Groupon 3rd Quarter Earnings

November 12, 2024

GROUPON

Agenda

Dusan Senkypl
CEO

Jiri Ponrt
CFO

Rana Kashyap
SVP, Corp Dev & IR

- CEO Commentary
- Financial Overview
- Guidance
- Q&A

Forward-looking statements and other information

The statements contained in this presentation that refer to plans and expectations for the next quarter, the full year or the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), including statements regarding the Company's future results of operations and financial position, business strategy and plans and the Company's objectives for future operations and future liquidity. The words "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue" and other similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on current expectations and projections about future events and financial trends that we believe may affect the Company's financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements involve risks and uncertainties that could cause the Company actual results to differ materially from those expressed or implied in the Company's forward-looking statements. Such risks and uncertainties include, but are not limited to, the Company's ability to execute and achieve the expected benefits of the Company's go-forward strategy; execution of the Company's business and marketing strategies; volatility in the Company's operating results; challenges arising from the Company's international operations, including fluctuations in currency exchange rates, tax, legal and regulatory developments in the jurisdictions in which the Company operates and geopolitical instability resulting from the conflicts in Ukraine and the Middle East; global economic uncertainty, including as a result of inflationary pressures; any impact from U.S. and international financial reform legislation and regulations, and any potential trade protection measures, such as new or incremental tariffs; retaining and adding high quality merchants and third-party business partners; retaining existing customers and adding new customers; competing successfully in the Company's industry; providing a strong mobile experience for the Company's customers; managing refund risks; retaining and attracting members of the Company's executive and management teams and other qualified employees and personnel; customer and merchant fraud; payment-related risks; the Company's reliance on email, Internet search engines and mobile application marketplaces to drive traffic to the Company's marketplace; cybersecurity breaches; maintaining and improving the Company's information technology infrastructure; reliance on cloud-based computing platforms; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; managing inventory and order fulfillment risks; claims related to product and service offerings; protecting the Company's intellectual property; maintaining a strong brand; the impact of future and pending litigation; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR, CPRA and other privacy-related laws and regulations of the Internet and e-commerce; classification of the Company's independent contractors, agency workers, or employees; the Company's ability to remediate the Company's material weakness over internal control over financial reporting; risks relating to information or content published or made available on the Company's websites or service offerings we make available; exposure to greater than anticipated tax liabilities; adoption of tax laws; the Company's ability to use the Company's tax attributes; impacts if we become subject to the Bank Secrecy Act or other anti-money laundering or money transmission laws or regulations; the Company's ability to raise capital if necessary; risks related to the Company's access to capital and outstanding indebtedness, including the Company's 1.125% Convertible Senior Notes due 2026 (the "2026 Notes"); the Company's Common Stock, including volatility in the Company's stock price; the Company's ability to realize the anticipated benefits from the capped call transactions relating to the 2026 Notes; and those risks and other factors discussed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year-ended December 31, 2023, and Part II, Item 1A. Risk Factors on our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024, June 30, 2024 and September 30, 2024, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Groupon," "the Company," "we," "our," "us" and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.

CEO Commentary

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Third Quarter Key Takeaways

Key Highlights

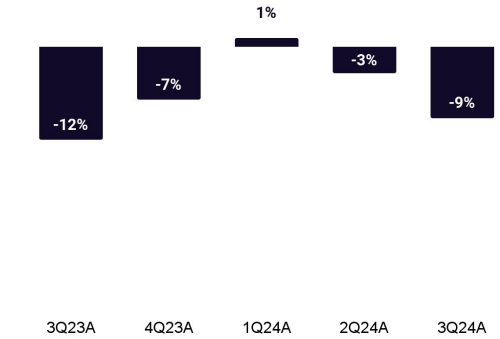
- International Local ex Italy = -2% YoY
- Strong summer season for North America Things To Do
- 100% of North America mobile web + desktop traffic now our new front-end
- Growing new customer cohorts
- Fixed most of our tech migration issues
- Raised $197 million in new financing

Key Consideration

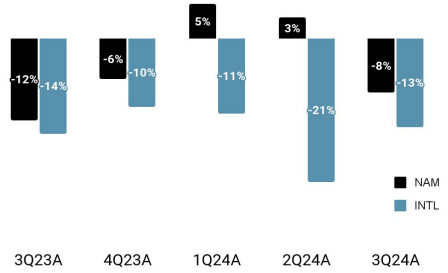
- Tough quarter for NA business impacted by tech issues and marketing instability
- Experienced lower retention rates of legacy cohorts during the tech migration

3Q24 Financial Snapshot

Total Revenue (YoY % Change)



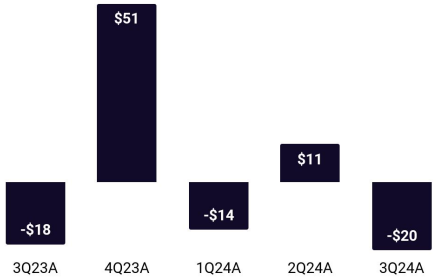
Revenue by Geography (YoY % Change)



