

# Groupon, Inc.

*Q2 upside and 2023 outlook improved. New CEO, but outlook remains hazy with turnaround and cost cuts. Raising P/T to \$15.00.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GRPN

Price: \$12.10

Target: \$15.00  
(from \$8.50)

**Q2 upside:** Groupon recently (on August 9) reported its fiscal Q2 2023 (ending June) results. Revenue was \$129 million (-16% y-o-y), compared to our estimates of \$121 million and consensus of \$123 million. EBITDA was \$15 million, compared with our estimate of \$7 million and \$6 million (y-o-y). Pro forma EPS was \$(0.10), compared to our estimate of \$(0.35) and consensus of \$(0.18). The company did not provide specific Q2 guidance, but did state that Q2 revenues will be ~\$121 million (~-21% y-o-y).

**Q2 revenue weak again but cost cuts helps:** Gross billings was \$393 million (-14% y-o-y), compared with our expectation of \$431 million and \$460 million in Q2 2022. North America revenue was \$96 million (-15% y-o-y) while International was \$33 million (-19% 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 Q2 drove a much improved EBITDA.

**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 in March 2023 increased its cost cuts with an additional \$250 million in savings goal.

**Weak 2023 outlook but improving:** 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 is no longer providing guidance due to the current turnaround state.

**Adjusting estimates:** We are adjusting our 2023 estimates for revenue to \$508 million, from \$514 million, and for EPS to \$(0.95) from \$(1.26). We are adjusting our 2024 estimates for revenue to \$523 million, from \$550 million, and for EPS to \$0.26 from \$0.02.

**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 (though shares have about doubled in the past 3 months), 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.

**Raising P/T:** We are maintaining our BUY rating, but raising our 12-month price target to \$15.00 from \$8.50, which reflects a P/E of 14x 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

September 15, 2023

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$2.89 – 13.78
Shares Outstanding (million):	31
Market cap (\$million):	\$375
EV (\$million):	\$529
Debt (\$million):	\$272
Cash (\$million):	\$118
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		121E	128E
Q2 Jun	129A	121E	128E	
Q3 Sep	126E	129E	131E	138E
Q4 Dec	<u>132E</u>	<u>143E</u>	<u>143E</u>	<u>156E</u>
<b>Total</b>	<b>508E</b>	<b>514E</b>	<b>523E</b>	<b>550E</b>
EV/Revs	1.0x		1.0x	

### 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		(0.15)E	(0.24)E
Q2 Jun	(0.10)A	(0.35)E	(0.20)E	(0.24)E
Q3 Sep	(0.15)E	(0.17)E	0.16E	0.09E
Q4 Dec	<u>(0.06)E</u>	<u>(0.11)E</u>	<u>0.45E</u>	<u>0.39E</u>
<b>Total</b>	<b>(0.95)E</b>	<b>(1.26)E</b>	<b>0.26E</b>	<b>0.02E</b>
P/E	N/A		47x	

### 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 August 9) reported its fiscal Q2 2023 (ending June) results.
- Revenue was \$129 million (-16% y-o-y), compared to our estimates of \$121 million and consensus of \$123 million.
- EBITDA was \$15 million, compared with our estimate of \$7 million and \$6 million (y-o-y).
- Pro forma EPS was \$(0.10), compared to our estimate of \$(0.35) and consensus of \$(0.18).
- The company did not provide specific Q2 guidance, but did state that Q2 revenues will be ~\$121 million (~-21% y-o-y).
- 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.
- We are adjusting our 2023 estimates for revenue to \$508 million, from \$514 million, and for EPS to \$(0.95) from \$(1.26).
- We are adjusting our 2024 estimates for revenue to \$523 million, from \$550 million, and for EPS to \$0.26 from \$0.02.

