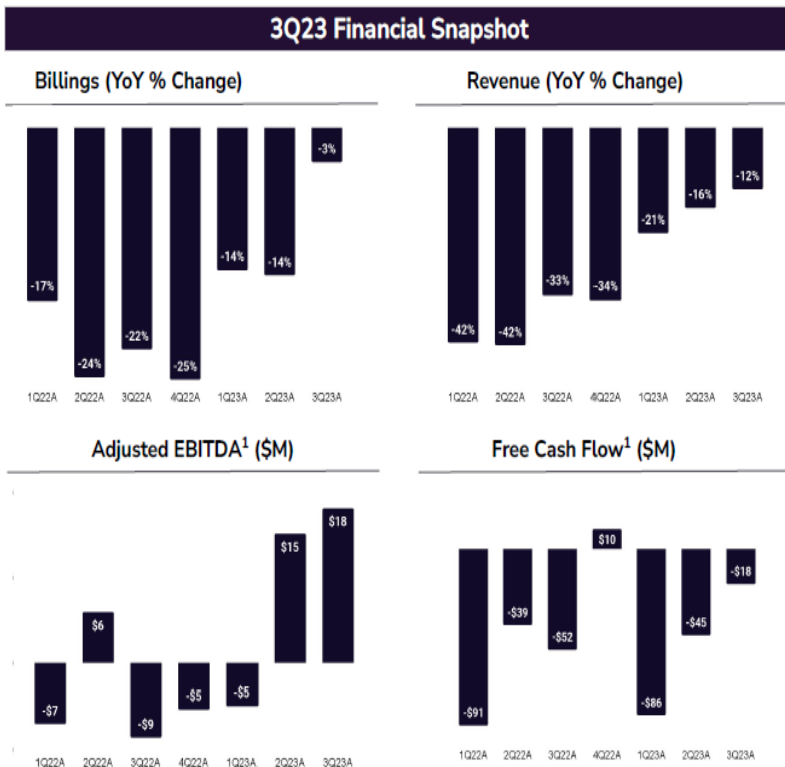
**Third Quarter Key Takeaways**

*3Q23 Financial Metrics*

- Global Billings -3% vs last year
  - Local Billings +2%
  - North America Local Billings +5%
- Revenues -12% vs last year
  - 333 bps improvement in the rate of decline vs 2Q23
- 2nd consecutive quarter of positive Adjusted EBITDA
- Free Cash outflow improved from \$45M in 2Q23 to \$18M in 3Q23

*Other Key Business Update*

- Announced plan to raise approximately \$100M in liquidity between \$80M fully backstopped equity rights offering and \$19M non-core asset sales



Source: Company reports.

## Exhibit 6: Groupon Transformation Plan Update (as of November 2023)

### Update on Transformation Plan

<p><b>Strengthening our Financial Position</b></p>	<p>Create an Efficient Cost Structure</p>	<ul style="list-style-type: none"> <li>• Annualized SG&amp;A reduced from \$477M in 3Q22 to \$320M in 3Q23 (\$150M+ annualized savings)</li> <li>• Announced \$80M fully-backstopped equity rights offering</li> <li>• Announced \$19M in non-core asset sales</li> </ul>
<p><b>Rebuilding our Organization</b></p>	<p>Assemble a High-Performance Team</p>	<ul style="list-style-type: none"> <li>• Leadership team aligned and motivated</li> <li>• Restructured talent acquisition process</li> <li>• Shifting focus to basic infrastructure projects</li> </ul>
<p><b>Revitalizing our Marketplace</b></p>	<p>Fine Tune Marketing Engine</p>	<ul style="list-style-type: none"> <li>• Readiness for 4th quarter holiday season</li> <li>• Launch of New Consumer App pushed to 1Q24</li> <li>• Introducing new Gifting Proposition</li> <li>• Continued shift in spend from promotions to lower-funnel performance marketing</li> <li>• Successful increase in performance marketing spend</li> </ul>
	<p>Revamp Product Experience</p>	
	<p>Fix the Supply Side of Marketplace</p>	
	<p>Leverage Goods/Travel to Support Local</p>	

### Readiness for 4th Quarter Holiday Season

- Bringing right inventory > re-activating merchants which were part of past success
- Errors and bug handling > fixing reliability issues on legacy platforms
- Checkout process improvements > feature parity (payment methods) for all countries, smoothening fraud processes and fixing key bottlenecks
- Focus on Search & Relevance > building impressions distribution capability

Source: Company reports.