Adjusted EBITDA[1] ($M)



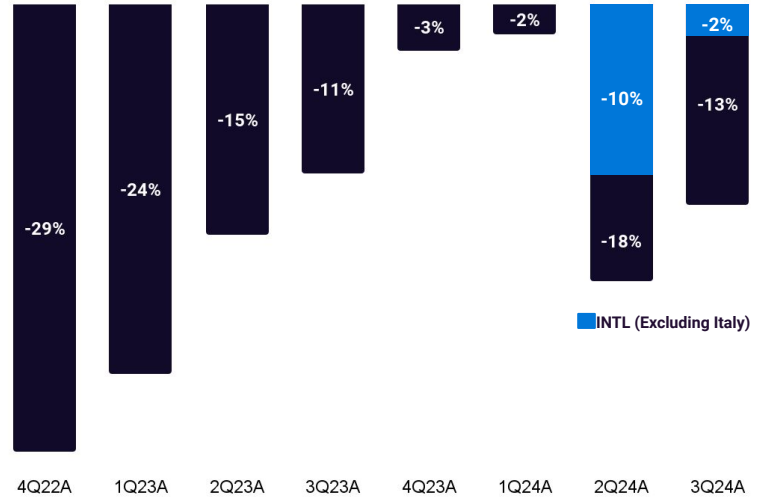
Free Cash Flow[1] ($M)



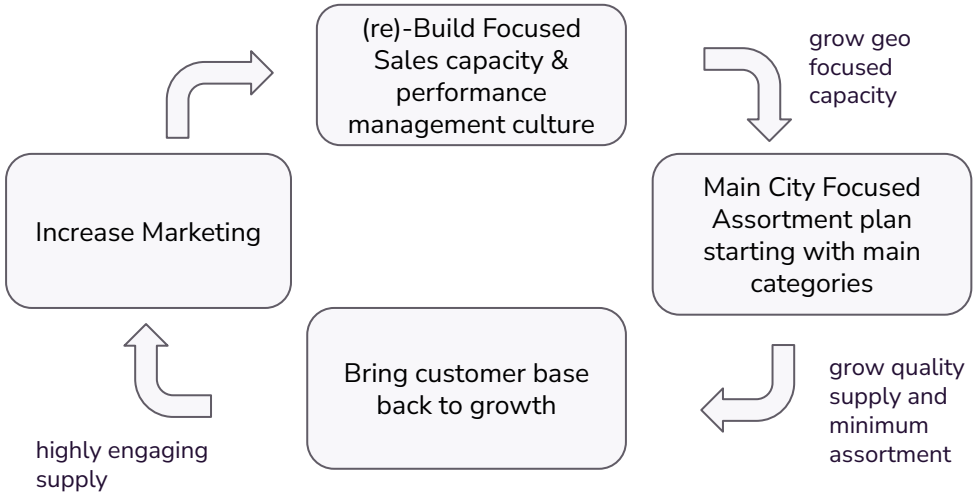
1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

International Local

International Local Revenue[1] (YoY % Change)



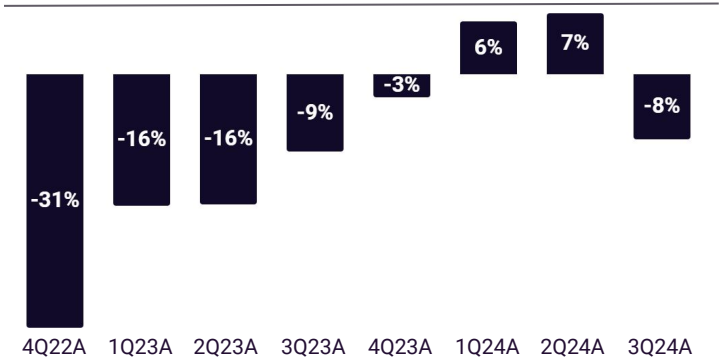
Supply Led Playbook



(1) In Q2'24, Groupon S.r.l. paused the sale of local vouchers in Italy and in Q3'24, Groupon S.r.l's. Board approved the exit of the local business in Italy.

North America Local

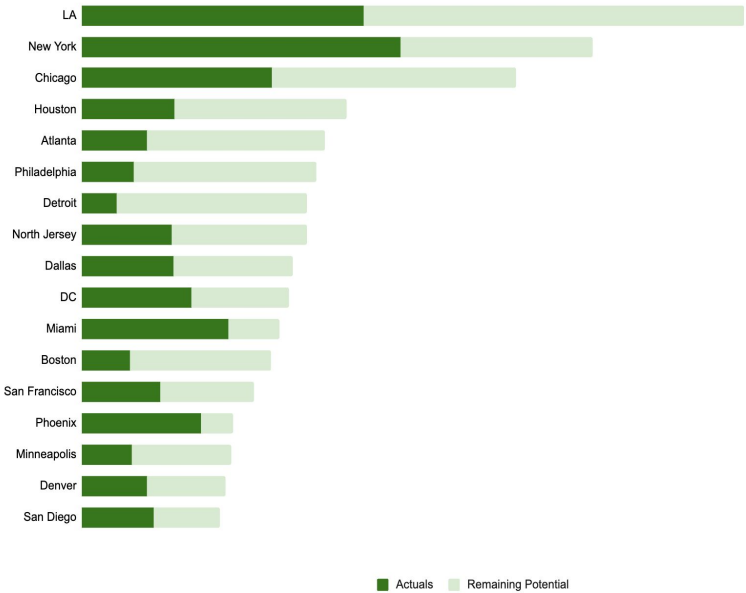
Revenue (YoY % Change)