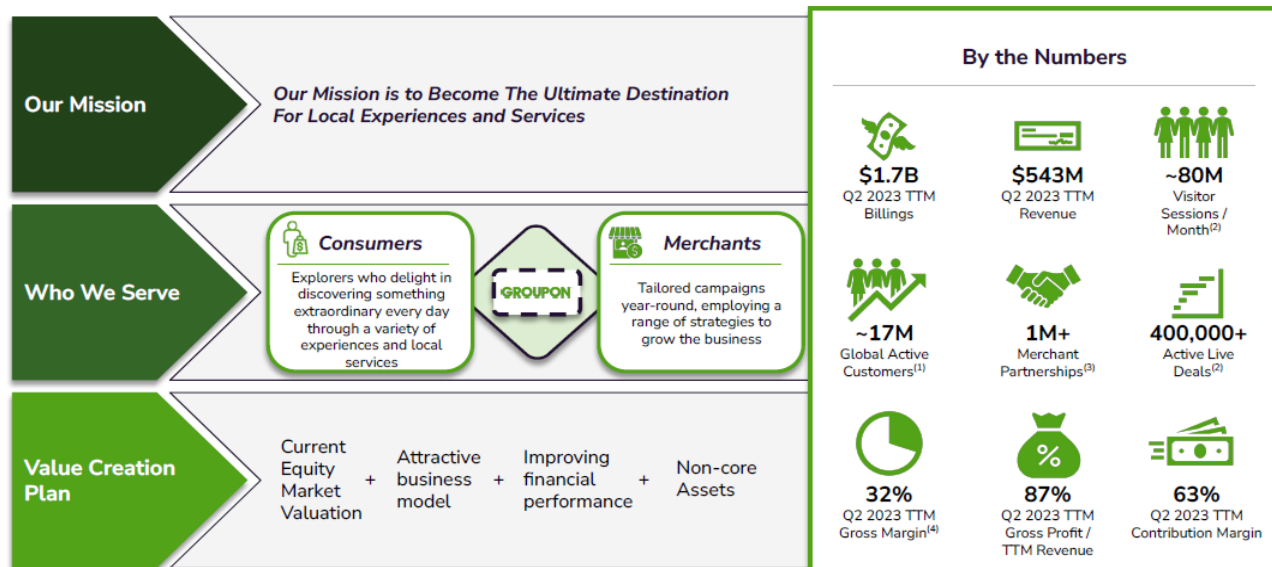
## ADDITIONAL DETAILS

- Gross billings was \$393 million (-14% y-o-y), compared with our expectation of \$431 million and \$460 million in Q2 2022.
- Gross profit was \$113 million, compared with our expectation of \$103 million and \$134 million in Q2 2022.
- Gross margin was 87%, versus our expectation of 85% and 87% in Q2 2022.
- Operating expenses were \$118 million, compared with our expectation of \$135 million.
- Operating loss was \$5 million, versus our expectation of a loss of \$33 million.
- Pro forma net loss was \$3 million, versus our expectation of a loss of \$11 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 \$118 million in cash and \$272 million in debt (~\$5/share in net debt), compared with \$164 million in cash and \$273 million in debt in March.

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

## Groupon Snapshot



Source: Company reports.

## Exhibit 2: Q3 2023 Updated Outlook (as of August 2023)

## Updated outlook

- 2H23 Topline:** For our third and fourth quarter revenue expectations, we expect to see slight improvements in the rate of year-over-year declines each quarter.
  - As our transformation strategy takes hold, we expect to see an increase in year-over-year Local billings by early 2024, though our total 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.
- Marketing spend:** As previously mentioned, we believe our performance marketing channels are ready to receive incremental investments and expect to increase our marketing spend as a % of gross profit.
- Cost profile:** We expect our full-year 2023 non-GAAP SG&A\* will be approximately \$320 million.
  - Beyond 2023, while it is too early to give a formal outlook for 2024, we do expect our annual non-GAAP SG&A for 2024 will be below our prior outlook of \$290 million. We are evaluating higher investments into our sales network, which may offset some of our expected savings in 2024.
- Adjusted EBITDA\*:** We expect to generate positive Adjusted EBITDA for the remainder of the year.
- Free Cash Flow\*:** Our ability to convert positive Adjusted EBITDA to positive Free Cash Flow will depend on the timing of our working capital cycle and other cash expenses.
  - For our third quarter, we expect our Free Cash Flow will still be negative, however we expect the outflow will be less than in the second quarter.
  - For our fourth quarter, we expect to generate positive Free Cash Flow.

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.