**Exhibit 7: Groupon Stock Price (5 years)**



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

**Exhibit 8: Consensus Expectations (as of November 9, 2023)**

	Revenue (mils)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$122A		Q1 Mar	\$(0.65)A	
Q2 Jun	\$129A		Q2 Jun	\$(0.10)A	
Q3 Sep	\$127E		Q3 Sep	\$0.11E	
Q4 Dec	\$138E		Q4 Dec	\$0.28E	
<b>Total</b>	<b>\$511E</b>	<b>\$524E</b>	<b>Total</b>	<b>\$(0.48)E</b>	<b>\$0.78E</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-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	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	264	266	214	223	967	153	153	144	148	599	122	129	126	132	509	127	114	122	129	492
Cost of Revenues	97	72	33	28	230	19	19	19	19	76	17	16	16	20	69	19	17	18	19	74
Gross Profit	167	194	181	195	737	134	134	126	129	523	105	113	111	112	440	108	97	104	110	418
Marketing	34	44	53	58	189	39	29	38	43	149	25	22	29	37	113	34	31	32	32	130
Selling, general and administ	127	138	119	126	511	126	124	119	112	481	102	96	80	94	371	101	92	87	79	358
Depreciation and amortization					0					0					0					0
Restructuring and other	7	14	12	8	42	0	47	5	8	60	9	(1)	2	10						0
Total operating expenses	168	196	185	192	742	166	200	162	162	691	135	118	111	130	495	136	122	119	111	488
<b>Operating income (loss)</b>	(1)	(2)	(4)	2	(5)	(32)	(67)	(36)	(33)	(168)	(31)	(5)	(0)	(18)	(54)	(28)	(25)	(15)	(1)	(70)
Interest income (expense)		(3)			(3)					0				(3)	(3)	(3)	(3)	(3)	(3)	(14)
Other income (expense)	18	(0)	82	(6)	94	(5)	(22)	(24)	25	(27)	3	(5)	(40)	0	(43)	0	0	0	0	0
Income before income taxes	17	(5)	78	(4)	86	(38)	(89)	(61)	(8)	(195)	(28)	(10)	(41)	(22)	(101)	(31)	(29)	(19)	(5)	(83)
Income taxes	2	(2)	0	(33)	(32)	(3)	2	(4)	47	42	1	2	1	5	9	0	0	0	0	5
Net income (loss)	15	(3)	78	29	119	(35)	(91)	(56)	(55)	(238)	(29)	(13)	(41)	(27)	(110)	(31)	(29)	(19)	(10)	(88)
Preferred dividends/minority interest					0					0					0					0
Net income (loss) for shareholder	15	(3)	78	29	119	(35)	(91)	(56)	(55)	(238)	(29)	(13)	(41)	(27)	(110)	(31)	(29)	(19)	(10)	(88)
Nonrecurring/noncash adjustme	(7)	14	(66)	(23)	(82)	11	81	36	44	171	9	10	37	25	81	25	25	25	25	100
<b>Net income (pro forma)</b>	8	11	13	6	37	(24)	(10)	(21)	(12)	(66)	(20)	(3)	(4)	(2)	(29)	(6)	(4)	6	15	12
<b>EBITDA</b>	30	41	35	37	143	(7)	6	(9)	(5)	(15)	(5)	15	18	22	50	12	15	25	39	90
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)	(\$0.10)	(\$0.12)	(\$0.06)	(\$0.92)	(\$0.19)	(\$0.11)	\$0.19	\$0.45	\$0.35
<b>EPS Diluted (Pro forma)</b>	<b>\$0.25</b>	<b>\$0.33</b>	<b>\$0.38</b>	<b>\$0.18</b>	<b>\$1.13</b>	<b>(\$0.80)</b>	<b>(\$0.34)</b>	<b>(\$0.68)</b>	<b>(\$0.38)</b>	<b>(\$2.20)</b>	<b>(\$0.65)</b>	<b>(\$0.10)</b>	<b>(\$0.12)</b>	<b>(\$0.06)</b>	<b>(\$0.92)</b>	<b>(\$0.19)</b>	<b>(\$0.11)</b>	<b>\$0.19</b>	<b>\$0.45</b>	<b>\$0.35</b>
<b>Margins</b>																				
Gross margin	63.3%	72.9%	84.7%	87.3%	76.2%	87.4%	87.4%	87.1%	87.2%	87.3%	87.4%	86.6%	87.5%	85.0%	86.5%	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%	17.2%	22.8%	28.0%	22.2%	27.0%	27.0%	26.5%	25.0%	26.4%
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%	74.6%	63.3%	71.0%	73.0%	80.0%	80.0%	71.0%	61.0%	72.8%
Operating margin	0%	-1%	-2%	1%	0%	-21%	-43%	-25%	-22%	-28%	-25%	-4%	0%	-14%	-11%	-22%	-22%	-13%	-1%	-14%
Tax rate, GAAP	14%	35%	0%	892%	-37%	7%	-3%	7%	-567%	-22%	-4%	-23%	-2%	-23%	-9%	0%	0%	0%	0%	-106%
Net margin	6%	-1%	36%	13%	12%	-23%	-60%	-39%	-37%	-40%	-24%	-10%	-33%	-20%	-22%	-25%	-25%	-15%	-8%	-18%
<b>YY % change</b>																				
Total Revenue	-29%	-33%	-30%	-35%	-32%	-42%	-42%	-33%	-34%	-38%	-21%	-16%	-12%	-11%	-15%	4%	-11%	-4%	-2%	-3%
Gross margin	-17%	41%	13%	9%	9%	-20%	-31%	-31%	-34%	-29%	-22%	-16%	-12%	-13%	-16%	3%	-14%	-6%	-2%	-5%
Marketing	-44%	73%	69%	54%	22%	17%	-33%	-29%	-27%	-21%	-37%	-24%	-24%	-13%	-24%	38%	39%	12%	-12%	15%
Selling, general and administ	-39%	-4%	-4%	-1%	-15%	-1%	-10%	0%	-12%	-6%	-20%	-22%	-33%	-16%	-23%	0%	-5%	8%	-16%	-4%
Operating income (loss)	-99%	-97%	-77%	-75%	-98%	2476%	3241%	883%	-1539%	3505%	-5%	-93%	-99%	-44%	-68%	-9%	416%	3182%	-93%	28%
Net income (loss)	-107%	-95%	-580%	110%	-141%	-339%	2597%	-172%	-288%	-300%	-16%	-86%	-26%	-51%	-54%	7%	127%	-55%	-64%	-20%
EPS Diluted (Pro forma)	-115%	-135%	145%	-65%	-161%	-423%	-203%	-281%	-315%	-294%	-19%	-70%	-82%	-85%	-58%	-70%	9%	-255%	-879%	-139%