2Q24 vs 3Q24 Growth Rate

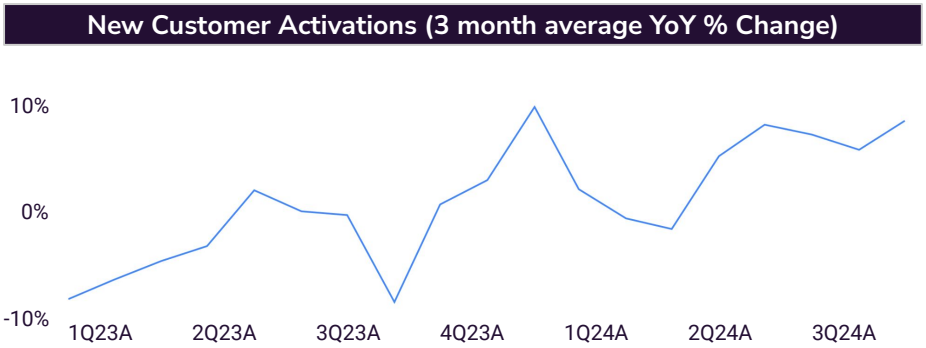
- Refunds and variable consideration moving from tailwinds to headwinds
- In 2Q24, revenue growth from marketing benefited from an easy year-over-year compare
- Lower retention rates of legacy cohorts during the tech migration