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## Exhibit 5: 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

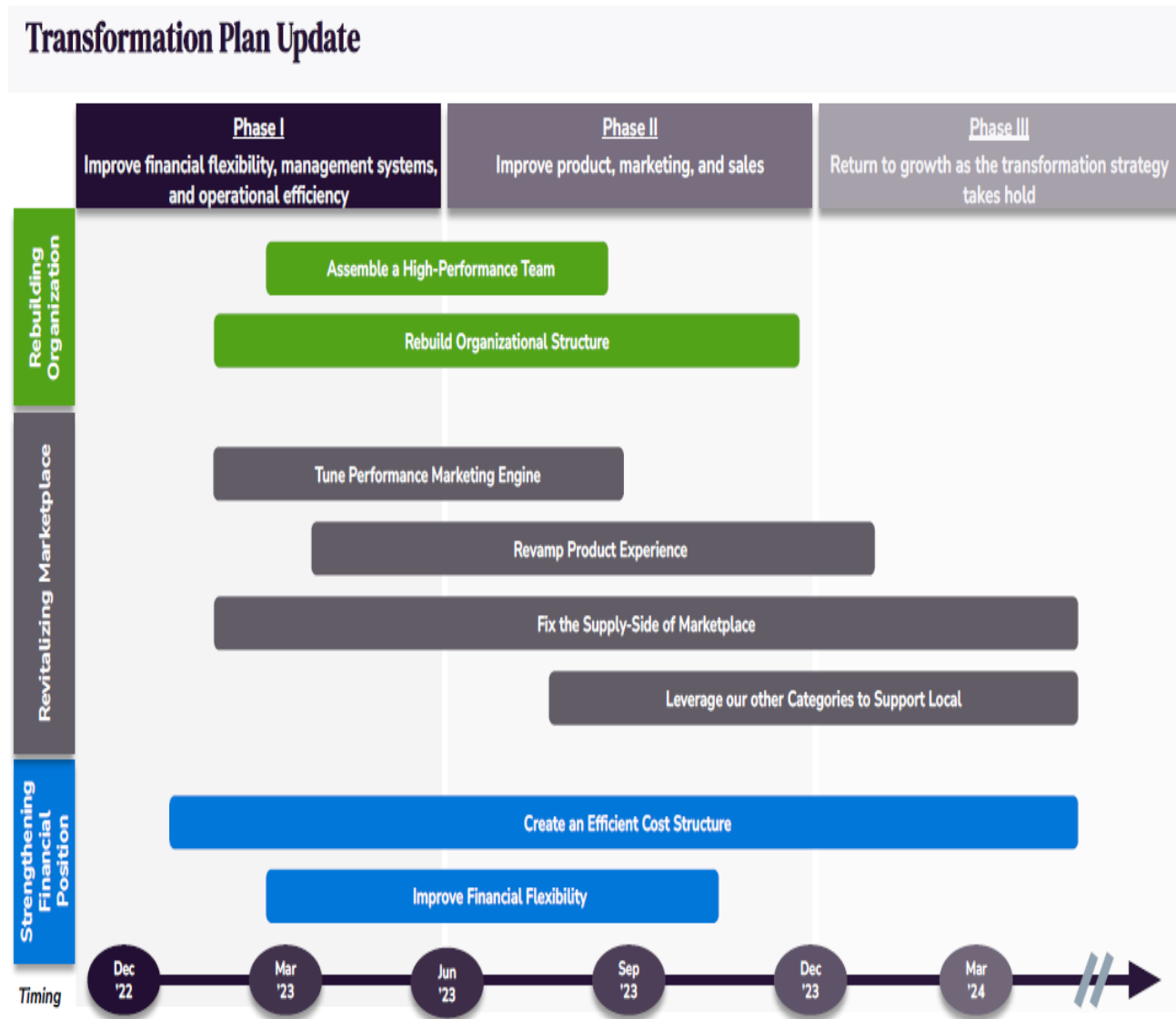
...creating expense leverage for profitable growth in the future

ADRIAN 18

Source: Company reports.

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



Source: Company reports.

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



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

### Exhibit 8: Consensus Expectations (as of August 9, 2023)

	Revenue (mils)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$122A		Q1 Mar	\$(0.65)A	
Q2 Jun	\$123E		Q2 Jun	\$(0.18)E	
Q3 Sep	\$125E		Q3 Sep	\$0.06E	
Q4 Dec			Q4 Dec		
Total	\$498E	\$518E	Total	\$(0.84)E	\$0.26E