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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	\$677	\$565	\$477	\$499	\$403	\$316	\$308	\$281	\$164	\$118	\$86	\$98	\$105	\$58	\$47	\$56
Short term investments												0	0	0	0	0
Accounts receivable, net	45	37	34	37	52	45	43	45	37	35	35	29	28	25	27	29
Prepaid expenses and other current	41	45	50	53	54	50	53	41	41	39	48	50	19	17	18	19
<u>Deferred income taxes</u>												0	0	0	0	0
<b>Total current assets</b>	<b>763</b>	<b>647</b>	<b>562</b>	<b>588</b>	<b>509</b>	<b>411</b>	<b>403</b>	<b>367</b>	<b>242</b>	<b>192</b>	<b>169</b>	<b>178</b>	<b>153</b>	<b>100</b>	<b>92</b>	<b>104</b>
Property and equipment, net	83	81	78	74	71	64	61	57	49	43	37	32	27	22	17	12
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	15	13	13	13	13	13	13
Deferred income taxes												13	13	13	13	13
Equity investment	36	36	123	120	120	120	120	120	120	120	94	94	94	94	94	94
<u>Other</u>	<u>274</u>	<u>99</u>	<u>83</u>	<u>73</u>	<u>69</u>	<u>62</u>	<u>47</u>	<u>40</u>	<u>31</u>	<u>25</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
<b>Total assets</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>793</b>	<b>651</b>	<b>587</b>	<b>524</b>	<b>527</b>	<b>497</b>	<b>440</b>	<b>427</b>	<b>434</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	39	40	37	22	29	28	35	60	28	20	10	13	13	11	12	13
Accrued merchant payable	329	290	230	270	232	208	179	225	197	178	172	181	186	168	167	177
Accrued expenses	299	283	242	239	218	198	198	171	154	119	98	102	98	89	94	100
Deferred income tax												0	0	0	0	0
Other												0	0	0	0	0
Due related parties												0	0	0	0	0
<u>Short term debt</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>60</u>	<u>110</u>	<u>75</u>	<u>48</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>
<b>Total current liabilities</b>	<b>767</b>	<b>713</b>	<b>608</b>	<b>631</b>	<b>579</b>	<b>494</b>	<b>522</b>	<b>531</b>	<b>426</b>	<b>364</b>	<b>327</b>	<b>342</b>	<b>344</b>	<b>315</b>	<b>320</b>	<b>337</b>
Deferred income taxes												0	0	0	0	0
Other long term liabilities	128	117	107	93	81	76	45	28	24	22	20	20	20	20	20	20
Minority interest	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Long term debt</u>	<u>442</u>	<u>223</u>	<u>223</u>	<u>223</u>	<u>224</u>	<u>224</u>	<u>225</u>	<u>225</u>	<u>225</u>	<u>226</u>	<u>226</u>	<u>226</u>	<u>226</u>	<u>226</u>	<u>226</u>	<u>226</u>
<b>Total other liabilities</b>	<b>569</b>	<b>340</b>	<b>330</b>	<b>317</b>	<b>305</b>	<b>301</b>	<b>270</b>	<b>253</b>	<b>250</b>	<b>248</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>246</b>
Preferred stock												573	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	2,331	2,337	2,337	2,337	2,337	2,337	2,337
Retained earnings	(1,258)	(1,262)	(1,184)	(1,157)	(1,192)	(1,283)	(1,339)	(1,394)	(1,424)	(1,436)	(1,478)	(1,504)	(1,536)	(1,564)	(1,583)	(1,593)
Accumulated other comprehensive (k)	(14)	(18)	(11)	(5)	(1)	19	42	3	(3)	3	14	14	14	14	14	14
Unearned compensation												0	0	0	0	0
<u>Other</u>												15	15	15	15	15
<b>Total stockholders' equity</b>	<b>66</b>	<b>56</b>	<b>149</b>	<b>210</b>	<b>185</b>	<b>122</b>	<b>97</b>	<b>8</b>	<b>(25)</b>	<b>(25)</b>	<b>(49)</b>	<b>(61)</b>	<b>(92)</b>	<b>(121)</b>	<b>(140)</b>	<b>(149)</b>
<b>Total stockholders' equity and liabil</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>\$793</b>	<b>\$651</b>	<b>\$587</b>	<b>\$524</b>	<b>\$527</b>	<b>\$497</b>	<b>\$440</b>	<b>\$427</b>	<b>\$434</b>