Basic Assortment Coverage

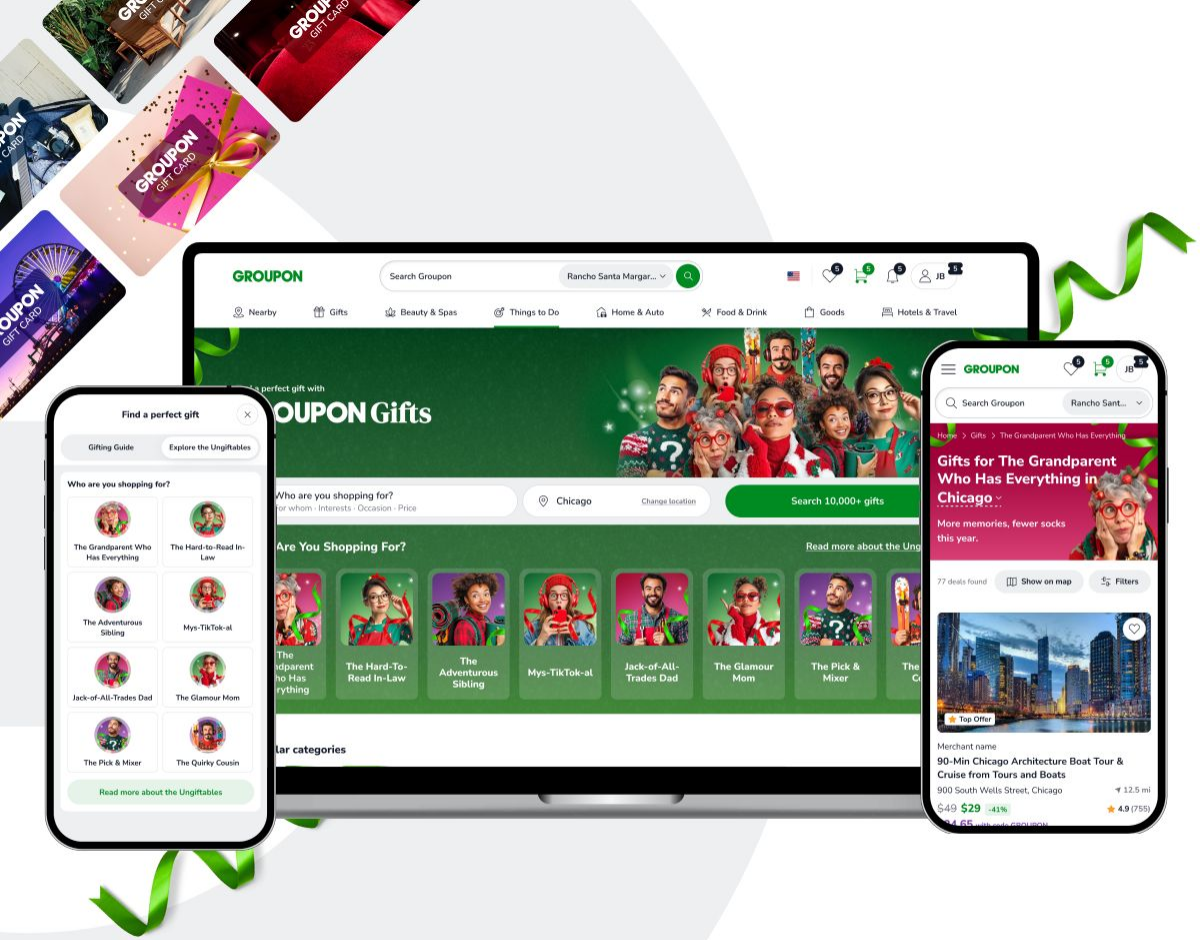


- We assessed our current inventory coverage against its potential in top cities
- Potential was determined by using metrics from best-performing cities, applied to the essential assortment needed in each city.
- Growth will be driven by expanding this coverage.

New customer acquisition engine

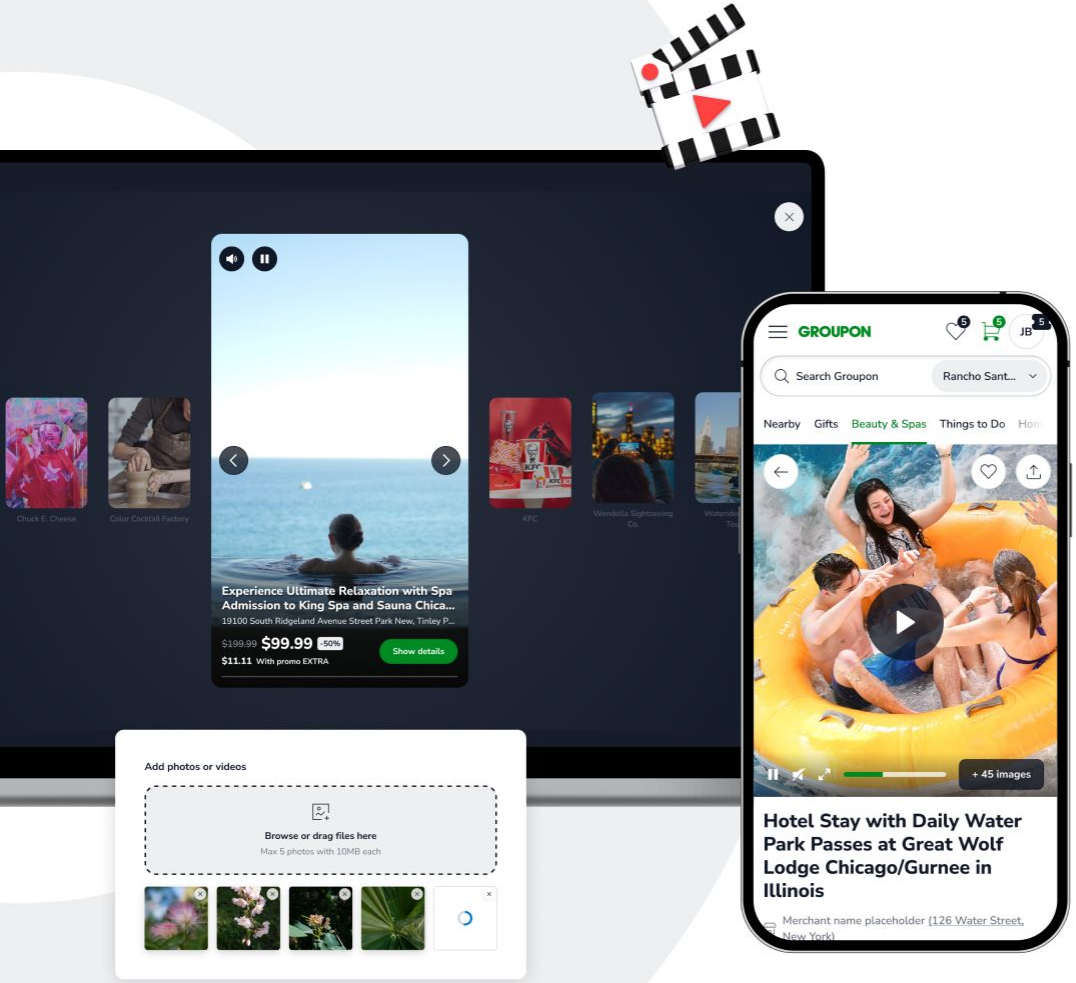


- Targeting marketing ROI of 100%
- ROI measured based on the commissions we generate from a paid marketing campaign over how much money we spent on the campaign
- Time to payback = 7 to 14 days



Gifting

- Gift purchases have been a strong growth area, showing a 50% year-over-year increase in the US for Q3.
- We see gifting as a major strategic opportunity, especially as we move into Q4. Our holiday brand campaign, 'Ungiftables,' showcases Groupon as the go-to source for experiential gifts for everyone.
- To support this, our supply teams are securing deals in highly giftable categories, as well as expanding our portfolio of general spend deals. Having a broader product range will be crucial for last-minute holiday gifting, where Groupon has a distinct competitive edge