\*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	Q3E	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	508	121	128	131	143	523
Cost of Revenues	97	72	33	28	230	19	19	19	19	76	17	16	19	20	72	18	19	20	21	78
Gross Profit	167	194	181	195	737	134	134	126	129	523	105	113	107	112	437	103	109	111	121	444
Marketing	34	44	53	58	189	39	29	38	43	149	25	22	37	37	121	33	35	35	36	138
Selling, general and administ	127	138	119	126	511	126	124	119	112	481	102	96	97	94	388	97	102	93	87	379
Depreciation and amortization					0					0					0					0
Restructuring and other	7	14	12	8	42	0	47	5	8	60	9	(1)		8						0
Total operating expenses	168	196	185	192	742	166	200	162	162	691	135	118	133	130	517	129	137	128	123	517
<b>Operating income (loss)</b>	(1)	(2)	(4)	2	(5)	(32)	(67)	(36)	(33)	(168)	(31)	(5)	(26)	(18)	(80)	(27)	(28)	(16)	(1)	(73)
Interest income (expense)		(3)			(3)					0			(3)	(3)	(7)	(3)	(3)	(3)	(3)	(14)
Other income (expense)	18	(0)	82	(6)	94	(5)	(22)	(24)	25	(27)	3	(5)	0	0	(3)	0	0	0	0	0
Income before income taxes	17	(5)	78	(4)	86	(38)	(89)	(61)	(8)	(195)	(28)	(10)	(30)	(22)	(90)	(30)	(32)	(20)	(5)	(86)
Income taxes	2	(2)	0	(33)	(32)	(3)	2	(4)	47	42	1	2	0	5	8	0	0	0	5	5
Net income (loss)	15	(3)	78	29	119	(35)	(91)	(56)	(55)	(238)	(29)	(13)	(30)	(27)	(98)	(30)	(32)	(20)	(10)	(91)
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)	(30)	(27)	(98)	(30)	(32)	(20)	(10)	(91)
Nonrecurring/noncash adjustme	(7)	14	(66)	(23)	(82)	11	81	36	44	171	9	10	25	25	69	25	25	25	25	100
<b>Net income (pro forma)</b>	8	11	13	6	37	(24)	(10)	(21)	(12)	(66)	(20)	(3)	(5)	(2)	(30)	(5)	(7)	5	15	9
<b>EBITDA</b>	30	41	35	37	143	(7)	6	(9)	(5)	(15)	(5)	15	14	22	45	13	12	24	39	87
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)	(\$0.15)	(\$0.06)	(\$0.95)	(\$0.15)	(\$0.20)	\$0.16	\$0.45	\$0.26
<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>(\$0.15)</b>	<b>(\$0.06)</b>	<b>(\$0.95)</b>	<b>(\$0.15)</b>	<b>(\$0.20)</b>	<b>\$0.16</b>	<b>\$0.45</b>	<b>\$0.26</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%	85.0%	85.0%	85.9%	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%	29.0%	28.0%	23.7%	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%	74.6%	77.0%	71.0%	76.4%	80.0%	80.0%	71.0%	61.0%	72.6%
Operating margin	0%	-1%	-2%	1%	0%	-21%	-43%	-25%	-22%	-28%	-25%	-4%	-21%	-14%	-16%	-22%	-22%	-13%	-1%	-14%
Tax rate, GAAP	14%	35%	0%	892%	-37%	7%	-3%	7%	-567%	-22%	-4%	-23%	0%	-23%	-9%	0%	0%	0%	0%	-6%
Net margin	6%	-1%	36%	13%	12%	-23%	-60%	-39%	-37%	-40%	-24%	-10%	-24%	-20%	-19%	-25%	-25%	-15%	-7%	-17%
<b>YY % change</b>																				
Total Revenue	-29%	-33%	-30%	-35%	-32%	-42%	-42%	-33%	-34%	-38%	-21%	-16%	-13%	-11%	-15%	-1%	-1%	4%	8%	3%
Gross margin	-17%	41%	13%	9%	9%	-20%	-31%	-31%	-34%	-29%	-22%	-16%	-15%	-13%	-16%	-2%	-4%	4%	8%	2%
Marketing	-44%	73%	69%	54%	22%	17%	-33%	-29%	-27%	-21%	-37%	-24%	-4%	-13%	-19%	31%	55%	-5%	-3%	14%
Selling, general and administ	-39%	-4%	-4%	-1%	-15%	-1%	-10%	0%	-12%	-6%	-20%	-22%	-19%	-16%	-19%	-5%	6%	-4%	-7%	-2%
Operating income (loss)	-99%	-97%	-77%	-75%	-98%	2476%	3241%	883%	-1539%	3505%	-5%	-93%	-27%	-44%	-52%	-13%	478%	-38%	-92%	-10%
Net income (loss)	-107%	-95%	-580%	110%	-141%	-339%	2597%	-172%	-288%	-300%	-16%	-86%	-47%	-51%	-59%	3%	151%	-34%	-63%	-7%
EPS Diluted (Pro forma)	-115%	-135%	145%	-65%	-161%	-423%	-203%	-281%	-315%	-294%	-19%	-70%	-77%	-85%	-57%	-76%	99%	-201%	-874%	-128%