**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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	16%	17%	24%	24%	35%	33%	36%	28%	33%	30%	38%	38%	15%	15%	15%	15%
Accounts payable as % of total rev	15%	15%	17%	10%	19%	18%	24%	40%	23%	16%	8%	10%	10%	10%	10%	10%
Accrued merchant payable as % of gross	59%	48%	42%	43%	50%	45%	41%	48%	50%	45%	41%	41%	41%	41%	41%	41%
Accrued expenses as % of total rev	113%	106%	113%	107%	142%	129%	137%	116%	126%	92%	77%	77%	77%	77%	77%	77%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	15	13	14	15	31	26	27	27	28	25	25	20	20	20	20	20
A/P Days Payable	36	50	101	70	136	131	170	282	147	112	60	60	60	60	60	60
Merchant Days Payable	53	43	37	39	45	41	37	43	45	41	37	37	37	37	37	37
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$2.17	\$1.66	\$4.47	\$6.29	\$6.19	\$4.06	\$3.19	\$0.28	-\$0.81	-\$0.81	-\$1.57	-\$1.91	-\$2.84	-\$3.66	-\$4.17	-\$4.39
Cash per Share (diluted)	\$22.36	\$16.84	\$14.29	\$14.94	\$13.50	\$10.51	\$10.16	\$9.27	\$5.34	\$3.81	\$2.73	\$3.07	\$3.24	\$1.75	\$1.40	\$1.64
Net cash per Share (diluted)	\$4.45	\$7.23	\$4.61	\$5.25	\$2.65	\$1.05	-\$0.88	-\$0.61	-\$3.56	-\$4.97	-\$5.93	-\$5.46	-\$5.15	-\$6.52	-\$6.75	-\$6.38