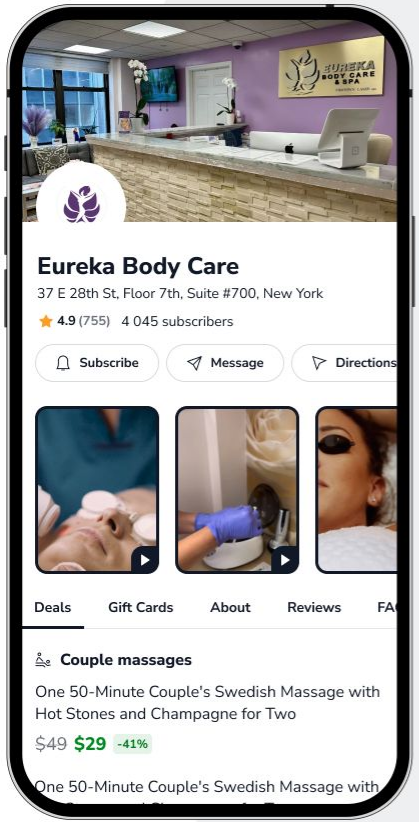
Videos & Stories

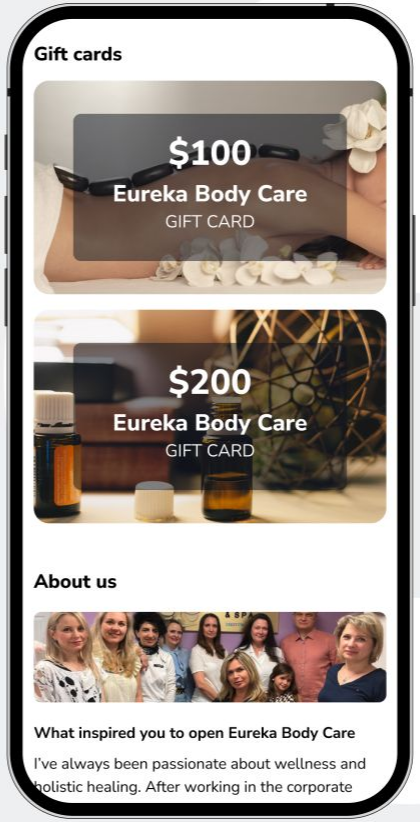
- We're taking our deal curation to the next level by incorporating videos to enhance our offerings, partnering with micro-influencers to create engaging content. Additionally, we've just launched a feature that enables customers to share videos in their reviews
- This new content stream will provide free marketing material for various traffic channels and presents our deals from fresh, authentic perspectives.

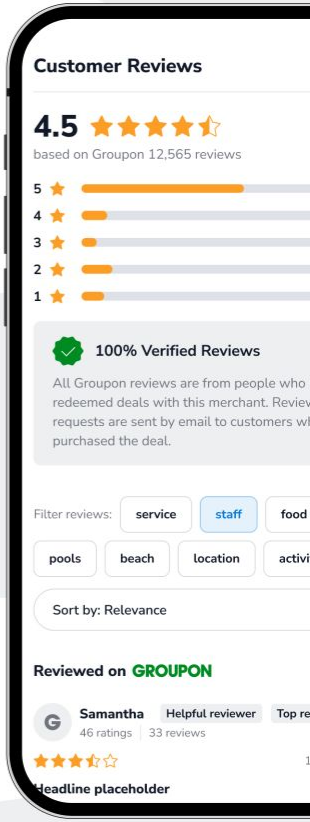
Upcoming

Merchant pages

- Merchant Pages provide a dedicated space for showcasing a full list of each merchant's deals and offerings. Merchants can sell gift cards, share Stories, and engage users who want to learn more or subscribe for updates.
- These pages make it easy for users to explore all options from a single merchant, enhancing connection and discovery.