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	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	\$677	\$565	\$477	\$499	\$403	\$316	\$308	\$281	\$164	\$118	\$125	\$116	\$81	\$70	\$48	\$68
Short term investments											0	0	0	0	0	0
Accounts receivable, net	45	37	34	37	52	45	43	45	37	35	28	29	27	28	29	32
Prepaid expenses and other current assets	41	45	50	53	54	50	53	41	41	39	19	20	18	19	20	21
Deferred income taxes											0	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>172</b>	<b>165</b>	<b>126</b>	<b>118</b>	<b>97</b>	<b>122</b>
Property and equipment, net	83	81	78	74	71	64	61	57	49	43	38	33	28	23	18	13
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	15	15	15	15	15	15
Deferred income taxes											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	25	25	25	25	25	25	25
<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>562</b>	<b>550</b>	<b>506</b>	<b>493</b>	<b>467</b>	<b>486</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	39	40	37	22	29	28	35	60	28	20	13	13	12	13	13	14
Accrued merchant payable	329	290	230	270	232	208	179	225	197	178	190	199	195	207	198	215
Accrued expenses	299	283	242	239	218	198	198	171	154	119	116	122	112	118	121	132
Deferred income tax											0	0	0	0	0	0
Other											0	0	0	0	0	0
Due related parties											0	0	0	0	0	0
Short term debt	100	100	100	100	100	60	110	75	48	47	47	47	47	47	47	47
<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>366</b>	<b>380</b>	<b>366</b>	<b>385</b>	<b>379</b>	<b>408</b>
Deferred income taxes											0	0	0	0	0	0
Other long term liabilities	128	117	107	93	81	76	45	28	24	22	22	22	22	22	22	22
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	226	226	226	226	226	226	226
<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>248</b>	<b>248</b>	<b>248</b>	<b>248</b>	<b>248</b>	<b>248</b>
Preferred stock											0	0	0	0	0	0
Common stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Treasury Stock	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)	(923)
Additional paid-in capital	2,261	2,258	2,266	2,294	2,301	2,308	2,317	2,323	2,324	2,331	2,331	2,331	2,331	2,331	2,331	2,331
Retained earnings	(1,258)	(1,262)	(1,184)	(1,157)	(1,192)	(1,283)	(1,339)	(1,394)	(1,424)	(1,436)	(1,466)	(1,493)	(1,523)	(1,555)	(1,574)	(1,584)
Accumulated other comprehensive (loss)	(14)	(18)	(11)	(5)	(1)	19	42	3	(3)	3	3	3	3	3	3	3
Unearned compensation											0	0	0	0	0	0
Other											3	3	3	3	3	3
<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>(52)</b>	<b>(78)</b>	<b>(108)</b>	<b>(140)</b>	<b>(160)</b>	<b>(170)</b>
<b>Total stockholders' equity and liabilities</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>\$562</b>	<b>\$550</b>	<b>\$506</b>	<b>\$493</b>	<b>\$467</b>	<b>\$486</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	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	16%	17%	24%	24%	35%	33%	36%	28%	33%	30%	15%	15%	15%	15%	15%	15%
Accounts payable as % of total rev	15%	15%	17%	10%	19%	18%	24%	40%	23%	16%	10%	10%	10%	10%	10%	10%
Accrued merchant payable as % of gross	59%	48%	42%	43%	50%	45%	41%	48%	50%	45%	45%	45%	45%	45%	45%	45%
Accrued expenses as % of total rev	113%	106%	113%	107%	142%	129%	137%	116%	126%	92%	92%	92%	92%	92%	92%	92%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	15	13	14	15	31	26	27	27	28	25	20	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	41	41	41	41	41	41
<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	-\$1.64	-\$2.45	-\$3.34	-\$4.24	-\$4.77	-\$4.99
Cash per Share (diluted)	\$22.36	\$16.84	\$14.29	\$14.94	\$13.50	\$10.51	\$10.16	\$9.27	\$5.34	\$3.81	\$3.97	\$3.62	\$2.48	\$2.13	\$1.44	\$2.01
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	-\$4.67	-\$4.89	-\$5.90	-\$6.12	-\$6.68	-\$5.99