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	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	14	(3)	79	30	120	(34)	(90)	(56)	(54)	(234)	(29)	(12)	(41)	(27)	(108)	(31)	(29)	(19)	(10)	(88)	
Depreciation	15	17	15	17	64	15	14	13	12	54	12	11	11	20	54	20	20	20	20	80	
Amortization	2	2	2	2	9	2	2	2	2	8	2	2	2	0	6	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	
Stock comp	7	10	8	8	33	8	9	8	6	30	2	8	4	20	34	20	20	20	20	80	
Amortization of financing	0	1	0	0	2				2	2				0	0					0	
Tax benefit of stock option exercises					0					0				(20)	(20)	(20)	(20)	(20)	(20)	(80)	
Impairments			8		8		45	2	3	51			(1)		(1)					0	
Other gains/losses		(0)	(91)	(0)	(91)				(29)	(29)	(4)	4	26		26					0	
Acquisition/restructuring expense	(32)				(32)					0					0					0	
Other			0	(0)	0			14	(6)	8		6	10		16					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	2	(0)	6	16	1	3	(2)	(2)	1	
Prepaid expenses & other curre	3	3	(2)	(2)	3	3	7	(5)	14	19	8	2	11	(2)	18	31	2	(1)	(1)	31	
Accounts payable	6	1	(3)	(14)	(10)	7	(1)	7	24	38	(32)	(7)	(10)	3	(46)	(1)	(1)	1	1	(0)	
Accrued merchant	(77)	(41)	(58)	41	(134)	(36)	(19)	(26)	41	(39)	(29)	(19)	(4)	8	(44)	5	(18)	(1)	10	(3)	
Accounts expenses	10	(17)	(37)	(1)	(45)	(26)	(18)	(4)	(31)	(79)	1	(31)	(14)	4	(41)	(4)	(9)	6	6	(2)	
Deferred revenue					0					0					0					0	
Income tax payable and other	7	(16)	1	(14)	(21)	(0)	14	0	(16)	(2)	(16)	(8)	(6)	0	(29)	0	0	0	0	0	
<b>Net cash (used in) provided by</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>16</b>	<b>(136)</b>	<b>(76)</b>	<b>(42)</b>	<b>(14)</b>	<b>12</b>	<b>(121)</b>	<b>22</b>	<b>(33)</b>	<b>4</b>	<b>24</b>	<b>18</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equip	(12)	(12)	(13)	(12)	(50)	(13)	(9)	(8)	(6)	(36)	(10)	(2)	(4)	(15)	(31)	(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)	(1)		(3)					0	
Other					0					0	1	0		0	1	0	0	0	0	0	
<b>Net cash used in investing activ</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>(6)</b>	<b>(39)</b>	<b>(9)</b>	<b>(2)</b>	<b>(5)</b>	<b>(15)</b>	<b>(32)</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	68	25	0		93					50					0	0	0	0	0	0	
Repayment of debt		(253)	(1)	(0)	(254)	(0)	(41)	(0)	(35)	(77)	(27)	(1)			(28)					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	(5)	(11)	(1)	(2)	(20)	(3)	(2)	(1)	(0)	(6)	(1)	(1)	2		(0)					0	
Other	(0)	(2)		(1)	(3)				(1)	(1)	(1)	(1)	(1)		(2)					0	
Dividends and distributions					0					0				0	0	0	0	0	0	0	
<b>Cash provided by (used in) fina</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>(37)</b>	<b>(34)</b>	<b>(29)</b>	<b>(3)</b>	<b>1</b>	<b>0</b>	<b>(31)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Effect of exchange rate on cash a	(7)	3	(1)	7	2	(1)	(4)	(5)	1	(9)	(0)	2	(2)		0					0	
<b>Net increase (decrease) in cash</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>(27)</b>	<b>(218)</b>	<b>(115)</b>	<b>(46)</b>	<b>(20)</b>	<b>(3)</b>	<b>(184)</b>	<b>7</b>	<b>(48)</b>	<b>(11)</b>	<b>9</b>	<b>(42)</b>	
Beginning cash and equivalents	846	842	560	472	846	499	404	316	308	499	282	167	121	101	282	98	105	58	47	98	
Ending cash and equivalents	842	560	472	494	499	404	316	308	282	282	167	121	101	98	98	105	58	47	56	56	

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 Date		Price
Report	Date	Rating	Target
43	2/19/2018	BUY	120.00
44	5/10/2018	BUY	130.00
45	8/8/2018	BUY	120.00
46	11/13/2018	BUY	100.00
47	2/18/2019	BUY	90.00
48	8/2/2019	BUY	85.00
49	12/22/2019	BUY	65.00
50	2/25/2020	BUY	35.00
51	6/20/2020	BUY	26.00
52	8/9/2020	BUY	31.00
53	12/7/2020	BUY	42.00
54	6/10/2021	BUY	70.00
55	8/9/2021	BUY	40.00
56	12/21/2021	BUY	35.00
57	3/23/2022	BUY	30.00
58	6/1/2022	BUY	20.00
59	9/13/2022	BUY	18.00
60	12/14/2022	BUY	10.00
61	4/7/2023	BUY	9.00
62	6/7/2023	BUY	8.50
63	9/15/2023	BUY	15.00

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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 Distribution of Investment Ratings (as of October 13, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	19	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	19	37%

### **Other Important Disclosures**

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

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