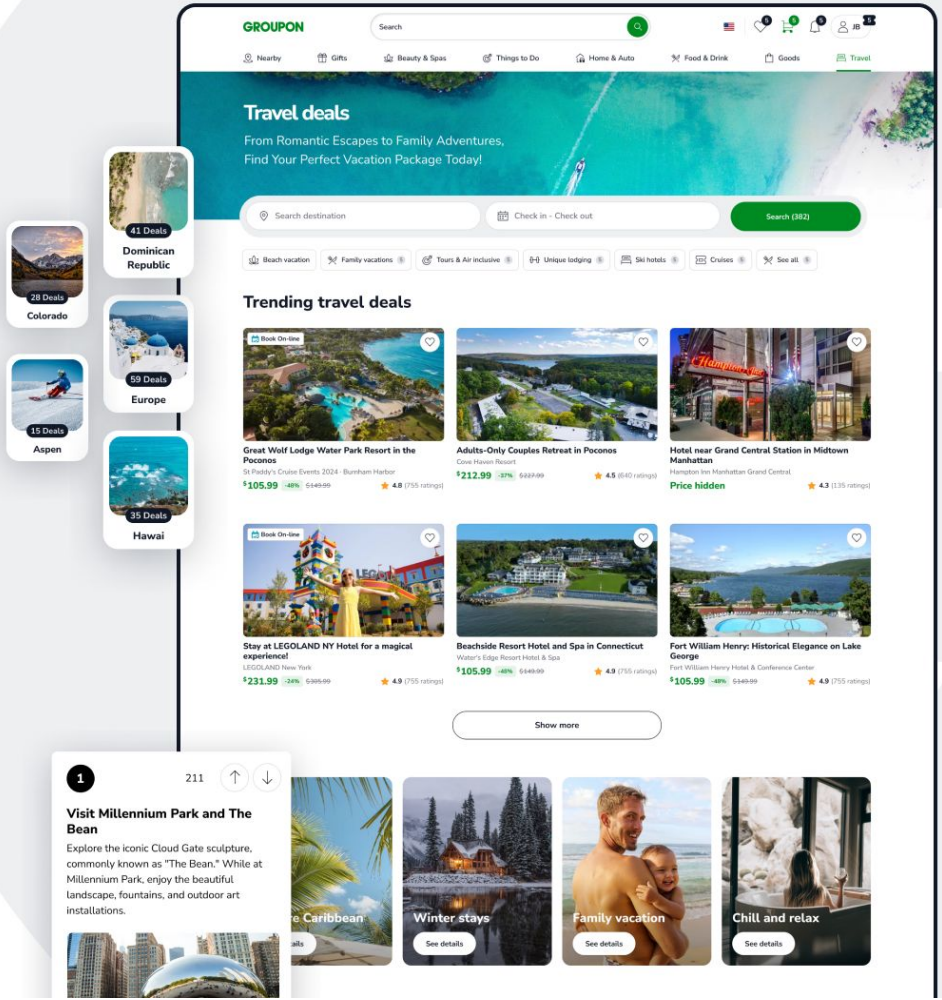


Upcoming

The Merchandised Page

- Customized homepage for each category—such as "Things to Do," "Travel," and "Beauty"—featuring specific search and filter options. For "Things to Do," users can filter by activity type and location; in "Travel," they can search by destination, dates, and package type; while "Beauty" offers filters for treatment type, duration, booking date, and top-rated providers.

- These tailored pages make browsing efficient and intuitive, connecting users with relevant, high-quality deals in each category. With curated content and advanced search options, the Merchandised Page enhances the user experience, simplifying the discovery of top offers and services.

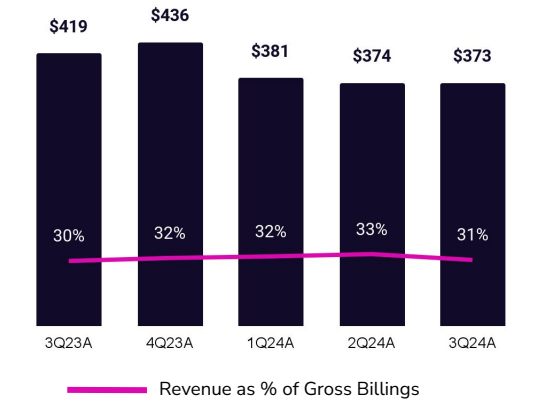


Financial Overview

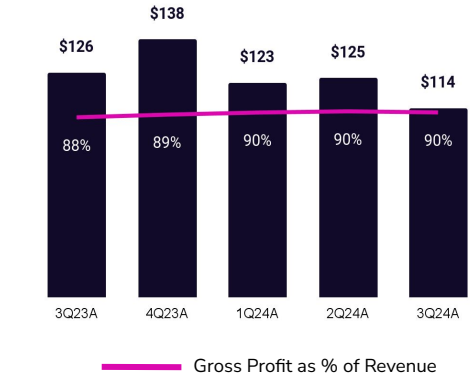
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3Q24 Summary Financial Results

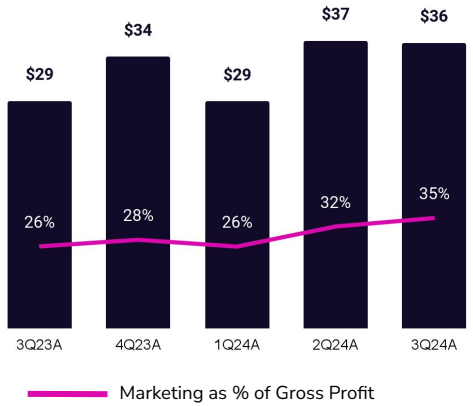
Gross Billings ($M)