Source: Company reports and Ascendant Capital Markets estimates

**Groupon, Inc.**

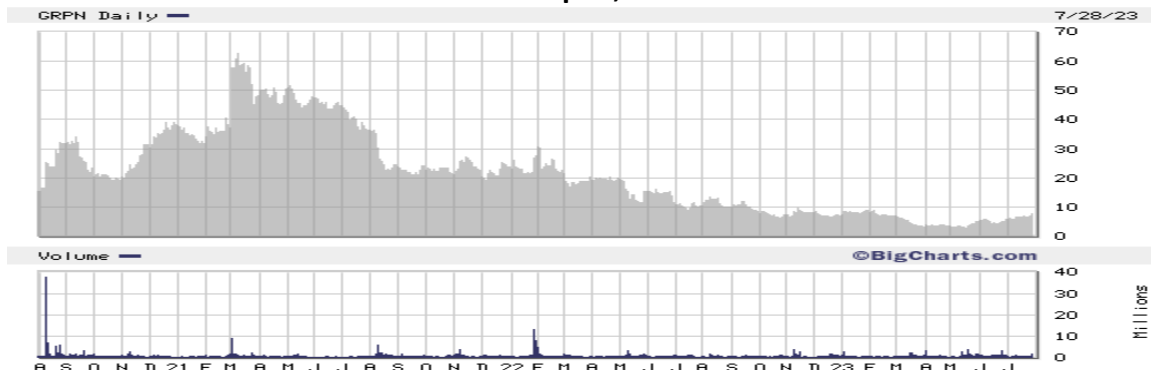
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	14	(3)	79	30	120	(34)	(90)	(56)	(54)	(234)	(29)	(12)	(30)	(27)	(97)	(30)	(32)	(20)	(10)	(91)	
Depreciation	15	17	15	17	64	15	14	13	12	54	12	11	20	20	64	20	20	20	20	80	
Amortization	2	2	2	2	9	2	2	2	2	8	2	2	0	0	4	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	
Stock comp	7	10	8	8	33	8	9	8	6	30	2	8	20	20	50	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)	(40)	(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)					0	
Acquisition/restructuring expens	(32)				(32)					0					0					0	
Other			0	(0)	0			14	(6)	8		6			6					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	7	(1)	16	2	(2)	(1)	(3)	(2)	
Prepaid expenses & other curre	3	3	(2)	(2)	3	3	7	(5)	14	19	8	2	20	(1)	29	2	(1)	(0)	(2)	(2)	
Accounts payable	6	1	(3)	(14)	(10)	7	(1)	7	24	38	(32)	(7)	(8)	1	(46)	(1)	1	0	1	1	
Accrued merchant	(77)	(41)	(58)	41	(134)	(36)	(19)	(26)	41	(39)	(29)	(19)	12	9	(28)	(3)	12	(9)	17	17	
Accounts expenses	10	(17)	(37)	(1)	(45)	(26)	(18)	(4)	(31)	(79)	1	(31)	(3)	5	(28)	(10)	7	3	11	10	
Deferred revenue					0					0					0					0	
Income tax payable and other	7	(16)	1	(14)	(21)	(0)	14	0	(16)	(2)	(16)	(8)	0	0	(23)	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>19</b>	<b>6</b>	<b>(94)</b>	<b>(20)</b>	<b>5</b>	<b>(7)</b>	<b>35</b>	<b>13</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)	(15)	(15)	(42)	(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)					0	
Other					0					0	1	0	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>(15)</b>	<b>(15)</b>	<b>(41)</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		50			0	0	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	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	
Other	(0)	(2)		(1)	(3)				(1)	(1)	(1)	(1)			(2)					0	
Dividends and distributions					0					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>0</b>	<b>0</b>	<b>(32)</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	
<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>4</b>	<b>(9)</b>	<b>(166)</b>	<b>(35)</b>	<b>(10)</b>	<b>(22)</b>	<b>20</b>	<b>(47)</b>	
Beginning cash and equivalents	846	842	560	472	846	499	404	316	308	499	282	167	121	125	282	116	81	70	48	116	
Ending cash and equivalents	842	560	472	494	499	404	316	308	282	282	167	121	125	116	116	81	70	48	68	68	

Source: Company reports and Ascendant Capital Markets estimates

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### 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
60	12/14/2022	B	10.00
61	4/7/2023	B	9.00
62	6/7/2023	B	8.50

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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.

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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	52	100%	16	31%

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