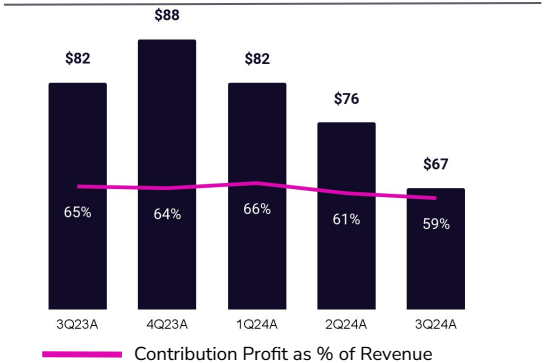
Revenue ($M)



Marketing ($M)



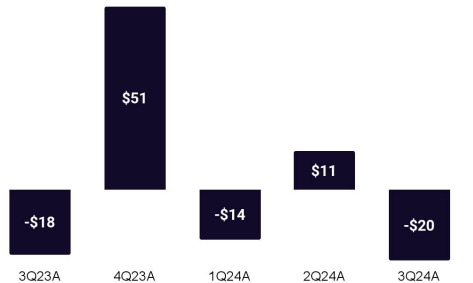
Contribution Profit ($M)



Adjusted EBITDA[1] ($M)



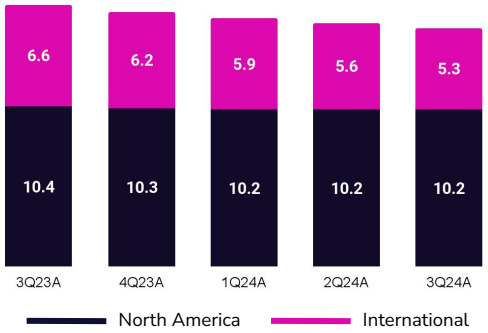
Free Cash Flow[1] ($M)



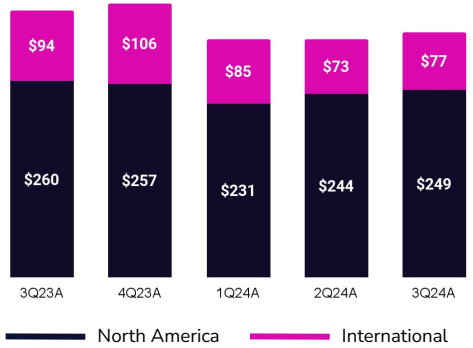
1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Net income (loss)" and "Net cash provided by (used in) operating activities"

3Q24 Key Operating Metrics

Active Customers[1] (Million)



Local Gross Billings ($M)



Travel Gross Billings ($M)



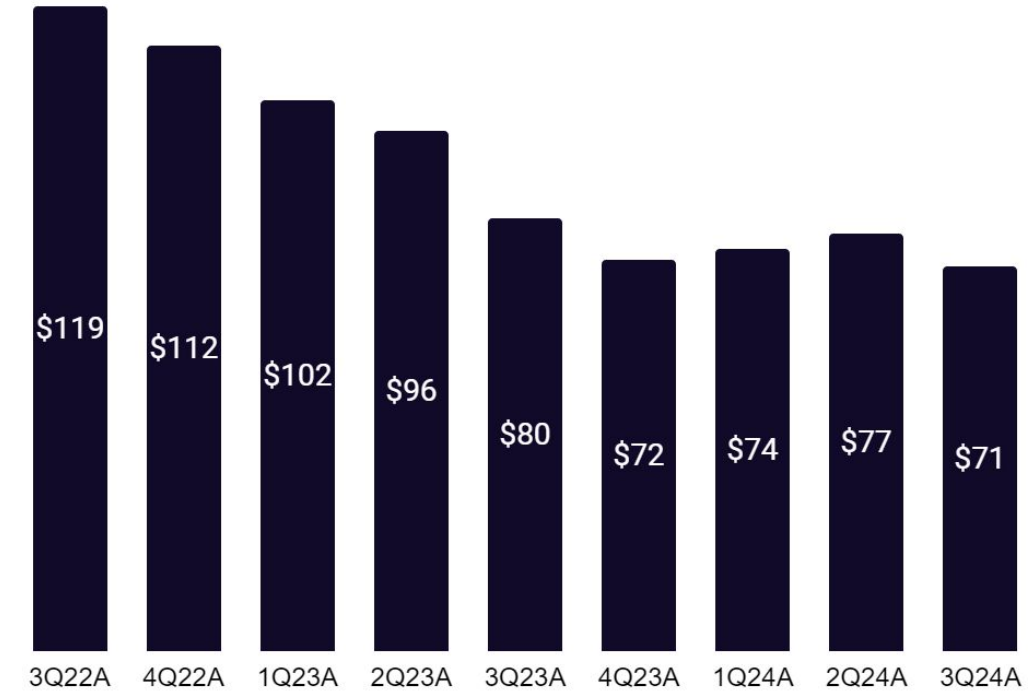
Goods Gross Billings ($M)



1) Reflects the total number of unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission.

Creating an Efficient Cost Structure

SG&A ($ Millions)



- *New Mindset Of Frugality*
- *Increasing Efficiency Through Automation Of Business Processes*
- *Director-Level Headcount Reductions, Reducing Redundant Spend*
- *Decreasing Software / Cloud Spend*
- *Reducing Facilities Footprint*

Trailing twelve month Adjusted EBITDA [(1)] to FCF [(1)] Reconciliation

	Q4'23 TTM	Q1'24 TTM	Q2'24 TTM	Q3'24 TTM		3Q23	3Q24
Adjusted EBITDA[1]	**55.5**	**79.8**	**81.1**	**77.6**		**18.2**	**14.8**
(-) Capex	-19.3	-13.4	-15.7	-15.0		-4.1	-3.4
(-) Interest & Taxes	-14.5	-13.3	-16.7	-17.5		-4.4	-5.2
(+/-) Restructuring	-8.1	-2.6	1.0	2.3		-1.3	0.0
(+/-) Change in Net Working Capital	-111.0	-75.7	-19.6	-18.9		-26.4	-25.9
Free Cash Flow[1]	**-97.4**	**-25.2**	**30.2**	**28.5**		**-18.0**	**-19.7**

1) Adjusted EBITDA (AEBITDA) and Free Cash Flow are non-GAAP financial measures. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, “Net income (loss)” and "Net cash provided by (used in) operating activities”

Guidance

As of Nov 12th, 2024	4Q24 Guidance ($ Millions)		2024 Guidance ($ Millions)	
	Low-end	High-end	Low-end	High-end
Revenue	$124 (-10% YoY)	$131 (-5% YoY)	$486 (-6% year-over-year)	$493 (-4% year-over-year)
Adjusted EBITDA*	$14	$19	$65	$70
Free Cash Flow*	Positive	Positive	Positive	Positive

** We do not provide a reconciliation for non-GAAP estimates on a forward-looking basis where we are unable to provide a meaningful calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that would impact the most directly comparable forward-looking U.S. GAAP financial measure that have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. Forward-looking non-GAAP financial measures provided without the most directly comparable U.S. GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.*

Q&A

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Appendix

Non-GAAP Reconciliations*

Adjusted EBITDA - TTM & Quarterly (in thousands)

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Net income (loss):

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Net income (loss)	$ (12,004)	$ (40,806)	$ 28,489	$ (11,506)	$ (9,412)	$ 14,522
Adjustments:						
Stock-based compensation	7,519	3,889	710	2,374	6,418	8,890
Depreciation and amortization	13,243	12,568	10,902	9,677	7,824	6,895
Restructuring charges and related (credits) (1)	(689)	2,228	(2,327)	96	(379)	896
Gain on sale of assets	—	—	—	(116)	(5,044)	—
Foreign VAT assessments (2)	—	—	—	—	3,302	3,672
Other (income) expense, net (3)	4,805	39,525	(16,086)	12,682	4,483	(22,429)
Provision (benefit) for income taxes	2,323	817	5,250	6,194	9,287	2,321
Total adjustments	27,201	59,027	(1,551)	30,907	25,891	245
Adjusted EBITDA	$ 15,197	$ 18,221	$ 26,938	$ 19,401	$ 16,479	$ 14,767

	Q1 2024	Q2 2024	Q3 2024
Trailing Twelve Month Adjusted EBITDA	$ 79.8	$ 81.1	$ 77.6

(1) Includes a settlement of $4.25 million related to Uptake for the three months ended December 31, 2023

(2) The Foreign VAT assessments adjustment excludes related interest expense $0.8 million for the three months ended June 30, 2024 and $0.9 million for the three months ended September 30, 2024 as the interest expense is included within Other (income) expense, net for the three months ended June 30, 2024 and September 30, 2024.

(3) Includes a $25.8 million remeasurement of our investment in SumUp during the three months ended September 30, 2023.

**See Q3 2024 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures*

Non-GAAP Reconciliations*

Free Cash Flow - TTM & Quarterly (in thousands)

Free Cash flow is a non-GAAP liquidity measure. The following is a reconciliation of free cash flow to the most comparable U.S. GAAP liquidity measure, Net cash provided by (used in) operating activities.

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Net cash provided by (used in) operating activities from continuing operations	$ (42,310)	$ (13,855)	$ 54,500	$ (10,111)	$ 15,300	$ (16,258)
Purchases of property and equipment and capitalized software	(2,253)	(4,120)	(3,368)	(3,709)	(4,474)	(3,408)
Free cash flow	$ (44,563)	$ (17,975)	$ 51,132	$ (13,820)	$ 10,826	$ (19,666)
Net cash provided by (used in) investing activities from continuing operations	$ (2,483)	$ (5,469)	$ 15,568	$ (3,931)	$ 4,303	$ (3,442)
Net cash provided by (used in) financing activities	$ (2,939)	$ 1,183	$ (4,737)	$ 35,341	$ (1,721)	$ (691)

	Q1 2024	Q2 2024	Q3 2024
Trailing Twelve Month Free Cash Flow	$ (25.2)	$ 30.1	$ 28.5

**See Q3 2024 earnings press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures*